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VALUE RELEVANCE OF CORPORATE GOVERNANCE ON FIRM VALUE IN THE COMPREHENSIVE INCOME CONTEXT

Waewdao Promsen[*], Wanchai Prasertsri[**] and Wachira Boonyanet[**]

Abstract: *This study explores the value relevance of corporate governance (CG) mechanisms on firm value as representative of emerging market corporate governance standards. Unlike previous studies that devised their own criteria measuring CG mechanisms, this study successfully introduces CG proxies that are publicly available as corporate governance proxies. Also, this study extends prior studies by introducing the new context of comprehensive income. This study further introduces hierarchical regression analysis to investigate the significant impact of CG on firm value. Using an emerging market – the Stock Exchange of Thailand dataset during 2011-2012 – the analysis shows that corporate governance significantly impacts firm value. It is found that in both firms with and without other comprehensive income, and the control variables including total assets, leverage ratio and earnings before interest and tax are significantly associated with firm value. For corporate governance mechanisms, the right of shareholders in terms of cash dividend payments has the most statistical significance on firm value. In addition, the right of shareholders in terms of shareholder participation in Annual General Meetings (AGM) and the equitable treatment of shareholders in terms of voting rights are more likely to add firm value than other corporate governance proxies. Finally, this study could not find any evidence that firms use other comprehensive income to increase their firm value.*

Keywords: *Tobin's Q, CG, OCI, dividend payment, Annual General Meeting, voting right,*

1. INTRODUCTION

The ultimate goal of an organization is to create firm value with a firm taking into account the long-term impact of managerial decisions on profits. Bay (2006) reviewed prior studies and concluded that this value depends on various factors such as size, financial operation results, and the economy among others. As a result, firms have tended to look for vehicles to increase their value in various ways. Over the past two decades, corporate governance has been taken into consideration as regards increasing firm value. Recent research (i.e. Samaha, *et al.* 2012 and Chou, *et al.* 2013) still shows that good corporate governance guarantees firm success and

* Rajamangala University of Technology Thanyaburi, Thailand, *E-mail: pattapada@hotmail.com; chai_won12@hotmail.com*

** Chulalongkorn Business School, Thailand, *E-mail: wachira@cbs.chula.ac.th*

economic growth, lower costs of capital, and positive impacts on share prices. Furthermore, corporate governance can minimize wastage, corruption, risk and mismanagement. Apart from increasing firm value, when corporate governance fails, it can lead companies to manipulate their financial statements. Prior studies showed that one of the most important functions of corporate governance is to ensure the quality of the financial reporting processes (Cohen *et al.* 2004). Besides, Bushman and Smith (2001) suggested in addition to financial information, firms should help instill confidence among investors by presenting control mechanisms using corporate governance themes and also alleviate the agency problem.

However, rather than using gradual mechanisms like corporate governance mechanisms to create firm value; firms tend to manipulate their financial reporting using what is termed "short-cut methods". One area used to "cook the books" is other comprehensive income in the statement of comprehensive income. Comprehensive income is the change in equity (net assets) of a firm pending a period from transactions and other events and situations arising from non-owner sources. It contains all changes in equity during a given period, except those resulting from investments by owners and distributions to owners. In addition, it is the sum of the net income and other items that are often adjusted in the income statement because they have not been realized, including items like unrealized holding gain or loss from available for sales securities, foreign currency translation adjustment, and pension liability in the excess of unrecognized prior service costs (Dhaliwal *et al*. 1999). Hoogervorst (2012) argued that the difference between the net result and the comprehensive result through the notion "other comprehensive income items" is not yet clearly defined. The calculation of comprehensive income in compliance with the requirements of IAS 1 Presentation of Financial Statements is difficult, exposing the financial statements to possible manipulation. Moreover, the concept of comprehensive income does not eliminate the concept of net result taking into account that "other comprehensive income items" are reclassified or recycled in the profit and loss account profit as they are realized at a later date (Firescu, 2015). As a result, this study aims to investigate the value relevance of corporate governance mechanism on firm value. In addition, this study extends upon previous studies by comparing firms in different contexts: with comprehensive income and firms with other comprehensive income. It aims to investigate which firms could create higher firm value using corporate governance or other comprehensive income in an emerging market, with the Stock Exchange of Thailand as the dataset.

2. LITERATURE REVIEW

The main objective of this study was to observe the information content of corporate governance mechanisms on firm value. In addition, the study extended previous studies by introducing a new context: comprehensive income. This was to

investigate which firms can create more firm value between firms with and without other comprehensive income. Therefore, in this section, the literature review focuses on three areas including firm value measurement using Tobin's Q, corporate governance mechanisms and comprehensive income.

2.1. Tobin's Q

Tobin's Q is the ratio between the market value and the replacement value of the identical asset. It is believed that Q ratio has considerable macroeconomic significance and usefulness as the connection between financial markets and markets for goods and services (Tobin and Brainard, 1968). Prior research has linked corporate governance to firm valuation using Tobin's Q as a proxy for firm valuation (Brown and Caylor, 2006; Amman *et al.* 2011; Cheung *et al.* 2010; Connelly *et al.* 2012). Measurement of Tobin's Q is as follow:

Tobin' Q = Market value of assets/Book value of assets

Market value of assets = [(Total assets + Market value of common stock) – (Book value of common stock + Deferred taxes)]

Tobin's Q would be 1.0 if the market value returns exclusively the recorded assets of a company. When Tobin's Q is greater than 1.0, it means the market value is greater than the value of the company's recorded assets. This suggests that market value reflects some unmeasured or unrecorded assets of the company. High Tobin's Q values embolden companies to invest more in capital because they are worth more than the price they pay for them.

In this study, the measurement of firm value represented Tobin's Q. This is mainly because it is difficult to estimate future cash flow in the future and also either rates of return or marginal costs seem very difficult to estimate. However, Tobin's Q represents firm value for both the current price of the firm and also the accounting book value.

2.2. Corporate Governance Mechanisms

The Organization for Economic Co-operation and Development (OECD) has played a significant role in setting up corporate governance principles. It provides specific direction for policymakers, regulators and market participants in improving the legal, institutional and regulatory framework that underpins corporate governance with a focus on publicly traded companies. It also provides practical suggestions for stock exchanges, ensuring the basis for an effective corporate governance framework, the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the board. Conduct towards investors, corporations and other parties have a role in the process of developing good corporate governance. This

section reviews prior studies in corporate governance using the OECD corporate governance mechanism and covers the following: the rights of shareholders, equitable treatment of shareholders, roles of stakeholders, disclosure and transparency and board of directors.

2.2.1. Rights of Shareholders

The rights of shareholders – both major and minority shareholders – as shareholders are equal. The rights of shareholders comprise basic rights and management rights. Basic rights include securing methods of ownership registration, transferring shares, obtaining relevant and material information on the corporation on a timely and regular basis, participating and voting in general shareholder meetings, electing and removing members of the board, and sharing in the profits of the corporation.

Management rights are those rights to participate in management and to be sufficiently informed and notified of decisions concerning fundamental corporate change, the opportunity to participate effectively and vote in general shareholder meetings and informed clearly of the rules, including voting procedures that govern general shareholder meetings. An important mechanism in good corporate governance is the practice whereby shareholders exercise their rights in inquiring, monitoring and voting in the shareholders' meeting to ensure that management act in the best interests of the firm. To accommodate shareholders' rights to participate in making important business decisions, the Public Company Act requires the company to convene an Annual General Meeting (AGM). An effective Annual General Meeting arrangement will come from both sides – the company and shareholders – who are aware of the importance of an effective AGM. This meeting provides two-way communication for shareholders in discussing significant issues. Shareholders should attend the shareholders' meeting or appoint a person to vote on their behalf to protect their rights. Furthermore, the corporation should facilitate all shareholders to vote on important matters and provide sufficient and timely information prior to the meeting (OECD 2004).

Cheung *et al.* (2010) and Connelly et al. (2012) measure the rights of shareholders from two perspectives: shareholder rights disclosed and shareholder participation in Annual General Meetings. First, to measure the shareholder rights disclosed they used the quality of the notice to call the shareholders' meeting (appointment of directors, auditors dividend policy amount and explanation for payment), the voting method and vote counting system declared before the AGM begins. Second, they measured shareholder participation in the AGM from the attendance of the chairman of the board, and other committees in the corporation. Following on from OECD (2004), Cheung *et al.* (2010), Connelly et al. (2012), this study measures the rights of shareholders by assessing:

(1) Dividend policy: Agency problems between bondholders and shareholder or between managers and shareholder also can affect, in theory, a firm's dividend policy; the payment dividends forces the manager to obtain funds from the financial market in order to maintain the investment policy (Lambert et al.1989). Lambert et al. (1989) examined the association between the introduction of executive stock option plans and changes in corporate dividend policy. The results show the degree to which changes in dividend policy are influenced by cross-sectional difference in the individual characteristics of stock option plans. LaPorta et al. (2000) find the outcome hypothesis explains the empirical linkages between the agency costs of equity, minority shareholder rights, and observed dividend payouts. Trung and Heaney (2007) examine cross-sectional variations in dividend policy, and the impact of the largest shareholder on policy choice. They find that firms are more likely to pay dividends when profits are high, debt is low or where investment opportunities are low. Comparison of the measures of OECD (2004), Cheung et al. (2008), Connelly et al. (2012), and Stock Exchange of Thailand and Thai Institute of Directors (2012) also found out similar results Adjaoud and Ben-Amar (2010) investigate the relationship between corporate governance quality and dividend policy in Canada. They found that firm size and the level of free cash flows have positive association with dividend payouts. Thanatawee (2013) used dividend payout ratio to examine the relationship between ownership structure and dividend policy. The results show that firms with higher ownership concentration and institution compared with an individual as the largest shareholder is more likely to pay dividends and that the largest shareholder's holding is positively related to dividend payouts.

(2) Shareholder participation in Annual General Meetings: Management rights constitute voting and meeting in general meetings. It can be measured from the Annual General Meeting Assessment Project. The Securities and Exchange Commission Thailand (SEC) led a cooperative effort with the Thai Investors Association (TIA) and Thai Listed Companies Association (TLCA) in launching the Annual General Meeting Assessment Project (AGM) in 2006 to raise corporate governance awareness in the area of shareholder's participation and protection. With an Annual General Meeting evaluation checklist, the Thai Investors Association sent qualified volunteers to attend all listed companies' annual general meetings and grade their function efficiency and shareholder' rights protection (Securities and Exchange Commission Thailand, 2006). The efficiency of the AGM will be advantageous to not only listed companies in reaching

international standards but also to investors in evaluating the listed firm's corporate governance based on their protection of shareholders' rights.

The results of the Annual General Meeting (RAGM) evaluated from the ASEAN Capital Market Forum and the Asian Development Bank (2013) show that Thailand follows good practices in allowing shareholders to elect the director individually, disclosing the outcome of the AGM by the next working day, disclosing the voting results including approving, dissenting, and abstaining votes for each agenda item, providing rationale and explanation for each agenda item in the notice of the AGM, organize the AGM in an easy-to-reach location.

Hodges *et al.* (2004) investigated attendance and procedures at the Annual General Meeting of National Health Service (NHS) Trusts. They found that attendance was low with, on average, more employees than external stakeholders at the meeting. The absence of any decision-making authority was explained by the existence of other mechanisms of governance and control in the trusts' regulatory space. Apostolides (2007) explores the role of the AGM in the mediations between the board of directors of a company and its shareholders to assess whether directors at any particular AGM appear to be making the meeting inclusive for the shareholders.

2.2.2. Equitable Treatment of Shareholders

OECD (2004) also states that the corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. The equitable treatment of shareholders should be measured from the information contact for shareholders, Annual General Meeting, and prevention of insider trading by stakeholders. The ASEAN Capital Market Forum and Asian Development Bank (2013) find that most Thai listed companies issue the notice of shareholders' meeting with the full details of the auditor and dividend agenda, and without the bundling of several items onto the same agenda together with a policy on insider trading. In this study, following on from the ASEAN Capital Market Forum and Asian Development Bank (2013), insider trading was considered an independent variable. Connelly *et al.* (2012) measure the treatment of shareholders by addressing the voting rights for shares, shareholder conflicts, proxy voting and information alerts for shareholders. This study follows OECD (2004), Cheung *et al.* (2010), and Connelly *et al.* (2012) in measuring the rights of shareholders as follows:

(1) Voting rights of shares: All shareholders carry equal voting rights in the meeting in accordance with the amount of the shareholding. One share is equal to one vote. Bethel and Gillan (2002) explored the impact on shareholder voting and proposal passage of certain features of firms' institutional and regulatory environment. They found that in a number of

instances state and federal securities law and the rules of the securities exchange that govern the voting of shares held by brokers in street name affected shareholder voting and proposal passage. Romano (2003) examined the impact of the adoption of confidential corporate proxy voting on proposal outcomes through a panel data set of shareholder and management proposals submitted of firms that adopted confidential voting. The results show that confidential voting has no significant effect on voting outcome. Connelly *et al.* (2012) measured the voting rights of shares by one share, one vote as the dummy variable. Furthermore, the Stock Exchange of Thailand and Thai Institute of Directors (2012) measured the equitable treatment of shareholder from the company offer of one-share, one-vote. Following on from Connelly *et al.* (2012), this study gave a score of one if the firm had a one share, one vote policy in the shareholder meeting, and zero otherwise.

(2) Shareholder conflict: Connelly *et al.* (2012) used two keys for measuring shareholder conflict. First, they used the system established to prevent the use of material inside information and to inform all employees, managers, and board members. Second, the rationale/explanation offered for related-party transactions. Many firms set regulations to prevent insider trading by members of the executive committee and staff who have access to such information. The company prohibits such persons from buying or selling the company's securities in the time prior to the disclosure of the financial statement and the annual financial statement. Thus, this study measures shareholder conflict from insider trading.

(3) Proxy voting: The OECD principle states that shareholders should be able to vote in person or in absentia, and equal effect should be given to the vote for both cases. It is recommended that voting by proxy be generally accepted, as it is important to the promotion and protection of shareholder rights. Connelly *et al.* (2012) measured the proxy voting forms sent to shareholders along with the AGM notice to shareholders. Furthermore, the IOD measures the equitability of shareholders from the company's facilitation of voting by proxy, the notice to shareholders specifying the documents required giving proxy, and whether there are any requirements for a proxy appointment to be notarized. In this study, this measure equaled one if the firm sent a proxy voting form to shareholders with the AGM notice, and zero otherwise.

2.2.3. Roles of Stakeholders

OECD (2004) states that, the company should recognize the rights of stakeholder established law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the

sustainability of financially sound enterprises. Stakeholders can be divided into internal stakeholders (shareholder, employee) and external stakeholders (customers, employees, creditors, business partners, competitors, environment and society). Stakeholders are affected by the decisions and actions that the firms make and as such the companies should behave ethically and in a socially responsible manner and the company must undertake social responsibilities by enhancing the well-being of various stakeholders (Stock Exchange of Thailand and Thai Institute of Directors, 2012). The Stock Exchange of Thailand and Thai Institute of Directors (2012) measure the role of shareholders from company policy for employee compensation and welfare benefits. The ASEAN Capital Market forum and Asian Development Bank (2013) present the strengths in the role of the stakeholder category. Most Thai listed companies have set policy on the treatment of stakeholders and the number of corporate responsibility report in the annual report. This study measured the role of stakeholders from the remuneration of boards (The Stock Exchange of Thailand and Thai Institute of Directors, 2012).

The remuneration of board comprises: 1) meeting allowance and gratuity, and 2) salary and bonus. The pay-performance link is important because it measures the extent to which the CEO's remuneration is tied to changes in firm performance, and therefore the extent to which management and shareholder incentives are aligned via performance pay (Clarkson et al. 2011). Defranco et al. (2010) suggested that a strong pay-performance association in the post-reform period suggests that the regulatory changes have improved the board's ability to evaluate and reward management effectiveness, and confirms the agency theory prediction that disclosure leads to better monitoring. Haye (1997) studied remuneration in small and medium-size banks to holding companies located throughout the United States, accounting for all executives within the senior hierarchy. Dependent variables were included: total compensation received by the executive, salary compensation, or base pay received by the executive, bonus payment received by the executive, and profit-sharing payments received by the executive. The results that the senior executives of banking companies located in concentrated deposit markets received more incentive compensation and less salary than executives in more competitive markets. Clarkson *et al.* (2011) studied the effect of increased shareholder oversight and disclosure about executive remuneration on pay-performance, controlling for contemporaneous changes in corporate governance practice. The results show that pay-performance relating to CEO remuneration positively associated to firm performance. This study measures the remuneration of the board from meeting allowance and gratuities, salary and bonus as disclosed in the annual report.

2.2.4. Disclosure and Transparency

Prior studies carried out research on disclosure and transparency. For example, Sammaha et al. (2012) evaluated the extent of voluntary disclosure in corporate

governance and the impact of a comprehensive set of corporate governance attributes as follows: board composition, board size, CEO duality, director ownership, blockholder ownership and the existence of an audit committee of voluntary corporate governance disclosure. The measure of disclosure was based on the published data created using a checklist developed by the United Nations by content analysis technique. The results show that firms with higher numbers of shares, large numbers of independent directors on boards and firms of large size are more likely to provide higher levels of corporate governance voluntary disclosures. Firms with large block holder ownership and role duality are more likely to provide less corporate governance voluntary disclosures. Also LEV is not statistically significant in any of the corporate governance disclosure models.

Yu (2010) examined the effects of corporate governance disclosures using a cross-section regression model with forecast accuracy, forecast dispersion as the dependent variables and the transparency and disclosure raking score (T&D) as the independent variable of primary interests. They used the list of questions regarding 98 disclosure items, classified into three aspects of corporate governance practices: ownership structure and investor rights, financial transparency and information disclosure, and board structure and process. The results suggested that more disclosures of corporate governance information, measured by a higher T&D score, significantly increase the accuracy of analyst annual earnings forecasts. Analyst forecast accuracy is positively related to the quantity of governance disclosures at the firm level and forecast dispersion is negatively related to it. Limitation of previous studies of transparency and disclosure score is a measure of the quantity of governance disclosures, not a measure of disclosure quality. They used a quantitative dimension for the disclosure measure. Companies that omit or do not comply with a specific scoring criterion receive a 'poor' score (score=1). Meeting the minimum compliance standard earns a firm a score of 'fair' (score=2), and a firm that exceeds the minimum requirements and/or meets international standards receives a higher score (score=3). Then, they calculated the Transparency Index as the equally weighted score of all 56 criteria. Firms with a better quality of disclosure practice had higher scores. They used Tobin's Q and market-to-book ratio (MTBV) as proxies for firm value. The results showed that the Transparency Index indicates a positive and significant relationship between company transparency and market value.

Eng and Mak (2003) examined the impact of ownership structure and board composition on voluntary disclosure. Ownership structure proxy was characterized by managerial ownership, blockholder ownership and government ownership, and board composition. Voluntary disclosure was an aggregated disclosure score of non-mandatory strategic, non-financial and financial information. They found that lower managerial ownership and significant government ownership are associated with increased disclosure, larger firms and firms with lower debt have greater

disclosure but blockholder ownership is not related to disclosure. Chi (2009) used the Information Transparency and Disclosure ranking system developed by the Taiwan Stock Exchange Corporation (TSEC) and The Gre Tai Securities Market (GTSM) to evaluate the degree of corporate transparency and information disclosure of corporate governance practices to help explain the firm performance of companies in Taiwan. Chang and Sun (2010) examined whether the SOX's mandated disclosure of corporate governance structures affects the market valuation of earnings surprises for US firms. They used the relationship between discretionary accruals and firms' corporate governance structures to measure the effectiveness of corporate governance in monitoring earnings management. The results showed that the market valuation of earnings surprises is significantly higher for firms which disclose stronger corporate governance functions. In addition, they found that the effectiveness of corporate governance in monitoring earnings management improves after mandated disclosure. Ştefãanesu (2011) compared the empirical findings related to the level of disclosure ensured by corporate governance codes in force in 27 European Union member states with respect to OECD principles, with prior related research results. The results indicated that the common law regime ensures the highest level of transparency through corporate governance requirements and that the compliance of corporate governance codes with OECD principles is consistent with disclosure by considering codes' issuer type and countries' legal regime.

The disclosure and transparency category contains the corporate governance assessment pertaining to the disclosure of mandated and voluntary corporate information through a variety of channels to reach all interested and relevant parties in a timely manner (Stock Exchange of Thailand and Thai Institute of Directors, 2012). The OECD requires that timely and accurate disclosure is made on all material matters regarding the corporation including the financial situation, performance, ownership, and governance of the company. This study measures disclosure and transparency from the disclosures of material information, quality of annual report, external disclosure, multiple channels used to provide access to information, and investor relations activities. The ASEAN Capital Market Forum and Asian Development Bank (2013) found that Thai listed companies disclosed details of related-party transactions, audit and non-audit fees and affirmation of the annual financial statement by the board of directors.

Material information: The fraction of shares owned by the five largest shareholding interests is more likely to be representative of the ability of shareholders than the fraction of shares owned by management is likely to be representative of the ability of professional management to ignore shareholders (Demsetz and Villalonga, 2001). Claessens *et al.* (2002) investigated the valuation of publicly traded East Asian corporations relative to their ownership structure. They divided the owner type according to the percentage of the largest shareholder

as follows: ten percent cutoff for effective control of the largest shareholder, twenty percent for effective control of the largest shareholder, and forty percent cutoff for effective control of the largest shareholder. Connelly *et al.* (2012) measured disclosure of material information from the transparency of the ownership structure, directors' shareholdings, and management shareholding measure. Annual reports of Thai listed companies disclosed ownership structure under the heading of "list of top ten largest shareholders" so they can be measured in more concrete terms than the method employed by Connelly *et al.* (2012). Thanatawee (2013) measured the ownership structure of Thai firms from the percentage of shares held by: the largest shareholder, the five largest shareholders, institutional shareholders, domestic institutional shareholders, foreign institutional shareholders, individual shareholders, domestic individual shareholders, foreign individual shareholders and foreign shareholders. Thus, this study measured ownership structure from the percentage of the five largest shareholders and divided ownership into four groups: family group, individual shareholders, foreign investors, and institutions. Minguez-Vera and Martin-Ugo (2007) used individual shareholder (a binary variable that takes the value of one when the main shareholder is an individual, and zero otherwise), the percentage of shareholder ownership (LaPorta *et al.* 1999), percentage of family ownership (Gerke *et al.* (2003) and percentage of institutional ownership to analyze the relationship between the ownership of large blockholders and firm value. Minguez-Vera and Martin-Ugo (2007) measured individual investors by binary variables, but this study used percentage of individual investors. As regards foreign investors, Choi *et al.* (2007) examined the valuation impact of outside independent directors in Korea. They used foreign investor ownership as the shareholder type proxy, is the ownership percentage held by all registered foreign investors.

Institutional investors can exert greater control for reasons of economies of scale in corporate supervision (Diamond, 1984). Furthermore, Pound (1989) argued that institutional investors may have more experience when it comes to exercising control, and can do so at less cost. Bethel and Gillan (2002) used the percentage of shares owned by institutions for institutional ownership. Acker and Athanassakos (2003) found that the control exercised by institutions has a positive effect on firm value. Ashbaugh *et al.* (2004) used the percentage of shares held by institutional investors to capture the positive or negative effects of institutional share ownership.

Mitton (2002) carried out across-firm analysis of the impact of corporate governance on the East Asian financial crisis. The results showed that the divergences of the cash flow/voting right had a negative impact on firm value. Large non-management blockholder improve firm value, especially during crises. Lins (2003) identified large non-management control rights blockholdings as being positively related to firm value by examining the relationship between equity ownership and firm value in emerging markets. The deviation of cash flow rights

from voting rights by management shareholdings equates with lower firm value. Claessens *et al.* (2002) found that firm value is higher when the largest owner's equity stake is larger, but lower when the wedge between the largest owner's control and equity stake is larger. Douma *et al.* (2006) compared foreign and domestic ownership business groups and firm performance among India companies. The results showed that foreign ownership both by institutions and corporations improved Tobin's Q. Group membership had a substantially negative impact on ROA. Bae *et al.* (2007) investigated controlling shareholders' expropriation incentives to ascertain as a link between corporate governance and firm value. They found that controlling shareholders' expropriation incentives resulted in a link between corporate governance and firm value. During the 1997 crisis, a firm with weak corporate governance experiences a larger drop in the value of their equity but during the post crisis recovery period such firms experience a larger rebound in their share values. Cueto (2007) examined the relationship between corporate governance and ownership structure in listed companies from Brazil, Chile, Colombia, Peru and Venezuela. The results show that higher ratios of cash flow rights to the voting rights held by the dominant shareholder were significantly associated with higher q values. The higher voting rights held by the dominant shareholder were associated with lower Tobin's Q. Lei and Song (2008) built a corporate governance index covering the areas of board structure, ownership structure, compensation, and transparency. They concluded that family-based and small firms have poor internal corporate governance mechanisms and tend to pay themselves slightly higher and firms with better corporate governance ratings have higher firm value.

2.2.5. Responsibility of Boards

Prior studies often used the board of director's proxy to measure the effect between firm value and market value. Peng (2004) find affiliated outside directors had positive and significant impact on sales growth from examining the relationship between proportion of affiliated and nonaffiliated outside directors and ROE and growth sales. Mak and Kusnadi (2005) addressed the relationship between the proportion of independent directors and firm value in Malaysia and Singapore. The results indicated that independent directors were not significantly related to firm value. Choi, Park and Yoo (2007) looked at the value of outside directors and firm value in Korea. Their study identified a positive significance as concerns the proportion of independent directors but not as regards the proportion of outside directors. Using Tobin's Q, Dahya *et al.* (2008) found that the proportion of outside directors was of positive significance in a sample of 22 countries including seven emerging markets in 2002.

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's

accountability to the company and the shareholders (OECD, 2004). Basic board responsibilities are to create and review a statement of vision and mission that articulates the organization's goals and primary constituents, to participate in an overall planning process and to assist in implementing and monitoring the plan, to secure adequate financial resources for the organization to fulfill its mission, to assist in developing the annual budget and ensuring that proper financial controls are in place, to articulate prerequisites for director candidates, to orient new board members, and to periodically and comprehensively evaluate their own performance, to adhere to legal norms and high ethical standards, to undertake a careful search to find the most qualified chief executive, and to support and evaluate the chief executive among others (Stock Exchange of Thailand and Thai Institute of Directors, 2012). The company must have its own written corporate governance rules describing the value system and board responsibility (Cheung, 2010; Connelly *et al*. 2012). Firms with busy boards, those in which a majority of outside directors hold three or more directorships, are associated with weak corporate governance (Fich and Shivdasani, 2006). Connelly *et al.* (2012) measured board responsibilities from the index of board monitoring/control efforts (board member training, board meeting frequency, attendance of board members, and risk management policy). The ASEAN Capital Market Forum and Asian Development Bank (2013) addressed the roles and responsibilities of the board, disclosure of the company's corporate governance policy and conduct of conduct, spate roles of the chair and the chief executive officer, chair is an independent director, good structure of board committees, scheduling board meetings before or at the beginning of the year, board meetings are held at least six times per year, and board establishment and review of the internal control and risk management system. The variables of board responsibility include:

(1) Board members: Jensen (1993) suggested that boards with more than approximately to eight members are more probably to be controlled by the CEO. Yermack (1996) confirmed the findings of Jensen (1993) that large boards are associated with lower firm value. Mak and Kusnadi (2005) examined the impact of corporate governance mechanisms on the firm value of Singapore and Malaysia firms. The board variables that they used board size, proportion of executives, audit committee, and proportion of executive and independent directors, and measurement in a dummy variable. However, in this study the number of board members to measure the board members was used and included: board of directors, audit committee, remuneration committee, independent director, and nominating committee.

(2) Board meeting attendance (meeting time and overall attendance): Vafeas (1999) examined the association between board activity, measured by the frequency of board meetings, and corporate performance. The results showed that board meeting frequency is related to corporate governance

and ownership characteristics in a manner that is consistent with contracting and agency theory and the annual number of bard meetings is inversely related to firm value. Brick and Chidambaran (2010) looked at the determinants of board monitoring activity and its impact on firm value for the board panel of a firm. Their finding was that that board activity has a positive impact on firm value. Balasubramanian et al. (2010) used board composition and independence, and number of board meetings per year to study the relation between firm level corporate governance and market value in India. Chou *et al.* (2013) investigated board meeting attendance and its effects on the performance of Taiwanese listed corporations and discovered that ownership by the largest shareholder of a company also has a positive effect on the directors' own meeting attendance. In addition, high meeting attendance by directors themselves can enhance a firm's performance but high attendance by their representatives has an adverse effect, while the independence of directors or a board is positive associated with firm performance. In this study the measurement of board meeting attendance was obtained from the percentage of board meeting attendance.

2.3. Comprehensive Income

In financial reporting, income is divided in a multitude of ways, and firms have some leeway on when to recognize and report their earnings. However, accounting standards setters gives a broad view of present income covering comprehensive income and other comprehensive income. Yen *et al.* (2007) stated that comprehensive income is used to measure the change in an owner's interest in a business. This is done by charting the change in a company's net assets from non-owner sources, including all income and expenses that usually bypass the income statement because they have not yet been realized. Comprehensive income is normally listed in a separate statement than income, which does include changes in owner equity. Comprehensive income is calculated by adding net income, the sum of recognized revenues minus the sum of recognized expenses, to other comprehensive income. Other comprehensive income is a catch-all for all of the items that cannot be included in typical profit and loss calculations. Examples of the types of changes captured by other comprehensive income include:

- Changes in revaluation surplus where the revaluation method is used under IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- Re-measurements of a net defined benefit liability or asset recognized in accordance with IAS 19 *Employee Benefits* (2011)
- Exchange differences from translating functional currencies into presentation currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*

- Gains and losses on re-measuring available-for-sale financial assets in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*
- The effective portion of gains and losses on hedging instruments in a cash flow hedge under IAS 39 or IFRS 9 *Financial Instruments*
- Gains and losses on re-measuring an investment in equity instruments where the entity has elected to present them in other comprehensive income in accordance with IFRS 9
- The effects of changes in the credit risk of a financial liability designated as at fair value through profit and loss under IFRS 9.

Prior research on comprehensive income is as follows. From the point of view of economic research, the format of the presentation of accounting information is irrelevant as long as the same items are included. Empirical and experimental accounting research does show that presentation format might influence investor decisions (Hirst and Hopkins, 199; Maines and McDaniel 2000). Prior research provides mixed evidence of the value-relevance of other comprehensive income. The results of previous research could be divided in to two groups. The first group found very little evidence supporting the value relevance or incremental usefulness of comprehensive income over other measures of net income and operating income (Dhaliwal *et al.* 1999; Cahan *et al.* 2000; Bamber *et al.* 2007; Goncharov and Hodgson, 2008). Dhaliwal *et al*. (1999) suggested that among the components of other comprehensive income, only the marketable securities adjustment improves the association between income and returns. Cahan *et al*. (2000) reached similar conclusions from their study on the value relevance of comprehensive income in New Zeland during 1992-1997. Bamber *et al.* (2007) argued that managers believe reporting comprehensive income in the more salient performance statement will lead to financial statement users perceiving the firm's performance as more volatile and therefore have a negative impact on stock prices and evaluations of managerial performance. The results show that when CEOs have more powerful equity-based incentives or less secure positions, the firm is less likely to report comprehensive income in the more salient performance statement and is more likely to relegate it to the statement of changes in equity. Furthermore, managers with less job security on average making reporting choices that reduce transparency is of interest in its own right. The effect of equity-based compensation extending prior research showing that equity-based compensation increases incentives for earnings management by providing evidence that equity incentives affect other accounting choices and the decision to disclose comprehensive income in a more or less salient location. Managers stated concerns that investors may overact to other comprehensive income items that are saliently reported. Goncharov and Hodgson (2008) also found that net income is better than comprehensive income in terms of value relevance and ability to predict future cash flows from operations of firms from 16 European countries.

The second group of researchers found that other comprehensive income is value relevance (Choi and Zang, 2006; Mitra and Hossian, 2009; Jones and Smith, 2011; Lee and Park, 2013; YousfiNejd *et al.* 2014). Choi and Zang (2006) examined the association of comprehensive income with subsequent period net income as well as earnings forecasts. The results show that comprehensive income is incrementally useful in predicting subsequent period changes in net income. Comprehensive income is associated with analysts' earnings forecast revisions and forecast errors. Other comprehensive income components are associated with the forecast revisions and forecast errors of subsequent periods. When net income is greater than comprehensive income, analysts face greater difficulty in predicting future earnings. An asymmetry in the analysts appears to use comprehensive income more in the presence of unrecognized losses, but the revised forecasts are still related to error in the forecasts. Mitra and Hossian (2009) examined the value relevance of pension transition adjustments and other comprehensive income components in the initial adoption year of Statement of Financial Accounting Standard (SFAS) 158 (Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans). The results indicate that there is a negative relationship between both the level and change in stock returns and the magnitude of pension transition adjustments. Also, earning measures and some other comprehensive income components were found to be significantly associated with stock returns. Jones and Smith's (2011) empirical study compared other comprehensive income and special items gains and losses using a model that jointly estimated value relevance, predictive value and persistence. The results revealed that both special items and other comprehensive income gains and losses are value relevant, but special items gains and losses exhibit zero persistence (i.e., are transitory), while the other comprehensive income gains and losses exhibit negative persistence (i.e., partially reverse over time). Furthermore, special gains and losses have strong predictive value for the forecasting of future net income and future cash flows, whereas other comprehensive income gains and losses have weaker predictive value. Lee and Park (2013) further investigated the value relevance of other comprehensive income by examining the role of audit quality. They investigated whether the other comprehensive income of the Big 4 clients is more value-relevant than that of non-Big 4 clients. The results showed that other comprehensive income audited by a Big 4 auditor has more incremental information content over earnings compared to other comprehensive income audited by a non-Big 4 auditor. The results indicate that the difference is stronger for other comprehensive income components of a more subjective nature. YousfiNejd et al. (2014) examined the association between share price and changes in the fair value components of other comprehensive income in Malaysia. The results provided support that changes in fair value components of other comprehensive income is value relevant.

3. RESEARCH DESIGN

This section focuses on the research methodology used in this study. First is an explanation of the statistical tools employed in the analysis – hierarchical multiple regression – and then the population and examples are identified. All variables set up in the analysis are mentioned later.

3.1. Hierarchical Multiple Regression Concept

Multiple regression is used as a data-analytic strategy to explain or predict a criterion (dependent) variable with a set of predictor (independent) variables. Wampold and Freund (1987) provided an important and useful overview of the practical uses of multiple regression procedures for counseling research. They also described the distinction between simultaneous, stepwise, and hierarchical regression. In short, simultaneous regression involves cases in which the investigator enters all of the predictors into the analysis at once. Stepwise regression involves choosing which predictors to analyze on the basis of statistics. Hierarchical regression involves theoretically based decisions for how predictors are entered into the analysis. Simultaneous and stepwise regressions are typically used to explore and maximize prediction, whereas hierarchical regression is typically used to examine specific theoretically based hypotheses (Aron & Aron, 1999; B. H. Cohen, 2001).

Also, B. H. Cohen (2001) and Wampold and Freund (1987) noted that hierarchical regression has been designed to test such specific, theory-based hypotheses. In stepwise and simultaneous regression, a common focus is on determining the "optimal" set of predictors, by limiting the number of predictors without significantly reducing the R^2 coefficient. These methods may also be used to examine the degree of standardized unit change in the criterion for every standardized unit change in the predictor variable when holding all other predictor variables in the model constant (at their mean) as indicated by the â coefficient (standardized partial regression coefficient). However, in hierarchical regression, the focus is on the change in predictability associated with predictor variables entered later in the analysis over and above that contributed by predictor variable entered earlier in the analysis. For instance, a researcher may want to know the extent to which measures of positive expectations about counseling and client attendance rate predict therapy outcome over and above preexisting psychopathology variables. In such a case, hierarchical regression analysis would be appropriate, provided that preexisting psychopathology variables are entered into the analysis first, followed by positive expectations about counseling and then attendance rate (because preexisting psychopathology and expectancies precede attendance, this is an important consideration in hierarchical regression and discussed later). Substantive theory is also strongly considered in specifying the order of entry. Change in R^2 (ΔR^2) statistics are computed by entering predictor variables into the analysis at different steps. A predetermined, theoretically based

plan for the order of predictor variable entry, held at the discretion of the researcher, is imposed on the data. Statistics associated with predictor variables entered in later steps are computed with respect to predictor variables entered in earlier steps. Thus, ΔR^2 and its corresponding change in F (ΔF) and p values are the statistics of greatest interest when using hierarchical regression (Wampold & Freund, 1987). The corresponding ΔF value for ΔR^2 would allow a researcher, interested in the example described above, to determine if the ΔR^2 statistics due to positive expectations about counseling and attendance rate significantly improve the model's ability to predict therapy outcome over and above that which can be predicted by preexisting psychopathology variables. With a focus on ΔR^2, rather than on β or structure coefficients (Courville & Thompson, 2001; Thompson & Borrello, 1985), less attention is given to how predictor variables are reevaluated on the basis of their corresponding βs and structure coefficients when other predictors are added to the analysis, as was often done in stepwise regression. Usually, if a β coefficient associated with a predictor variable is reported in a hierarchical regression study, it is that which was computed for the step in which it was first entered. Thus, the reported β of the predictor variable entered in Step 2 is computed while statistically controlling for the variable entered in Step 1; the reported β of the predictor variable entered in Step 1 is not that which is reevaluated in Step 2. Sometimes, experimenters report all of the coefficients for each variable at each step, including a variable's second, third, or fourth reevaluated â coefficient. Perhaps this pattern of analysis is evidence of the experimenter's misunderstanding of hierarchical regression or the experimenter's temptation to answer a different question than the one he or she conducted the analysis for in the first place. In such cases, a simultaneous regression may be more appropriate. However, the choice among methods of multiple regressions depends on the research question being asked, the hypothesis being tested, and the logic behind the research design.

3.2. Population and Sample

An empirical research method based on secondary data was applied in this study. The population used in this study comprised all listed companies traded on the Stock Exchange of Thailand (SET) during 2011-2012. The main reason for choosing this period is because The Federation of Accounting Professions in Thailand adopted TAS 1, effective on 1 January 2011. Listed companies owned by property funds were excluded from the data set because of different corporate governance (Pithan et al. 2008; Issanawornrawanich and Jaikengkit, 2011). Also, missing data and that for the fiscal year not ended 31 December were not included in the dataset. Data collection relating to corporate governance mechanisms is publicly available in annual report, company's websites and Annual General Meeting assessment (AGM) from the Thai Investors Association. In addition, the data on net income and comprehensive income were retrieved form SETSMART (SET Market Analysis and Reporting Tool). The dataset was divided into two sets: firms with other

comprehensive income and firms without other comprehensive income. A total sample of 756 observations was made over two years divided as follows: 330 firms in 2011 of which 152 provided other comprehensive income; 426 firms in 2012 of which 226 firms provided other comprehensive income. Table 1 presents the types of other comprehensive income of Thai listed companies in the dataset.

Table 1
Types of other comprehensive income of Thai listed companies

Items	*2011*	*2012*
Exchange differences in translating foreign operations	7	6
Gains (losses) on cash flow hedges	5	4
Actuarial gains (losses) on employee benefit plans	15	68
Unrealized gains (losses) on available-for-sale financial assets	123	84
Income tax relating to components of other comprehensive income	11	19
Change in assets revaluation surplus	24	17
Share of other comprehensive income of associates	2	2
Other comprehensive income – others	21	24

After data collection was completed, multiple regression was used to analyze the data. All five assumptions of multiple regression were tested including error or residual as to whether they were normally distributed. If the analysis revealed multicolinearity to be an issue, natual log (ln) was employed to transform the data. The test results showed that tolerance was low value or near 0, while VIF was not higher than 10. Therefore, the dependent variables did not have any multicolinearity concerns. Hierarchical multiple regressions were used to test the statistical significance of the association between the dependent variable and the independent variables. The study also attempted to compare the results using two statistical software packages SPSS and STATA, and the analysis came out similarly. The statistical results shown in this study represented the SPSS outputs.

3.3. Variables

Based on prior studies and those newly introduced, the variables used in this study were as follows:

Variables	*Definition*
Q	Tobin's Q
SIZE	Total assets
LEV	Debt to Equity
EBIT	Earnings before interest and tax
R_DIV	Dividend payout selected from statement of cash flow
R_AGM	Rating of Shareholder participation in Annual General Meeting (AGM); Outstanding=6, Excellent=5, Very good=4, Good=3, Rather=2, Need to improve=1

R_INFO	Number of the days in advance the company sent out the notification of general shareholders meeting directly to shareholders and website notification
E_VOTE	Voting rights of shares by one share, one vote. If firm provides one-share, one-vote for shareholder rights = 1; otherwise, 0.
E_SHA	Number of days prohibiting block-out period (the company prohibits the members of the executive committee and staff who can access the information to buy or sell the company's securities prior to the disclosure of the financial statements)
S_MSB	Director remunerations (Meeting allowance, Salary and Bonus)
D_FIVE	Percentage of shares held by the five largest shareholders
B_BDM	Percent of board of director meeting attendance
B_ACM	Percent of audit committee meeting attendance

4. DESCRIPTIVE STATISTICS

Tables 2 and 3 present descriptive statistics consisting of maximum, minimum, mean, standard deviation of all observations made in 2011 and 2012. The table is divided by firms with other comprehensive income and firms without other comprehensive income for all variables. The analysis of correlation comparing firms with other comprehensive income and firms without other comprehensive income

Table 2
Descriptive Statistics in 2011

Variables	*Firms with other comprehensive income*				*Firms without other comprehensive income*					
	Min	*Max*	*Mean*	*SD.*	*Min*	*Max*	*Mean*	*SD.*	*t-stat*	*p-value*
Q	-23.20	15.80	1.81	2.81	-6.83	1.80	1.99	5.50	1.94	0.05
lnQ	-0.80	2.76	0.55	0.53	-2.81	4.40	0.43	0.65		
SIZE (mb)	147	820,000	20,311	73,05	48	270,000	7,290	21,804	3.71	0.01
lnSIZE	11.90	20.52	15.24	1.61	10.79	19.43	14.68	1.33		
LEV (times)	-19.20	5.72	0.75	1.95	-5.67	122.83	2.02	10.18	-5.98	0.55
EBIT (Baht)	-2,300	190,000	3,611	17,390	2,300	38,000	865	3,351	3.03	0.03
lnEBIT	7.22	19.04	13.07	1.9	8.88	17.46	12.47	1.5		
R_DIV (mb)	3	33,000	1,163	3,917	1	24,000	566	2,089	1.77	0.07
lnR_DIV	8.08	17.31	12.01	1.86	7.31	17	11.64	1.64		
R_AGM (times)	1	6	3.67	1.91	1	6	3.23	1.95	2.15	0.03
R_INFO (days)	7	60	22.26	12.74	7	60	18.7	11.55	2.76	0.01
E_VOTE	0	1	0.79	0.41	0	1	0.80	0.40	-0.31	0.89
E_SHA (days)	7	45	29.10	5.21	3	60	28.71	5.73	0.57	0.56
S_MSB (mb)	2	22,002	198	1,792	1	291	31	32	0.49	0.01
lnS_MSB	14.74	23.81	17.46	1.02	13.93	19.49	16.93	0.83		
D_FIVE (%)	21.91	100	61.27	17.06	5.68	100	61.69	19.11	-0.22	0.82
B_BDM (%)	49.21	100	91.81	8.02	55	100	90.27	9.14	1.69	0.09
B_ACM (%)	58.34	100	94.98	8.34	53.33	100	94.81	8.22	0.16	0.86

(mb = Million Baht, 33 Baht = 1 US$)

is also provided in the tables. It should be noted that if the analysis encountered multicolinearity problems, natural log (ln) was employed to solve them.

The significant findings of the descriptive statistics over the two-year period are as follows: In 2011, the average of the Tobin's Q of firms with other comprehensive income was equal to 1.81, while the average of the Tobin's Q of firms without other comprehensive income was equal to 1.99. This difference is statistically significant at a significant level of 0.05. In 2012 the average of the Tobin's Q of firms with other comprehensive income was equal to 2.61, while the average of the Tobin's Q of firms without other comprehensive income was equal to 2.01. This difference was statistically significant at a significant level of 0.01. These results clearly highlight that firms with and without other comprehensive income provide significant firm value. At a significant level of less than 0.05, the descriptive variables that were statistically significant in their difference included Total assets (size), Earnings before interest and tax (EBIT), Cash dividend payment (R_DIV), Rating of Shareholder participation in Annual General Meeting (R_AGM), Number of days in advance the company sent out the notification of general shareholders meeting (R_INFO) and Director remunerations (meeting allowance, salary and bonus) (S_MSB).

Table 3
Descriptive Statistics in 2012

Variables	*Firms with other comprehensive income*				*Firms without other comprehensive income*					
	Min	*Max*	*Mean*	*SD.*	*Min*	*Max*	*Mean*	*SD.*	*t-stat*	*p-value*
Q	-26.33	21.59	2.61	3.55	-7.84	26.80	2.01	2.61	3.308	0.01
lnQ	-0.76	3.07	0.79	0.63	-0.94	3.29	0.58	0.56		
SIZE (mb)	305	970,000	22,029	81,259	44	330,000	7,417	24,392	4.926	0.01
lnSIZE	12.63	20.70	15.39	1.55	10.71	19.52	14.65	1.34		
LEV (times)	-14.2	10.47	0.74	1.97	-5.93	17.08	1.16	2.12	-0.96	0.33
EBIT (Baht)	-13,000	190,000	3,611	17,107	-7,300	16,000	734	2.242	4.48	0.01
lnEBIT	9.58	19.07	13.35	1.72	8.34	16.58	12.56	1.47		
R_DIV (mb)	.5	34,000	1,284	4,528	.2	50,000	705	4,268	3.18	0.01
lnR_DIV	6.13	17.35	12.01	1.91	5.59	17.72	11.32	1.78		
R_AGM (times)	1	6	3.94	1.74	1	6	3.71	1.76	1.27	0.20
R_INFO (days)	0	60	22.38	12.51	0	60	17.76	11.67	3.72	0.01
E_VOTE	0	1	0.85	0.36	0	1	0.85	0.36	0.11	0.91
E_SHA (days)	3	60	29.14	5.96	3	30	28.27	5.87	1.25	0.20
S_MSB (mb)	2	250	50	45	1,155	431	32	39,606	4.92	0.01
lnS_MSB	14.82	19.34	17.38	0.90	13.96	19.88	16.93	0.85		
D_FIVE (%)	16.59	100	62.16	17.75	0.93	98.14	59.55	19.74	1.349	0.17
B_BDM (%)	53.97	100	91.68	8.32	55.10	100	90.81	9.38	0.959	0.33
B_ACM (%)	33.33	100	94.48	10.45	62.5	100	93.81	8.59	0.584	0.56

(mb = Million Baht, 33 Baht = 1 US$)

5. HIERARCHICAL MULTIPLE REGRESSION RESULTS

In this section, the analysis aims to investigate the association between corporate governance and firm value using hierarchical multiple regression. As mentioned in the objective, the analysis focuses on both firms with comprehensive disclosure and non-comprehensive disclosure. A six stage hierarchical multiple regression was conducted with satisfaction as the dependent variable. As control variables, total assets (SIZE), debt to equity (LEV) and earnings before interest and tax (EBIT) were entered at the first stage of the regression. In the second stage, the regression analysis added the right of shareholders proxy including dividend payout (R_DIV), shareholder participation in annual general meetings (R_AGM) and number of days in advance the company sends out the notice of general shareholders meeting to direct shareholders and/or websites (R_INFO). In the third stage, the regression analysis added equitable treatment including the voting right of shares by one share one vote (E_VOTE), number of days in the prohibition extending to the Blackout Period (E_SHA). In the fourth stage, the regression analysis included the role of stakeholders including total meeting allowance, salary and bonus (S_MSB). In the fifth stage, the regression analysis included disclosure and transparency (D_FIVE). In the final stage, the regression analysis included the responsibility of board consisting of the percentage of board of director meeting attendance (B_BDM) and percentage of audit committee attendance (B_ACM). Tables 4 and 5 show the results of the hierarchical multiple regressions of all corporate governance mechanisms under control variables and Tobin's Q.

Table 4 shows that in 2011, in the first step of the hierarchical multiple regression of firms with other comprehensive income, all control variables were entered: SIZE, LEV, EBIT. This model was statistically significant $F= 17.29$; $p< 0.000$ and explained 43.6% (R^2) of variance in firm value. After entering the right of shareholders proxy (R_DIV, R_AGM, R_INFO) in the second step, the total variance explained by the model as a whole was 58.0%, $F = 14.74$, $p <0.000$, right of shareholders explained an additional 14.3% in firm value ($\Delta R^2 = 0.143$). After entering equitable treatment proxy (E_PROXY, E_SHA) in the third step, the total variance explained by the model as a whole was 58.4%, $F=10.90$, $p <0.00$. Equitable treatment explained an additional 0.4% in firm value ($\Delta R^2 = 0.143$). After entering the role of a stakeholder variable (S_MSB) in the fourth step, the total variance explained by the model was 58.4%, $F=9.53$, $p<0.000$. However, the role of the stakeholder of comprehensive income firm was unable to explain additional firm value. After entering disclosure and transparency (D_FIVE) in the fifth step, the total variance explained by the model was 59.5%, $F=8.83$, $p < 0.000$). Disclosure and transparency can explain an additional 1.1% in firm value ($\Delta R^2 = 0.011$). In the final model of responsibility of board (B_DB_M, B_AC_M), the total variance explained by the model as a whole was 60.2%, $F=7.34$, $p<0.000$. Responsibility of board can explain an additional 0.7% in firm value ($\Delta R^2 = 0.007$)

In 2012, for the first step of hierarchical multiple regression of firms with other comprehensive income, three control variables were entered: SIZE, LEV, and EBIT. This model was statistically significant F= 38.14; p< 0.000 and explained 57.6 % of variance in firm value. After entering the rights of shareholders proxy (R_DIV, R_AGM, R_INFO) in the second step, the total variance explained by the model as a whole was 64.5%, F = 24.57, p <0.000, right of shareholders explained an additional 6.8% in firm value (ΔR^2 = 0.068). After entering equitable treatment proxies (E_PROXY, E_SHA) in the third step, the total variance explained by the model as a whole was 65.2%, F=18.52, p <0.00. Equitable treatment explained an additional 0.6% in firm value (ΔR^2 = 0.06). After entering the role of stakeholder variable (S_MSB) in the fourth step, the total variance explained by the model was 68.2%, F=18.60, p<0.000. The role of stakeholder of comprehensive income firms explained an additional 2.9% in firm value (ΔR^2 = 0.029). After entering the disclosure and transparency proxy (D_FIVE) in step five the total variance explained by the model was 68.2%, F=16.57, p < 0.000). Disclosure and transparency did not explain any additional firm value (ΔR^2 = 0.000). In the final model responsibility of board (B_DB_M, B_AC_M) the total variance explained by the model was 68.3%, F=13.52, p<0.000. Responsibility of board explained an additional 0.1% in firm value (ΔR^2 = 0.001)

For firms with other comprehensive income, it was found that by using hierarchical regression analysis of corporate governance mechanisms and control variables on Tobin's Q, total assets (SIZE) was negatively significant, while earnings before interest and tax (EBIT) was positively significant on firm value. Furthermore, the overall corporate governance mechanisms the rights of shareholders (R_DIV) had greater positive significance on firm value than other corporate governance proxies. Moreover, role of stakeholders (S_MSB) had a positively significant relationship to firm value.

Table 4
Hierarchical regression results of firms with other comprehensive income

Independent Variables	*2011*			*2012*		
	β	*t-stat*	*p-value*	β	*t-stat*	*p-value*
Step 1: Model 1						
Constant	0.775	1.60	0.113	1.502	3.43	0.001
SIZE	-0.276	-4.93	0.000	-0.486	-8.79	0.000
LEV	-0.071	-1.44	0.156	-0.074	-1.79	0.000
EBIT	0.312	6.60	0.000	0.512	10.18	0.000
F-stat, F-stat		17.29, 0.000			38.14, 0.000	
Δ F-stat, Δ F-stat Sig,		17.29, 0.000			38.14, 0.000	
R^2, ΔR^2		0.436, 0.436			0.576, 0.576	

contd. table 4

Independent Variables	*2011*			*2012*		
	β	*t-stat*	*p-value*	*β*	*t-stat*	*p-value*
Step 2: Model 2						
Constant	0.845	1.95	0.056	1.546	3.73	0.000
SIZE	-0.357	-6.65	0.000	-0.171	-9.06	0.000
LEV	-0.092	-2.05	0.045	-0.039	-0.97	0.334
EBIT	0.205	4.26	0.000	0.332	4.96	0.000
R_DIV	0.204	4.41	0.000	0.182	3.81	0.000
R_AGM	0.036	1.45	0.151	-0.021	-0.95	0.344
R_INFO	-0.002	-0.67	0.505	0.001	0.34	0.737
F-stat, F-stat		14.74, 0.000			24.57, 0.000	
Δ F-stat, Δ F-stat Sig,		7.31, 0.000			5.23, 0.002	
R^2, Δ R^2		0.580, 0.143			0.645, 0.068	
Step 3: Model 3						
Constant	0.945	1.92	0.060	1.55	3.43	0.001
SIZE	-0.350	-6.32	0.000	-0.460	-8.63	0.000
LEV	-0.089	-1.94	0.057	-0.043	-1.06	0.291
EBIT	0.199	4.02	0.000	0.330	4.88	0.000
R_DIV	0.205	4.39	0.000	0.180	3.73	0.000
R_AGM	0.037	1.45	0.151	-0.026	-1.13	0.264
R_INFO	-0.002	-0.67	0.504	0.002	0.59	0.560
E_VOTE	0.026	0.22	0.828	-0.205	-1.16	0.249
E_SHA	-0.006	-0.75	0.453	0.002	0.38	0.706
F-stat, F-stat		10.90, 0.000			18.52, 0.000	
Δ F-stat, Δ F-stat Sig,		0.32, 0.729			0.78, 0.460	
R^2, Δ R^2		0.584, 0.004			0.652, 0.006	
Step 4: Model 4						
Constant	0.838	0.72	0.472	-0.545	-0.61	0.541
SIZE	-0.351	-6.14	0.000	-0.490	-9.35	0.000
LEV	-0.090	-1.93	0.059	-0.046	-1.17	0.246
EBIT	0.198	3.94	0.000	0.311	4.76	0.000
R_DIV	0.205	4.34	0.000	0.176	3.79	0.000
R_AGM	0.037	1.40	0.168	-0.028	-1.28	0.204
R_INFO	-0.002	-0.67	0.507	0.004	0.13	0.896
E_VOTE	0.026	0.21	0.832	-0.288	-1.67	0.099
E_SHA	-0.005	-0.73	0.470	0.003	0.54	0.588
S_MSB	0.007	0.10	0.919	0.170	2.71	0.008
F-stat, F-stat Sig.		9.53, 0.000			18.60, 0.000	
Δ F-stat, Δ F-stat Sig,		0.01, 0.918			7.33, 0.008	
R^2, Δ R^2		0.584, 0.000			0.682, 0.029	
Step 5: Model 5						
Constant	0.326	0.27	0.790	-0.622	-0.68	-0.499
SIZE	-0.342	-5.97	0.000	-0.489	-9.27	0.000
LEV	-0.090	-1.95	0.055	-0.045	-1.13	0.261
EBIT	0.196	3.91	0.000	0.311	4.73	0.000
R_DIV	0.198	4.18	0.000	0.175	3.72	0.000

contd. table 4

Independent Variables	*2011*			*2012*		
	β	*t-stat*	*p-value*	*β*	*t-stat*	*p-value*
R_AGM	0.032	1.22	0.229	-0.029	-1.30	0.199
R_INFO	-0.002	-0.67	0.506	0.000	0.12	0.906
E_VOTE	0.062	0.50	0.621	-0.284	-1.63	0.108
E_SHA	-0.004	-0.57	0.572	0.003	0.60	0.550
S_MSB	0.020	0.26	0.794	0.171	2.71	0.008
D_FIVE	0.003	1.28	0.206	0.008	0.37	0.715
F-stat, F-stat Sig.		8.83, 0.000			16.57, 0.000	
Δ F-stat, Δ F-stat Sig,		1.64, 0.205			0.13, 0.714	
R^2, Δ R^2		0.595, 0.011			0.682, 0.000	
Step 6: Model 6						
Constant	-0.304	-0.21	0.836	-0.924	-0.70	0.488
SIZE	-0.348	-5.97	0.000	-0.490	-9.16	0.000
LEV	-0.086	-1.84	0.071	-0.046	-1.14	0.256
EBIT	0.197	3.87	0.000	0.309	4.62	0.000
R_DIV	0.199	4.17	0.000	0.176	3.69	0.000
R_INFO	0.033	1.22	0.227	-0.029	-1.26	0.212
R_AGM	-0.027	-0.66	0.510	0.001	0.05	0.957
E_VOTE	0.063	0.49	0.623	-0.282	-1.55	0.125
E_SHA	-0.005	-0.64	0.525	0.003	0.61	0.542
S_MSB	0.015	0.19	0.849	0.176	2.59	0.012
D_FIVE	0.003	1.15	0.255	0.009	0.40	0.690
B_BD_M	0.002	0.39	0.698	0.005	0.06	0.949
B_AC_M	0.005	0.83	0.413	0.001	0.42	0.676
F-stat, F-stat Sig.		7.34, 0.000			13.52, 0.000	
Δ F-stat, Δ F-stat Sig,		0.54, 0.587			0.13, 0.874	
R^2, Δ R^2		0.602, 0.007			0.683, 0.001	

Table 5 shows that in 2011, three control variables were entered into Step 1 of the hierarchical multiple regressions of firms without other comprehensive income: SIZE, LEV, and EBIT. This model was statistically significant F= 18.68, p< 0.000 and explained 40.3% of variance in firm value. After entering the right of shareholders proxies (R_DIV, R_AGM, R_INFO) in Step 2, the total variance explained by the model as a whole was 47.8%, F = 12.22, p <0.000, right of shareholders explained an additional 7.5% in firm value (Δ R^2 = 0.075). After entering equitable treatment proxies (E_PROXY, E_SHA) in Step 3 the total variance explained by the model as a whole is 47.9%, F=8.99, p <0.00. Equitable treatment explained an additional 0.1% in firm value (Δ R^2 = 0.001). After entering the role of stakeholder variable (S_MSB) in Step 4 the total variance explained by the model was 49.7%, F=7.89, p<0.000. The role of stakeholder didn't account for additional firm value. After entering disclosure and transparency (D_FIVE) in Step 5 the total variance explained by the model was 48.5%, F=7.18, p < 0.000). Disclosure and transparency can explain an additional 0.5% in firm value (Δ R^2 = 0.005). In the

Table 5
Hierarchical regression results of firms without other comprehensive income

Independent Variables	*2011*			*2012*		
	β	*t-stat*	*p-value*	*β*	*t-stat*	*p-value*
Step 1: Model 1						
Constant	-0.220	-0.49	0.624	0.220	0.04	0.967
SIZE	-0.173	-3.13	0.002	-0.163	-2.34	0.022
LEV	-0.032	-0.86	0.391	-0.134	-2.73	0.008
EBIT	0.265	6.01	0.000	0.240	4.10	0.001
F-stat, F-stat Sig.		18.68, 0.000			12.67, 0.000	
Δ F-stat, Δ F-stat Sig,		18.68, 0.000			12.67, 0.000	
R^2, Δ R^2		0.403, 0.403			0.339, 0.339	
Step 2: Model 2						
Constant	-0.048	-0.11	0.912	0.045	0.09	0.928
SIZE	-0.226	-4.03	0.000	-0.166	-2.52	0.014
LEV	-0.008	-0.22	0.825	-0.110	-2.34	0.022
EBIT	0.235	5.42	0.000	0.151	2.49	0.015
R_DIV	0.083	2.93	0.004	0.087	2.98	0.004
R_AGM	-0.020	-1.00	0.322	0.053	1.92	0.059
R_INFO	0.004	1.42	0.160	-0.003	-0.95	0.343
F-stat, F-stat Sig.		12.22, 0.000			9.49, 0.000	
Δ F-stat, Δ F-stat Sig,		3.84, 0.013			4.51, 0.005	
R^2, Δ R^2		0.478, 0.075			0.445, 0.105	
Step 3: Model 3						
Constant	-0.094	-0.20	0.842	0.477	0.98	0.328
SIZE	-0.228	-3.95	0.000	-0.118	-1.8	0.064
LEV	-0.010	-0.25	0.805	-0.138	-3.10	0.003
EBIT	0.237	5.31	0.000	0.116	2.03	0.046
R_DIV	0.084	2.92	0.005	0.081	2.99	0.004
R_AGM	-0.019	-0.96	0.339	0.068	2.57	0.012
R_INFO	0.004	1.35	0.182	-0.004	-1.35	0.183
E_VOTE	0.038	0.47	0.641	-0.441	-2.71	0.008
E_SHA	-0.001	-0.03	0.976	-0.010	-1.83	0.072
F-stat, F-stat		8.99, 0.000			9.79, 0.000	
Δ F-stat, Δ F-stat Sig,		0.11, 0.895			6.38, 0.002	
R^2, Δ R^2		0.479, 0.001			0.531, 0.086	
Step 4: Model 4						
Constant	-0.200	-0.26	0.799	0.815	1.00	0.321
SIZE	-0.230	-3.88	0.000	-0.107	-1.61	0.113
LEV	-0.009	-0.23	0.815	-0.144	-3.12	0.003
EBIT	0.236	5.23	0.000	0.114	1.98	0.052
R_DIV	0.084	2.91	0.005	0.081	2.97	0.004
R_AGM	-0.019	-0.94	0.352	0.067	2.53	0.014
R_INFO	0.004	1.34	0.184	-0.004	-1.34	0.185
E_VOTE	0.038	0.47	0.642	-0.439	-2.68	0.009
E_SHA	-0.003	-0.05	0.959	-0.010	-1.85	0.069

contd. table 4

Independent Variables	*2011*			*2012*		
	β	*t-stat*	*p-value*	*β*	*t-stat*	*p-value*
S_MSB	0.008	0.17	0.866	-0.027	-0.52	0.607
F-stat, F-stat Sig.		7.89, 0.000			8.64, 0.000	
Δ F-stat, Δ F-stat Sig,		0.03, 0.865			0.27, 0.607	
R^2, Δ R^2		0.479, 0.000			0.533, 0.001	
Step 5: Model 5						
Constant	-0.364	-0.45	0.652	0.601	0.74	0.462
SIZE	-0.228	-3.85	0.000	-0.109	-1.66	0.102
LEV	-0.005	-0.13	0.896	-0.134	-2.93	0.005
EBIT	0.237	5.24	0.000	0.116	2.04	0.046
R_DIV	0.084	2.88	0.005	0.084	3.11	0.003
R_AGM	-0.018	-0.89	0.377	0.069	2.66	0.010
R_INFO	0.005	1.51	0.136	-0.003	-0.96	0.342
E_VOTE	0.052	0.62	0.535	-0.515	-3.09	0.003
E_SHA	-0.006	-0.10	0.920	-0.009	-1.71	0.091
S_MSB	0.007	0.15	0.881	-0.030	-0.57	0.568
D_FIVE	0.002	0.93	0.357	0.004	1.80	0.077
F-stat, F-stat Sig.		7.18, 0.000			8.36, 0.000	
Δ F-stat, Δ F-stat Sig,		0.86, 0.357			3.23, 0.076	
R^2, Δ R^2		0.485, 0.005			0.555, 0.021	
Step 6: Model 6						
Constant	-0.323	-0.33	0.743	1.293	1.24	0.219
SIZE	-0.228	-.378	0.000	-0.111	-1.66	0.102
LEV	-0.004	-0.11	0.914	-0.136	-2.90	0.005
EBIT	0.238	5.18	0.000	0.106	1.83	0.074
R_DIV	0.084	2.86	0.006	0.085	3.13	0.003
R_AGM	-0.018	-0.89	0.378	0.067	2.52	0.014
R_INFO	0.005	1.49	0.140	-0.002	-0.74	0.461
E_VOTE	0.048	0.55	0.582	-0.511	-3.05	0.003
E_SHA	-0.003	-0.05	0.962	-0.009	-1.67	0.100
S_MSB	0.009	0.18	0.857	-0034	-0.65	0.520
D_FIVE	0.002	0.92	0.361	0.003	1.72	0.090
B_BD_M	0.005	0.13	0.897	-0.004	-1.06	0.293
B_AC_M	-0.001	-0.28	0.781	-0.005	-0.10	0.924
F-stat, F-stat Sig.		5.83, 0.000			7.00, 0.000	
Δ F-stat, Δ F-stat Sig,		0.04, 0.961			0.66, 0.519	
R^2, Δ R^2		0.486, 0.001			0.563, 0.008	

final model the responsibility of board (B_DB_M, B_AC_M), total variance explained by the model was 48.6%, F=5.83, p<0.000. Responsibility of board explained an additional 0.1% in firm value (Δ R^2 = 0.001)

In 2012, three control variables were entered: in the first step of hierarchical multiple regression firms without other comprehensive income, SIZE, LEV, and EBIT. This model was statistically significant F= 12.67; p< 0.000 and explained 33.9%

of variance in firm value. After entering the right of shareholders proxies (R_DIV, R_AGM, R_INFO) in Step 2, the total variance explained by the model as a whole was 44.5%, F = 9.49, p <0.000. Right of shareholders explained an additional 10.5% in firm value ($\Delta R^2 = 0.105$). After entering equitable treatment proxies (E_PROXY, E_SHA) in Step 3 the total variance explained by the model as a whole was 53.1%, F=9.79, p <0.000. Equitable treatment explained an additional 8.6% in firm value ($\Delta R^2 = 0.086$). After entering the role of stakeholder variable proxy (S_MSB) in Step 4 the total variance explained by the model was 53.3%, F=8.64, p<0.000. The role of stakeholder explained an additional 0.1% in firm value ($\Delta R^2 = 0.001$). After entering disclosure and transparency (D_FIVE) in Step 5 the total variance explained the model equals to 55.5%, F=8.36, p < 0.000). Disclosure and transparency explained an additional 2.1% in firm value ($\Delta R^2 = 0.021$). In the final step, the responsibility of board proxies (B_DB_M, B_AC_M) the total variance explained by the model was 56.3%, F=7, p<0.000. Responsibility of board explained an additional 0.8% in firm value ($\Delta R^2 = 0.008$).

For firms without other comprehensive income, by using the hierarchical regression analysis of corporate governance mechanisms and control variables on Tobin's Q, total assets (SIZE) were negatively significant, while earnings before interest and tax (EBIT) were positively significant on firm value. Furthermore, right of shareholders (R_DIV) had a greater statistically significant relationship to firm value than other corporate governance proxies. In addition, right of shareholders (R_DIV, R_AGM) and equitable treatment (E_VOTE) were also more significantly related to firm value than other corporate governance proxies.

6. CONCLUSIONS

The study investigated the value relevance of corporate governance on firm value using Tobin's Q as the firm value measurement for both firms with and without other comprehensive income. All corporate governance proxies recommended by the OECD consisting of right of shareholders, equitable treatment, roles of shareholders, disclosure and transparency, and responsibility of board were employed. Control variables comprised successful independent variables from prior studies, namely, total assets (size), debt to equity (leverage), earnings before interest and tax (EBIT).

Based on Adjusted R^2, the results of this study show that the right of shareholder, (dividend payment) had the greatest influence on firm value in a positive manner. Other corporate governance mechanisms seemed not to add value to firms. These results concur with Cheug *et al.* (2005), that weak firm-level shareholder rights are harmful to the firm value and incur significantly higher costs of equity capital. Cheng (2006) found that disclosure level and strength of shareholder rights significantly interacted in reducing the cost of capital. Jiraporn *et al.* (2006) pointed out that weak shareholder rights allow management to diversify firms impulsively,

resulting in a decline in firm value. Choi et al. (2008) argued that firms with strong shareholder rights did not experience a significant positive market reaction.

In addition, when considering only control variables, it was noted that control variables had more influence on firm value at Adjusted R^2 of at least 34%. However, corporate governance mechanisms contributed to firm value with minor effects. This could be observed by the net increase of adjusted R^2 when corporate governance mechanisms were introduced. This indicates that accounting information is still useful. Financial statement users should consider financial reporting together with corporate governance mechanisms. This study recommends that the rights of shareholders (dividend payment) be information to evaluate firm value.

The main contributions and significant findings of this present study are as follows. First, firm value can be created in different ways. This study still confirmed that fundamental firm value comes from size (total assets), leverage and earnings. Surprisingly, size negatively related to firm value. This suggests that smaller firms can generate more firm value than bigger firms. This concurs with previous studies (i.e. Khatab (2011), Collenerly (2012)). The explanation behind this finding could be that bigger firms have been enjoyed the increasing of firm value in the past. However, when companies become maturity, firm value is not easy to create, and so this is why smaller firms tend to have higher firm value. Secondly, for corporate governance mechanisms, cash dividend payment was the most persuasive to investors. Higher stocks reflected the appreciation of cash dividend payments. In addition, director remuneration was another factor enhancing firm value. These findings demonstrate "a compromising market" in Thai investment culture. In other words, management as an agent work hard for their remuneration, while investors enjoy higher cash dividend payments. Finally, by comparing firms with and without other comprehensive income, the influence of corporate mechanisms (R^2) on firm value was very similar. Firms with other comprehensive income did not consider employing corporate governance mechanisms to create firm value. In this aspect, this study could not find any evidence that these firms use other comprehensive income to increase their firm value.

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