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Abdul Halim, H

**Bibliographic citation**

Abdul Halim, H (2011). Voluntary disclosure of intangibles by capital-raising companies in Australia. University Of Tasmania. Thesis. <https://doi.org/10.25959/23211374.v1>

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# **Voluntary Disclosure of Intangibles by Capital-Raising Companies in Australia**

**by**

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**Submitted in fulfilment of the requirements for the degree of  
Doctor of Philosophy**

**University of Tasmania**

**July 2011**

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## **Abstract**

The decline in the usefulness of financial reports and the invisibility of intangibles information in those reports has resulted in a growing effort to expand disclosure by way of voluntary reporting to reduce the information asymmetry problem. Prior studies on intangibles disclosure have successfully created awareness about the importance of intangibles. However, the literature argues that clear results on the determinants of differential disclosure are still scarce and that prior research does not offer a strong theoretical basis to interpret the motives for disclosure. A direct comparison of disclosure behaviour between firms with and without a capital-raising motive provided by this study should provide an understanding of how these firms signal their intangibles information.

Focusing on the top 200 Australian firms (based on market capitalisation) in 2006-2008, this study aims to determine whether financing decisions provide a strong incentive for firms to signal a greater variety of intangibles information, a higher level of disclosure and more intense information to the capital market. Content analysis of annual reports and prospectuses is carried out to determine the variety, and extent of intangibles disclosure. Incorporating a range of impression management tools in signalling information, this study also explores the concept of intensity of disclosure, which reflects the strength of messages presented based on their type, nature and also their presentation emphasis.

The findings, which support signalling theory, provide evidence that capital-raiser firms disclose a greater variety of voluntary intangibles information with a higher level of disclosure in their annual reports immediately prior to capital-raising activity. Further, capital-raisers provide more intense and powerful signals compared to their non-capital-raiser counterparts. In addition to annual reports, these firms also utilise prospectuses to signal intangibles information during capital-raising activity. However, the variety, extent and intensity of disclosure in prospectuses are significantly lower compared to disclosure in annual reports. The overall findings suggest that in order to compensate for the inadequacy of financial reports, capital-raiser firms strive to make intangibles information visible in both annual reports and prospectuses by not only making narrative disclosures but also by emphasising intangibles using pictures and presentation emphasis by way of repetition. This is

consistent with the motivation to provide intangibles information that investors will not only recognise but that they will also retain and recall when making investment decisions.

## **Acknowledgements**

It is a pleasure to thank those who made this “pleasant-but-lonely” journey possible. Without their help and guidance, it would have been next to impossible to write and complete this thesis. In particular, I would like to thank:

Professor Robert Clift, my supervisor, for his guidance and encouragement throughout the project. Thank you so much Bob, for your advice and enthusiasm that I can finish and submit this thesis. Without his support, the completion of this thesis would not have been possible.

Dr. Susan Hrasky, my co-supervisor, for guiding me to grow as a researcher and for encouraging me throughout my time as a doctoral candidate. Thank you so much, Sue.

I gratefully acknowledge the financial support from my sponsors: the Ministry of Higher Education of Malaysia and Universiti Pendidikan Sultan Idris Malaysia. My special thanks also go to Mr. Tom Baxter and all the staff at the School of Accounting and Corporate Governance for their assistance throughout this project.

I devote this thesis to my family. Without their support and understanding, this thesis would not have been possible. Thank you so much, for the love and patience.

Lastly, I offer my regards to my friends, colleagues and all of those who supported me in any respect during the completion of this thesis. Thank you so much for making this journey less lonely.

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