DETERMINANTS OF COMPLIANCE WITH DISCLOSURE REQUIREMENTS FOR SERVICING ASSETS (ASC NO. 860)

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ABSTRACT

The purposes of this study are twofold. First, it is intended to understand commercial banks' disclosure requirement practices for servicing assets arising from mortgage loans. Second, it is to examine whether commercial banks' compliance with disclosure requirements is related to the factors of corporate governance, materiality, firm size and the external auditor. It is hypothesized that corporate governance, size, the external auditor's experiences and materiality determine banks' compliance with disclosure requirements for servicing assets. Both descriptive and statistical analyses are used to achieve the research objectives. Descriptive analysis demonstrates commercial banks' disclosure requirement practices and statistical analysis tests the research hypotheses. The results of this study will make a significant contribution to accounting literature, and in particular, to capital market and corporate governance studies. Significance of information disclosures in notes to financial statements has been addressed by prior capital market studies. Such studies have documented that capital market participants incorporate economic information disclosed in notes of financial statements as well as financial information presented on financial statements. This project will document how well public banks comply with disclosure requirements for servicing assets and thereby inform capital market participants of whether complete financial information is being disclosed to them. Further, when this study demonstrates significant statistical results between disclosure compliance and corporate governance, it provides empirical evidence that corporate governance is important in improving banks' disclosure compliance.

Keywords: Disclosure Compliance, Servicing Assets, Governance