**CHAPTER ONE**

**INTRODUCTION**

**1.0 Background to the Study**

Published annual reports are required to provide various users - shareholders, employees, suppliers, creditors, financial analysts, stockbrokers, management, and government agencies – with timely and reliable information useful for making prudent, effective and efficient decisions. The extent and quality of disclosure within these published reports vary from company to company and also from country to country. Literature reveals that the level of reliable and adequate information by listed companies in developing countries lags behind that in developed ones and government regulatory forces are less effective in driving the enforcement of existing accounting standards (Ali, Ahmed and Henry, 2004:183). Non-disclosure results from immature development of accounting practice in developing nations (Osisioma, 2001:40). The government regulatory bodies and the accountancy profession in these nations suffer from structural weaknesses which could encourage corporate fraud at the expense of those that have economic and proprietary interest in the business environment.

The business environment has witnessed changes over the years, mainly influenced by globalization and technological innovation. In recent years, there has been substantial increase in trading activities at the Stock Exchanges worldwide and Nigeria is not left out. For example, the market capitalization at the Nigerian Stock Exchange was N763.9 billion in 2002; it grew to N2.112 trillion in 2004 and to N5.12 trillion in 2006 (NSE Factbook, 2007:37). Companies worldwide are now vying to penetrate international capital markets. The disclosure of adequate and reliable information is necessary to penetrate these international markets. Those competing for funds in the international capital arena have been found to comply with disclosing mandatory requirements and in addition disclose significantly more voluntary accounting information that enables them to compete globally (Meek, Roberts and Gray, 1995: 556).

Since the fall of Enron in the United States, a wider recognition of the importance of corporate transparency and disclosure has evolved (Akhtaruddin, 2005:400). Corporate transparency is determined by the information it discloses in its financial report. Accurate, relevant and reliable disclosures are seen as means of enhancing corporate image, reducing cost of capital, and improving marketability of shares. High-quality accounting information facilitates the acquisition of short and long term fund and also enables management to properly account for the resources put in their care. Thus, it acts as a significant spur to the growth and development of money and capital markets, which are fundamental to the smooth running of any economy. Meek et al (1995:556) submit that effective functioning of capital markets, however, significantly depends on the effective flow of information between the company and its stakeholders.

Prior studies (Singhvi, 1968:551-552; Singhvi and Desai, 1971: 129-138; Buzby, 1975:16-37; Firth, 1979:273-280; McNally, Eng and Hasseldine, 1982:11-20; Chow and Wong Boren, 1987:533-541; Wallace, 1988:352-362; Cooke, 1989:113-124; Cooke, 1992:229-237; Cooke, 1993:521-535; Wallace, Naser and Mora, 1994:41-53; Wallace and Naser, 1995:311-368; Inchausti, 1997:45-68; Owusu- Ansah, 1998:605-631; Entwistle, 1999:323-341; Tower, Hancock and Taplin, 1999:293-305; Depoers, 2000:245-263; Haniffa and Cooke, 2002:317-349; Ho and Wong, 2001:139-156; Street and Gray, 2001:1-127; Bujaki and McConomy, 2002:105-139; Chau and Gray, 2002:247-265; Naser, Al-Khatib and Karbhari, 2002:41-69; Camfferman and Cooke, 2002:3-30; Ferguson, Lam and Lee, 2002:125-152; Eng and Mak, 2003:325-345; Ali et al, 2004:183-199; Prencipe,2004:319-340; Akhtaruddin, 2005:399-422; Al-Shammari, 2005:1-210; Daske and Gebhardt, 2006:461-498; Iatridis, 2008:219-241; Barako, 2007:113-128, Dahawy and Conover, 2007:1-20) as summarized in Table 2.01 (pages 58-62), show that disclosure levels are associated with some company characteristics. Similar research methods, in particular the regression models are observed to have been used by these researchers in different contexts. It is also observed that the results of the empirical studies vary from country to country. This is principally due to the unique business environment attributable to each country of study.

In the Nigerian context, comprehensive studies of Nigerian listed companies have been conducted by World Bank Group. It is observed that the Nigerian financial reporting practices are deficient (World Bank, 2004:1). Apart from the studies conducted by the World Bank, disclosure practices by Nigerian companies have been empirically investigated by Wallace (1988:352), Okike (2000:39), Adeyemi (2006:40) and Ofoegbu and Okoye (2006:45). Their observation is quite similar in that they all found the Nigerian corporate reporting practices to be weak.

The current global financial and economic crunch has resulted in increased attention to improve and enforce financial reporting disclosures worldwide in order to reform the global economy. Nigeria is recently taking steps to align all corporate reports to the International Financial Reporting Standards (IFRSs) as a means of enhancing full disclosure and strengthening stakeholder confidence. Nigerian Stock Exchange has directed all companies that are listed on the exchange to adopt the IFRSs by December 2011 while the Central Bank of Nigeria has also told Nigerian banks to adopt the IFRSs by December 2010 (Egedegbe, 2009:1).

**1.1 Statement of the Problem**

The mandatory and voluntary disclosure of financial information in corporate annual reports and their determinants have attracted considerable research attention in the developed countries than developing ones (Akhtaruddin, 2005:40; Barako, 2007:114). Discoveries in the developed countries most especially in the European Union (EU) have aided the government to revamp the compliance mechanisms. They have also assisted the government in issuing out directives that facilitate the harmonization process and invariably bring all community companies up to a reasonable level of disclosure. Only a few studies (see Table 2.01, pages 58-62) have been carried out in developing countries relating to issues of disclosure and the corporate attributes influencing it.

The global economic crisis that came to light in the second half of year 2008 has led to the collapse of many financial and non-financial enterprises world wide. The current global financial recession was ignited by situations in the United States, which posed serious questions about transparency and accountability worldwide. It is widely believed that the lack of proper use of international accounting standards in affected countries (of which Nigeria is a part) hinders “transparency” in the financial statements of corporations and banks. As a result of this, financial statements fail to provide useful information, on a timely basis. The immediate past President of the United States of America, Ex-President George Bush identified the need to improve accounting rules, so that investors around the world can understand the true value of the assets they purchase (Bush, 2008:3).

It is often alleged, however, that listed companies do not fully comply with the disclosure requirements stipulated by the regulatory agencies (Akhtaruddin, 2005:401). Emerging nations have been under pressure to improve their quality of corporate financial reporting. According to Ali et al. (2004:183), the government regulatory bodies and the accountancy profession of emerging nations suffer from structural weaknesses and often take a lenient attitude towards default of accounting regulations. Consequently private and institutional investors (local and foreign) are hesitant in investing in such emerging economies due to lack of transparency.

Re-vamping age-old company legislations and developing accounting and reporting regulations acceptable and understandable to users have become an important policy issue confronting emerging nations including Nigeria. In a study conducted by the World Bank Group on the observance of standards and codes for Nigeria, it is observed that the Nigerian financial reporting practices are deficient (World Bank, 2004:1). The Statements of Accounting Standards (SASs) seem to be incomplete because there are many accounting issues not yet covered in these standards which had been addressed by the International Financial Reporting Standards (IFRSs). Over the years, extensive revisions have been conducted on the IFRSs which have not been reflected in the SASs; large sections and paragraphs in IFRSs which are newly included cannot be found in the SASs. According to Impey (n.d.), the SAS disclosure requirements have remained unchanged and they are partly based on old IASs that had been withdrawn by IASB. The SASs does not cover all the aspects of financial reporting and are not sufficient to form a basis for preparing a high quality financial statement, in accordance with the IFRS.

Accounting reports of Nigerian companies have been found to be deficient over time (Wallace, 1988:352; Adeyemi, 2006:193, Nzekwe, 2009:1), in the sense that they lack vital information that will enable stakeholders make informed decisions. Apart from the studies conducted by the World Bank, disclosure practices by Nigerian companies had been empirically investigated by Wallace (1988:352), Okike (2000:39), Adeyemi (2006:1) and Ofoegbu and Okoye (2006:45). Their observation is quite similar in that they all found the Nigerian corporate reporting practices to be deficient. Two notable studies are the doctoral works of Wallace (1988:352) and Adeyemi (2006:1). Wallace (1988:352) researches on the extent of financial reporting disclosure by using a sample of 47 publicly quoted companies in Nigeria for the period 1982 to 1986. His study won international recognition and accolade, since this was the first work to show a detailed analysis of this subject empirically for Nigeria. Nonetheless, one drawback of the study is that it does not examine the disclosure of specific items of information. It also does not empirically determine the variability of disclosure as a result of specific company attributes. Moreover, this study was conducted more than two decades ago and since then there have been additional reporting standards locally and internationally, changes in legislation, business and reporting environment and securities reporting rules. Adeyemi (2006:1) built on the works of Wallace by considering SAS 1 to SAS 21 and using a sample of 96 listed companies with year end between 2003 and 2004. In addition, he empirically determined the relationship between disclosure and some company characteristics. His study is quite noble; however, with the fast pace of changes in the global business world. We need to be conversant with latest developments in this area of research.

The lapse in the financial reporting system had led to the presentation of the Financial Reporting Council (FRC) Bill to the National Assembly in Nigeria. The Bill is still currently under debate at the National Assembly. The FRC Act when enacted would replace the NASB Act with enlarged functions (Nnadi, 2009a:14). It is expected to go a long way in strengthening the financial reporting system in Nigeria and to ensure credence of financial reports and corporate disclosure practices among Nigerian companies.

Incessant changes in the global business and reporting environment - new developments and updates on the local and international accounting standards, changes in corporate structure, and legislation- call for a constant update in the research in this area of study. Additional empirical evidence on mandatory and voluntary disclosures and the factors influencing them in Nigeria will enhance the quality of literature in this field of study. Thus, this makes a research of this nature of paramount interest.

**1.2 Objectives of the Study**

This thesis aims at providing empirical evidence to the disclosure practices of listed companies in Nigeria.

Specifically, the objectives of this research are to:

1. empirically determine the extent of compliance of the listed financial and non-financial Nigerian companies with the disclosure requirements of SASs;
2. examine empirically the compliance of the listed financial and non-financial Nigerian companies with the disclosure requirements of IAS/IFRSs for disclosures not contained in the SASs;
3. examine whether the listed financial and non-financial companies in Nigeria are providing more information than statutorily required in their annual financial reports;
4. determine the factors influencing the extent of information disclosure in the annual reports of listed companies in Nigeria; and
5. identify the opinion of preparers, auditors and users of accounting information on the disclosure practices of listed companies in Nigeria and on consequences of nondisclosure of relevant accounting information.

**1.3 Research Questions**

The research objectives are guided by the following research questions.

1. What is the extent of compliance of listed financial and non-financial Nigerian companies with the required disclosures of the Nigerian Accounting Standards Board (NASB)?
2. What is the extent of compliance of listed financial and non-financial Nigerian companies with the required disclosures of IAS/IFRSs that are not contained in the SASs?
3. Do Nigerian financial and non-financial listed companies disclose discretionary information more than the minimum required by accounting standards?
4. What are the primary factors attributable to the overall levels of disclosure?
5. Are there differences in the views of preparers, auditors and users of accounting information on disclosure practices of listed Nigerian companies?
6. What are the consequences of non-compliance with the disclosure requirements of accounting standards?

**1.4 Research Hypotheses**

In this study, five hypotheses are formulated to achieve the research objectives i to v respectively. The hypotheses are hereby stated in the null and alternative forms.

Hypothesis 1

Ho: There is no significant difference in the level of compliance with SASs disclosure requirements for listed financial and non-financial companies.

H1: There is a significant difference in the level of compliance with SASs disclosure requirements for listed financial and non-financial companies.

Hypothesis 2

Ho: There is no significant difference in the level of compliance with IFRS/IAS disclosures not contained in the SAS for listed financial and non-financial companies.

H1: There is a significant difference in the level of compliance with IFRS/IAS disclosures not contained in the SAS for listed financial and non-financial companies.

Hypothesis 3

Ho: The level of voluntary disclosure by listed financial companies is not significantly different from that by listed non-financial companies.

H1: The level of voluntary disclosure by listed financial companies is significantly different from that by listed non-financial companies.

Hypothesis 4

Ho: There is no significant association between company size, profitability, leverage, company age, industry type, size of audit firm and multinationality and the extent of disclosure by Nigerian listed companies.

H1: There is a significant association between company size, profitability, leverage, company age, industry type, size of audit firm and multinationality and the extent of disclosure by Nigerian listed companies.

Hypothesis 5

Ho: There are no consequences to non-compliance with the disclosure requirements of the accounting standards.

H1: There are consequences to non-compliance with the disclosure requirements of the accounting standards.

**1.5 Significance of the Study**

Accurate corporate reporting is a necessary tool for the short – and long term survival of any nation. It aids budgeting, planning and decision making. It had been suggested by previous researchers that institutions in developed economy cannot be transplanted in developing economies and so research on disclosure practices in a country like Nigeria will enable us to have a thorough understanding of the nature of corporate reporting in developing countries (Wallace, 1988:352). Disclosure practices by Nigerian companies were empirically investigated by Wallace (1988:352), Okike (2000:39), Adeyemi (2006:1) and Ofoegbu and Okoye (2006:45) in the past, and they all discovered that corporate reporting practices in Nigeria is deficient. However, the following have been identified as the existing gap in knowledge:

1. There is no comprehensive research on the compliance of listed Nigerian companies with the accounting standards (local and International) and factors influencing them.
2. The analysis of previous researchers deals with only the accounting standards in issue at the period of their study. Accounting standards are being issued perpetually and there is a need to keep pace with the compliance of companies with these Standards.
3. The rapidly changing global economic and financial environment calls for a constant update in this area of study.

This study intends to fill the currently observed gap by considering the:

1. latest available version of annual reports during the field work (year 2006);
2. requirements of local and international accounting standards operational at the time of study;
3. voluntary disclosures based on contemporary issues;
4. factors influencing the extent of information disclosure in the annual reports of listed companies in Nigeria. This is examined empirically to determine whether the corporate characteristics found relevant in previous studies are also identified in this research or not; and
5. views of preparers, auditors and users of accounting information on the disclosure practices of listed companies in Nigeria and on the consequences of nondisclosure of relevant accounting information.

It has been identified that several groups of people have vested interest in a business enterprise (Glautier and Underdown (1997: 11). The study is significant to government, investors, business management, regulatory bodies, educators, researchers, accountants, auditors and scholars particularly in the field of accounting. This research seeks to make theoretical and practical contributions to the field of accounting in the area of accounting disclosures. It will particularly enhance the quality of literature in the field of accounting in Nigeria. Researchers in this field would benefit from the study because it can serve as a bench mark for future research on corporate disclosure. It throws more light and adds to understanding on the corporate disclosure practices which would be of advantage to educators and students.

With the outcome of this research, the regulatory authorities, such as the Nigerian Accounting Standards Board (NASB), Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC) would be able to ascertain the extent of compliance with the mandatory national standards. This will help them to issue out necessary compliance directives and improve the compliance mechanisms to ensure a reasonable level of compliance by all companies. With the knowledge of the extent of compliance with the IASs/IFRSs, the government will enforce directives that would help in facilitating the harmonization process with the international standards.

The disclosure index generated in this study and the factors influencing disclosure are expected to assist local and foreign investors in making more informed decisions. In previous research it was discovered that the quality of corporate disclosure influenced the quality of investment decision made by investors (Singhvi and Desai, 1971: 129). Adequate corporate disclosure will raise confidence of current and potential investors in the Nigerian economy. The managers of listed companies can assess their present level of compliance using the disclosure index generated by this research. This will help them to improve on their disclosure practices. It will enable the listed companies to compete globally and facilitate free flow capital across the Nigerian borders. Accountants, the preparers of financial statements and auditors can also utilize the disclosure index developed in this study to assess the extent of compliance by companies.

**1.6 Scope and Limitations of the Study**

Based on the nature of this research, two approaches were adopted in executing the objectives: survey and content analysis method. The survey research entailed administering questionnaire to a random sample of auditors, accountants and accounting information users (bankers, stockbrokers, financial analysts and educators) from the six geopolitical zones in Nigeria. The primary survey was conducted during the second half of year 2008 to the first quarter of 2009. It identifies the opinion of respondents on disclosure practices of listed Nigerian companies and on consequences of non-disclosure. Due to the nature of research, the respondents are limited to preparers, auditors and knowledgeable users conversant with the disclosure requirements of the accounting standards.

The annual report (content analysis) research entails a sample of companies from the equity/ main list of the Nigerian Stock Exchange. The study covers the annual reports with period ending, January to December 2006. As at December 2006 there were a total of 288 listed securities, these comprise 186 listed equity/ main list, 16 listed equity / second-tier security list, 47 listed industrial loan preference shares and 39 listed federal and state government stocks (Securities and Exchange Commission, n.d). The companies are generated from both the financial and non-financial sectors. A researcher-developed checklist is constructed containing 165 information disclosure items (SAS 82 items; IFRS 73 items, voluntary 10 items). The annual report study is restricted to the first-tier market of the Nigerian stock exchange because it is of paramount interest to investors. The second-tier market and companies not quoted at the Nigerian stock exchange are not put into consideration due to non availability of data and time constraint. Moreover, they are outside the scope of this work.

Based on previous studies, availability of data and its relevance to the socio-economic environment of Nigeria, only seven independent variables are selected as proxies for corporate attributes. These variables are: company size, profitability, leverage, company age, industry type, size of audit firm, number of shareholders and multinational affiliation.

**1.7 Summary of Research Methodology**

This section briefly summarises the methodology adopted in this study. A detailed methodology is narrated in Chapter three of this thesis. Two approaches are adopted in executing the objectives: survey and content analysis method. For the survey method, questionnaire were administered to a random sample of auditors, accountants and accounting information users (bankers, stockbrokers, financial analysts and educators) from the six geopolitical zones in Nigeria. For the content analysis, the extent of compliance by Nigerian listed companies was measured using disclosure index on ninety listed companies, selected using stratified random sampling. The disclosure index method was seen by researchers in time past (Singhvi and Desai, 1971:130) as an adequate model for financial disclosure and was used by various researchers. The disclosure index was calculated using a researcher-developed checklist containing 165 information disclosure items (SAS 82 items; IFRS 73 items, voluntary 10 items).

The main dependent variable is the overall disclosure index which comprises the SAS, IFRS, and Voluntary indexes. The overall disclosure index is further broken down into its three constituent parts, thereby giving us four dependent variables namely Overall disclosure index, SAS disclosure index, IFRS disclosure index and Voluntary disclosure index. The independent variables are size, profitability, company listing age, leverage, auditor type, industry and multinationality. Multivariate analysis is used to explore the relationship and patterns between disclosure level and corporate attributes. The ranked and unranked Ordinary Least Square methods were employed for the regression models. Factor analysis is utilised in computing a factor score for the size variables of eight out of sixteen equations. Furthermore, an agglomerative hierarchical clustering analysis of the voluntary disclosure items is used to determine the companies’ voluntary disclosure pattern.

**1.8 Sources of Data**

The sources of data for the study are both primary and secondary. For the primary data, questionnaires were administered to one thousand respondents - auditors, accountants and accounting information users (bankers, stockbrokers, financial analysts and educators) - from the six geopolitical zones in Nigeria. The auditors were contacted at the ‘Big Four’ audit firms, namely, PriceWaterhouseCoopers, KPMG, Akintola Williams Deloite and Touche, and Ernst and Young; the accountants were contacted at listed Nigerian companies while the knowledgeable users are contacted at Banks, Stock broking firms, Consultancy firms, Universities, Nigerian Stock Exchange and Securities and Exchange Commission. For the secondary data, annual reports of ninety companies with year end between January 2006 and December 2006 were obtained from the Nigerian Stock Exchange (NSE) between June 2007 and March 2008. The annual report not found at the NSE was collected from the Company’s corporate department. In order to extract the information items, all areas (financial and non–financial) of the annual reports were considered viz, chairman’s statement, reports of directors, report of auditors, audit committee’s report, corporate governance report, statement of accounting policies, profit and loss account, balance sheet, statement of cash flows, note to the accounts, statement of value added, five year financial summary, graphic illustrations, financial ratios and notes.

**1.9 Operational Definition of Terms**

**Accounting Standards** are policy documents or rules that guide the preparation and presentation of financial information.

**Big four audit firms** refer to the four largest international audit firms in Nigeria, these are PricewaterhouseCoopers, Ernest and Young, Akintola Williams Deloitte and Touch and KPMG.

**Convergence** refers to the process of narrowing differences between IFRS and the accounting standards of countries that retain their own standards.

**Corporate Attributes** arecompany characteristics that can influence corporate disclosure.

**Disclosure** is the appearance of quantitative or qualitative economic information relating to a business enterprise in the annual reports.

**GAAP** is the generally accepted accounting principles.

**International Accounting Standard (IAS)** is a body of accounting standard issued by the International Accounting Standards Committee (IASC) now known as IASB.

**International Accounting Standards Board (IASB)** is the international standard setting body responsible for issuing International Financial Reporting Standards.

**International Financial Reporting Standard (IFRS)** is a body of accounting and financial reporting standard promulgated by the IASB; it includes standards and interpretations adopted by the IASB.

**Mandatory disclosure** refers to the information companies are obliged to disclose by the accounting standards setting body.

**Nigerian Accounting Standards Board (NASB)** is the Nigerian accounting standards setting body responsible for issuing Statement of Accounting Standards (SAS).

**Statement of Accounting Standard (SAS)** is the accounting standard issued by the Nigerian Accounting Standards Board.

**Voluntary disclosure** refers to the discretionary release of financial information over and above the mandatory disclosure.

**CHAPTER TWO**

**LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

**2.0 Introduction**

This chapter places the study in context by reviewing the relevant literature and theories on financial reporting disclosures. This chapter is divided into four sections. Section 2.1 reviews the legal framework, Section 2.2 reviews the relevant literature on disclosures and corporate attributes, Section 2.3 explores the theories that are relevant in explaining financial disclosures, and finally, Section 2.4 highlights the conceptual framework.

**2.1 Legal Framework**

Accounting and financial reporting requirements of companies in Nigeria are regulated by a multiplicity of laws and bodies (World Bank, 2004:2). These include Companies and Allied Matters Act CAP. 20 L.F.N. 2004, Securities and Exchange Commission Rules and Regulations (1999), Investments and Securities Act CAP.124 L.F.N. 2004, Nigerian Stock Exchanges Act (1961), Banks and Other Financial Institutions Act (1991), Nigerian Insurance Act (2003), Nigerian Accounting Standards Board Act (2003), Institute of Chartered Accountants of Nigeria Act (1965) and Association of National Accountants of Nigeria Act (1993).

The main legal framework for corporate accounting practices in Nigeria is the Companies and Allied Matters Act CAP. 20 L.F.N. 2004. The SEC regulates securities market participants under the Investments and Securities Act CAP.124 L.F.N. 2004 and the Securities and Exchange Commission Rules and Regulations (1999). The Nigerian Stock Exchange, established by the Nigerian Stock Exchange Act of 1961, supports the Securities and Exchange Commission to supervise the securities market operations, and regulates the capital market. Within the capital market there exists the primary and secondary market. The primary market issues new securities and the secondary market deals with existing securities.

The Central Bank of Nigeria is the main statutory regulator of banks and nonbanking financial institutions under the provisions of the Banks and Other Financial Institutions Act (1991). The Banks and Other Financial Institutions Act (1991) contains provision on financial reporting by banks in addition to CAMA requirements. The National Insurance Commission regulates financial reporting practices of insurance companies under the Nigerian Insurance Act of 2003. CAMA 2004 as amended requires financial statements of companies in Nigeria to comply with the accounting standards as laid down from time to time by the Nigerian Accounting Standard Board as constituted.

**2.1.1 Companies and Allied Matters Act (CAMA) CAP. C20 L.F.N. 2004**

Corporate financial reporting in Nigeria is currently guided by CAMA 2004 (as amended). This is the major legislation governing financial reporting of companies in Nigeria. The basic requirement relating to corporate financial reporting is contained in Part XI- Financial Statements and Audit. Sections 331- 356 relate to financial statements while sections 357 to 369 relate to Audit.

Section 331 compels all companies to keep accounting records. These accounting records should contain all matters in respect of all receipt and expenditure. The accounting records should be sufficient to show and disclose with reasonable accuracy, at any time, the financial position of the company.

Section 332 states that the accounting records should be kept in a registered office or such other places deemed fit by the directors, subject to subsection 2 of this section which is in respect of the disposal of records under winding up rules.

Section 333 deals with penalties for non-compliance with the provisions of sections 331 and 332 of the CAMA.

Section 334 requires directors of every company to prepare financial statements in respect of each year of the company. S.334(2) states that the financial statements should include:

a) statement of accounting policies;

b) the balance sheet as at the last date of the year;

c) a profit and loss account or, in the case of company not trading for profit, an income and expenditure account for the year;

d) notes on the account;

e) the auditors’ report;

f) the directors’ report;

g) a statement of source and application of funds (now replaced by statement of cash flow since 1997);

h) a value added statement of the year;

i) a five-year financial summary; and

g) for holding company, a group financial statement.

S.334 (3) exempts private company from the matters as stated in paragraphs (a), (g), (h) and (i).

Section 335 states the form and content of individual financial statements. It requires the financial statements of a company to comply with the requirements of Schedule 2 to this Act (as far as applicable) and with the accounting standard as laid down from time to time by the Nigerian Accounting Standard Board as constituted.

Section 336 compels companies that have subsidiaries to prepare individual and group accounts for the year. The group financial statement should consist of a consolidation of balance sheet and the profit and loss account of the company and its subsidiaries. Section 337 states the form and content of group financial statements; this should comply with the requirements of Schedule 2 of the Act. Section 338 states the meaning of ‘holding company’, ‘subsidiary’ and ‘wholly owned subsidiary’.

Section 339 deals with additional disclosure required in notes to financial statement as contained in Schedule 3 to the Act. Schedule 3 deals with the following:

a) Parts I and II deal respectively with the disclosure of the particulars of subsidiary and its shareholders;

b) Part III deals with disclosure of financial information of subsidiaries;

c) Part IV requires subsidiaries to disclose its ultimate holding company;

d) Part V deals with emoluments and compensation to directors and past

directors;

e) Part VI deals with the disclosure of the number of employees of the company with high remunerations.

Sections 340 - 341 deal with the disclosure of loans in favour of directors and connected persons in accordance with Part I and Part II of Schedule 4 of this Act (so far as applicable). Part I of the Schedule 4 is in relating to disclosure of transactions, arrangements and agreements mentioned therein, including loans, quasi loans and other dealing in favour of director. Part II of Schedule 4 is with regards to transactions, arrangements and agreements made by the company or subsidiary of it for persons who at any time during the year were officers of the company but not directors. Section 342 requires every company to prepare in respect to each year a report by the directors in accordance with Schedule 5 of the Act. It also states the penalties for non-compliance.

Sections 343 - 349 deal with procedure on completion of financial statements. Section 343 requires two of the directors of the company to sign the balance sheet and documents annexed thereto. Section 344 states persons entitled to receive financial statements as of right. Section 345 states the duration of time for delivery of the financial statements. Sections 346-348 state the penalty for non-compliance with Section 345 and penalty for laying or delivering defective financial statements. Section 349 states the shareholder’s right to obtain copies of financial statement.

Sections 350-353 deal with modified individual and group financial statements. Section 350 deals with the entitlement to deliver financial statements in modified form. Section 351 deals with qualification of a small company, Section 352 deals with modification of individual financial statements, while Section 353 deals with modification of financial statements of holding company.

Section 354 applies to the publication by a company of full individual or group financial statements. These financial statements must be laid before the company in general and delivered to the Corporate Affairs Commission including the directors’ and auditors’ report. It also deals with contraventions to this provision. Section 355- requires a company to publish abridged financial statement. It applies to any balance sheet or profit and loss account relating to a year of the company or purporting to deal with any such year, otherwise than as part of full financial statement to which section 354 of the Act applies.

Section 356 addresses the power to alter accounting requirements by the Minister after consultation with the Nigerian Accounting Standard Board. Sections 357-369 provide for Audit of the financial statements. It provides for appointment of auditors, qualification of auditors, auditors’ report, auditors’ duties and powers, remuneration of auditors, removal of auditors, auditors’ right, resignation of auditors, and the liability of auditors for negligence.

**2.1.2 Development of Accounting Standards (National and International)**

The practice of Accountancy worldwide is guided by sets of guidelines and rules. The rules and guidelines are compiled into accounting standards (Izedonmi and Ola, 2001:11). They are statements of principle that discuss the accounting treatment and disclosure of a particular item or group of items. There are two sets of standards governing the accounting practice in Nigeria, the national accounting standards and the international accounting standards. The national accounting standards, known as Statements of Accounting Standards (SASs) are issued by the Nigerian Accounting Standard Board (NASB), while the international accounting standard formerly known as International Accounting Standards (IASs) but now known as International Financial Reporting Standards (IFRSs) are issued by the International Accounting Standard Board.

**2.1.3 Nigerian Accounting Standards Board**

The Nigerian Accounting Standard Board (NASB) is a parastatal of the Federal government founded on September 9, 1982 but enacted as the NASB Act of 2003. The board came into being after the Nigerian Enterprises Promotion Decree was promulgated to transfer ownership of companies to Nigerians. The companies existing at that time exploited the fact that there was no uniform accounting practice. They utilized any accounting measure that seemed suitable to them. Those companies whose parents were residents outside Nigeria followed the dictates of their parents outside the shore of Nigeria, thereby, resulting to non- coherent accounting practices. NASB was therefore established at that time to stop the unpalatable conditions that existed before and after indigenization.

Specifically NASB was set up to narrow areas of differences in practices so that financial statements are structurally uniform and meaningful; produce accounting information relevant to the economic environment and introduce measures that will enhance the readability and validity of the accounting information (NASB, 2007). The standards are rules governing the preparation of the financial statements and they are essential because they result in efficient allocation of resources within the economy. The NASB was given a legal backing by its inclusion in Section 335(1) of the Companies and Allied Matters Act of 1990 which mandates all companies to prepare financial statements that comply with the Statement of Accounting Standards (SAS) as developed and issued by NASB from time to time. The NASB in 2003 was given the full autonomy as a legal entity with the enactment of the NASB Act of 2003. NASB is the only body that has the statutory power under the Act to monitor and enforce compliance with accounting standards.

The NASB Act No 22 of 2003 identifies three objectives of the Law as follows:

1. to establish the NASB charged with the responsibility of developing and publishing accounting standards to be observed in the preparation of financial statements;
2. to seek to promote and enforce compliance with accounting standards issued by the Board; and
3. to provide penalties for non-compliance with its provisions.

NASB’s membership includes representative of government and relevant interest groups drawn from the banking, manufacturing, commercial and educational sectors of the economy. They are as follows:

1. Central Bank of Nigeria (CBN)
2. Corporate Affairs Commission (CAC)
3. Federal Inland Revenue Service (FIRS)
4. Federal Ministry of Commerce (FMC)
5. Federal Ministry of Finance (FMF)
6. Nigerian Accounting Association (NAA)
7. Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)
8. Nigeria Deposit Insurance Corporation (NDIC)
9. Securities and Exchange Commission (SEC)
10. The Institute of Chartered Accountants of Nigeria (ICAN)
11. Auditor-General of the Federation
12. Accountant-General of the Federation
13. Association of National Accountants of Nigeria (ANAN)
14. The Chartered Institute of Taxation of Nigeria (CITN)

As at 2009, the NASB have issued thirty standards. They are as stated in Appendix II.

**2.1.4 International Accounting Standards Board**

The International Accounting Standards Board (IASB) is an independent organization based in London, United Kingdom, that issues Accounting rules known as International Financial Reporting Standards (IFRS) previously known as International Accounting Standards (IAS). The International Accounting Standards Board (IASB) was preceded by the Board of the International Accounting Standards Committee (IASC), which operated from 1973 to 2001. IASC was set up on the initiative of Sir Henry Benson during the 10th World Congress of Accountants at Sydney, Australia, in 1972 (Ezejelue, 2001:8). The agreement to form IASC was signed on June 29, 1973 by nine accountancy bodies, viz, in Australia, Japan, France, Canada, Germany, Mexico, the United States, the United Kingdom and Ireland and the Netherlands, and these countries constituted the Board of IASC at that time (Alexander, Britton and Jorissen, ,2003:45). The IASC was established as a response to the call by accounting professionals of the G5 for better communication, closer co-operation and greater co-ordination of accounting rules among the various nations of the World. Blake (1981:193) narrated that the need for International Accounting Standards programme at that time was attributable to three factors - firstly, the growth in international investment; secondly, the increasing prominence of multinational enterprises and lastly, the growth in the number of accounting standard setting bodies.

In 1974, Belgium, India, Israel, New Zealand, Pakistan and Zimbabwe joined as associate members. The first two standards IAS 1, Disclosure of Accounting Policies and IAS 2, Valuation and Presentation of Inventories in the Context of the Historical Cost System were published in 1975. In 1977 the International Federation of Accountants (IFAC) was formed, to support the work of the IASC. In 1978, South Africa and Nigeria joined the Board. According to Wallace (1990:9), the implicit primary goal of IASC is harmonisation but its official goal as set out in the constitution is as follows (Roberts, Weetman, and Gordon (2002:133):

1. to develop in the public interest, a single set of high quality understandable and enforceable global accounting standards;
2. to promote the rigorous use and application of these accounting standards;
3. to bring about the convergence of national accounting standards and international accounting standards.

According to Porter (2004: 8), over time, IASC has been marked by a number of significant challenges and accomplishments. During the first decade, (i.e. from 1973-1983) it successfully fended off efforts of developing Countries and it had to cope with the flexible private-sector Anglo-American approaches to accounting. It also had to cope with the more cautious and legalistic European approaches that were oriented much more to the needs of creditors and government. Afterwards, there was a need to harmonise the accounting standard for reasons such as reduction in diversity of financial statements for multinational enterprises and efficient comparison of international financial statements (Tower et al, 1999:294). During the second decade (i.e from 1984-1993) IASC’s initiative to harmonise accounting standards commenced but at a slow pace, mostly, because the standards were rigorous and not sufficiently specific. The Board made efforts to improve its standard by inaugurating a Comparability and Improvement project which was completed in 1993 with approval of ten revised IASs. This made them gain recognition of International Organization of Securities Commissions (IOSCO).

During 1994 to 2000, IASC’s stature was enhanced as a result of the global financial crises of the 1990s and IOSCO recommended that its members should allow foreign firms to use IAS in accessing their securities markets. On 1, April 2001, IASC was transformed to the IASB with the responsibility for setting International Accounting Standards. A four-level structure was created with a separation between the Trustees, the Board, a Standards Advisory Council and a Standing Interpretations Committee endorsed by IOSCO, the SEC and Financial Standards Accounting Board. The IAS was renamed International Financial Reporting Standards (IFRS). In 2002, U.S. Financial Accounting Standards Board (FASB) and IASB held a joint meeting and issued a memorandum of understanding pledging convergence of their accounting standards and coordination of their work programmes. In 2004, European Commission endorses all IASs and IFRSs for use in Europe. These countries include Austria, Belgium, Cyprus, Czech Republic, Denmark. Germany. Estonia. Greece, Spain, France, Ireland. Italy, Latvia. Lithuania, Luxembourg. Hungary. Malta. Netherlands. Poland, Portugal, Slovenia, Slovakia. Finland, Sweden and U.K. During the same period, Australia, Hong Kong, New Zealand, and Philippines adopt improved IASs and IFRSs.

Several countries that had not adopted IFRS had established machinery for convergence. Convergence is a modified version of adoption. Ball (2006:11) narrated that convergence *de facto* is less certain than convergence *de jure.* The latterrelates to accounting regulation while the former relates to company practices. That is to say thatharmony in actual financial reporting practice is different from harmony in financial reporting standards (Taplin, Tower and Hancock, 2002:188). This can be attributed to some factors such as corporate factors, political factors, cultural factors and economical factors. IASC cannot enforce countries to adopt its standard but it solely relies on them to comply. Widespread international adaptation of the IFRSs offer advantages such as accurate, timely and comprehensive financial statement information, reduces cost of information processing, enhances international comparison of financial statements, and removes barriers to cross-border acquisitions and divestitures (Ball, 2006: 12).

Presently, NASB is making frantic efforts of adapting IFRSs to suit Nigerian environmental peculiarities. However, the Executive Secretary of the Nigerian Accounting Standards Board (NASB), narrated that it is not possible to fully adopt the IFRS taking into cognisance local needs. He said: "Nigeria is at a different level of development compared to some of the IFRC countries. We will converge by adaptation. We take each standard and look at how relevant it is to the economy before we adopt it or converge” (Nnadi, 2009b). A number of leading banks have started making voluntary decisions to improve the transparency and exposure level of their books by using IFRS for the presentation of their financial statements. These banks are First Bank of Nigeria Plc, Guaranty Trust Bank Plc, Access Bank Plc, and EcoBank Transnational International (ETI). The Nigerian Stock Exchange (NSE) has urged quoted companies to comply with the International Financial Reporting Standards (IFRSs) by 2011.

**2.2 Review of Empirical Literature**

Accounting researchers have investigated relationships between corporate characteristics and disclosures in corporate annual reports since 1960s. Early works on this subject was pioneered by Cerf (as cited in Fremgen (1964:467) and afterwards, many studies have examined the quality of information disclosures in various contexts. Examples of such studies are: Owusu- Ansah (1998:605-631); Ho and Wong (2001:139-156), Joshi and Ramadhan (2002:429-440); Chau and Gray (2002:247-265); Naser et al. (2002: 122-155); Naser and Nuseibeh(2003:41-65); Akhtaruddin (2005:399-422) and Ofoegbu and Okoye (2006:45-53). Each of these studies has been distinguished by differences in research setting, differences in definition of the explanatory variables, differences in disclosure index construction and differences in statistical analysis.

Research setting varies from developed to developing countries. Studies in developed countries include: United States (Singhvi and Desai, 1971: 129-138; Buzby, 1975:16-37; Stanga, 1976:42-52, Street and Bryant, 2000:41-69); New Zealand (Mc Nally et al., 1982:11-20; Sweden (Cooke, 1989:113-124;); Canada (Bujaki and McConomy,2002:105-139); Spain (Wallace et al., 1994:41-53); France (Depoers 2000: 245-263); Japan (Cooke, 1992:229-237); Germany (Glaum and Street, 2003:64-100); New Zealand (Owusu-Ansah and Yeao, 2005:92-109); United Kingdim (Iatridis, 2008: 219-241; Camfferman and Cooke 2002:3-30). While studies in developing countries include India (Singhvi,1968:551-552; Ahmed, 2005:73-79), Mexico( Chow and Wong-Boren,1987:533-541), Nigeria (Wallace, 1988:352-362; Ofoegbu and Okoye, 2006:45-53); Zimbabwe (Owusu-Ansah,1998:605-631); Bahrain (Joshi and Ramadhan,2002:429-440); Jordan (Naser et al., 2002:122-155); Saudi (Naser and Nuseibeh, 2003:41-69) Kenya (Barako, 2007:113-128) and Bangladesh (Akhtaruddin, 2005:399-422; Waresul Karim and Ahmed (2006:1). Summary of these empirical evidences are contained in Table 2.01 (pages 58 - 62).

The researchers examine corporate characteristics that are used as predictors of the quality of disclosure. This ranges from two (Buzby, 1975:16) to eleven ( Mc Nally et al , 1982). The most popular characteristics are corporate size, profitability, liquidity, gearing, audit size, listing status, multinational parent, age, and ownership structure. Studies on financial reporting disclosure and corporate attributes are as shown in Table 2.01 (pages 58-62). The quality of disclosure in corporate annual reports and accounts has been represented in the literature by several constructs: adequacy (Buzby, 1975:16, Owusu-Ansah, 1998:609), comprehensiveness (Wallace and Naser, 1995:311 Barrett, 1976: 12), informativeness (Alford, Jones, Leftwich & Zmijewski, 1993:183), and timeliness (Courtis, 1976:45). Each construct suggests that the quality of disclosure can be measured by an index representing the dependent variable.

Some studies use weighted disclosure indexes while some others use unweighted disclosure indexes. Those that use indexes are of two strands, weighted (either subjectively by the researcher(s) alone or by the researcher(s) using weights elicited from surveys of users' perceptions), while some others are unweighted. All the studies, except for Imhoff (1992:97) and Lang and Lundholm (1993:246), use a researcher created dependent variable. Both Imhoff and Lang and Lundholm use disclosure indexes created by analysts. Chow and Wong-Boren, (1987: 536) have provided some proofs that there may be no significant difference between weighted and unweighted disclosure indexes. In addition, weights neither affect real economic consequences on the subjects whose opinions are pooled (Chow and Wong-Boren, 1987: 536) nor do they reflect stable perceptions on similar information. The information items forming the basis of the index of disclosure are either voluntary or mandatory disclosures. The mandatory disclosures are basically international standards. These items vary from a minimum of 24 (Chow and Wong-Boren, 1987:535) to a maximum of 214 (Owusu Ansah, 1998: 609). Some of these disclosure indexes are items across subjects ( Chow and Wong-Boren, (1987: 536), over time (Dhaliwal, 1980:385) and from similar subjects across countries (Firer and Meth, 1986:178).

While earlier studies use the matched-pair statistical procedures to test the difference between mean disclosure indexes of two or more groups of sample firms (e.g., Singhvi and Desai, 1971:135; Buzby, 1975:26), Studies from the 1980s, beginning with Chow and Wong-Boren (1987:535), use the multiple regression procedure and the sophistication and rigour of analysis of the regression methodology are improving with time. For example, Cooke (1989:113) and Imhoff (1992:97) use different rigorous dummy variable manipulation procedures within a stepwise multiple (OLS) regression while Lang and Lundholm (1993:246) introduce the use of rank (OLS) regression to cater for the monotonic behaviour of disclosure indexes following a change in some independent variables.

Overall, the findings regarding the compliance level of companies and the relationship between the level of disclosure and various corporate attributes are mixed. This section further reviews studies in both developed and developing countries.

**2.2.1 Previous Studies in Developed Countries**ose that use indexes are of two strans, resercher e ome other used unweighted disclosure indexes.

Cerf (as cited in Fremgen (1964:467) pioneers the study on the relationship between extent of corporate disclosure and company attributes. He utilizes a random sample of 527 listed and unlisted corporate organizations for evidence of compliance with certain minimal standards of disclosure. Cerf considers twelve explanatory variables for possible correlation with superiority of disclosure. The independent variables include profitability, asset size, method of trading shares, stock ownership, industry, frequency of external financing, stability of growth in earnings and dividends, product, degree of competition, association with CPA firms and management characteristics. Only the first four of these variables are tested. Superiority of disclosure is measured by an index of disclosure. This is constructed based on thirty one information items each weighted by importance. A percentage score is given to each company by dividing the number of points achieved by the total points possible for all items applicable to the company.

Cerf finds that there is a positive relation between disclosure and asset size, profitability, and shareholder number. As for methods of trading shares he finds that New York Stock exchange companies are significantly superior to others, while for reporting, no significant difference is seen. He also discovers that there is lack of disclosure of some techniques such as depreciation, inventories, recognition of income on long term contracts and income tax allocation. Evidence also shows that specific items required by shareholders are not adequately disclosed. Among them are sales breakdown, research and development (current and planned), capital expenditure (current and planned), and information on management and their policies. Cerf’s ( as cited in Ray 1962:595) study is seen as very interesting but failed to test significance in statistical terms. The study does not consider some corporations such as foreign corporations, banks, finance houses, insurance companies, real estate companies, public utilities and investment companies.

Singhvi and Desai (1971:131) acknowledge Cerf’s work as very fascinating since it is the first of its kind to show interdependence between companies attributes. Their study is to improve on Cerf’s work by examining additional variables such as earnings margin and influence of audit firms which was previously neglected by Cerf and also to test the statistical significance of the relationship between variables. They evaluate the quality of information for fiscal year April 1, 1965 to March 31, 1966. Their sampling involves 100 listed and 55 unlisted corporations in the U.S using weighted index of disclosure method with 34 items similar to Cerf’s. Weights are assigned to the information items based on their relative importance as indicated by committee members on corporate disclosure and security analysts. They propose that there is a conceptual relationship between the index of disclosure (I) and the specified explanatory variables, which are asset size (A), number of shareholders (N), listing status (L), CPA firms (C), rate of return (R) and earning margin (E), modeled as : I = f(A,N,L,C,R,E). Using a multivariate linear regression, the estimate was I = 30.90 + 0.70A + 0.0060N + 8.10L + 2.21C -0.03R +0.25E. The coefficient of multiple determination, R2 is 0.43442 which signifies that 43.4% variation in the quality of disclosure can be explained by the variables. When listing status is taken alone it is seen that it explains 38.13% variation of the quality of disclosure. Their result reveals that listing status is the primary explanatory variable. This is in variance to Cerfs’ which portrays asset size rather than listing status is the key explanatory variable. Singhvi and Desai (1971:137) conclude that corporations that disclose inadequate information are likely to be small in size, free from listing requirement, audited by small CPA firms and less profitable.

Based on the conflicting results of Cerf and Singhvi and Desai as narrated above, Buzby (1975:20) decides to probe further by examining the relationship between adequate disclosure and the two company characteristics, asset size and listing status. A disclosure index is constructed based on information acquired from financial analysts. It is defined in terms of 39 selected types of information appearing in the annual report. Weights are assigned based on the analyst ranking in order to recognize differences in their relative importance. Eighty eight samples of companies are used, 44 are listed on either the New York (NYSE) or American (AMEX) exchanges, while the other 44 are unlisted. To test the listing status effect, Wilcoxon matched-pairs sign-ranked test is conducted and it is discovered that there is a low level of statistical significance at 0.64. To test the asset size effect that is to know if there is an association between the extent of disclosure and asset size, he conducted a Kendall rank correlation coefficient test. The results of the statistical tests conducted reveal that the extent of disclosure is positively associated with asset size and not listing status. He finds that the extent of disclosure is positively associated with company size but not with listing status. This result is consistent with Cerf and not consistent with the result of Singhvi and Desai. One of the limitations of the study is that the measure of disclosure is based on only the information needs of financial analyst. Users of corporate accounts are numerous and the result based on only this user group may not adequately relate to the needs of the other users.

The extent and quality of corporate financial disclosure in seven countries over a ten-year period from 1963 to 1972 is examined by Barrett (1976:12). The countries examined are United States, United Kingdom, France, Japan, Sweden, Netherlands and West Germany. Based on the previous experiences of others, that is, Singhvi and Desai (1971:129) and Buzby (1975:16) carried out in the United States; Barrett wants to know if the American reports are superior. Fifteen large companies in each country, measured in terms of market capitalization are used as samples. To measure disclosures, seventeen disclosure items are considered, in which twelve are substantially the same as those used in earlier studies of Cerf, Singhvi and Desai and Buzby (Barrett, 1976:16). To allow the comparison of the overall extent and quality of disclosure the seventeen information items are used to construct a weighted index of disclosure. The result shows that there is only a little difference in the extent of disclosure of large British and American firms. He noted that British and American firms exhibit more annual report disclosure than the firms of the other five nationals. However, these two countries do not “lead the pack” in the extent and quality of disclosure across board. Such cases are in respect of segment reporting and disclosure of planned and current capital revenue for American companies. The result of this study indicates that the extent and quality of the disclosures in American firms might not be superior to others based on the size of samples.

The study of McNally et al (1982:11) complements and extends previous studies in the United States (Singhvi and Desai, 1971:135 and Buzby, 1975:20) by examining the quality of disclosure with corporate characteristics in a different environmental setting, New Zealand. They examine 103 non-financial and non retail listed companies with 54 voluntary items using size, rate of return, growth, audit firm and industry as their independent variables. Rank order correlations are computed for the first three company attributes and quality of disclosure. The only significant relationship is between size and information quality. One way analysis of variance (Kruskal Wallis) test is employed to test industry group and audit size, but no significant difference is found.

**To extend the general knowledge of the overall extent of disclosure to Sweden companies, Cooke** (1989:113) examines the annual reports of 90 firms to assess whether there is a significant relationship between some corporate attributes and the extent of disclosure. The study is different from prior studies, firstly, because it relates to listed and unlisted firms, to be precise, 38 unlisted, 33 listed on the Swedish Stock Exchange, and 19 listed on both the Swedish and at least one foreign stock exchange during the year 1985. Secondly, the disclosure items are constructed based on the entirety of the annual report not just the financial statement. The disclosure items are not directed at specific user groups, but used a wide ranging approach similar to Wallace (1988:352) in his analysis of Nigerian corporate reports. The total numbers of items are 224, made up of financial statements, measurement and valuation methods, ratios, projections, financial history and social responsibility. He developed a scoring scheme to capture the level of disclosure by using a dichotomous procedure in which an item scores one if disclosed, and zero if not disclosed. When an item is not mentioned in the annual report, it is assumed that it is not relevant and the company is not scored at all. On the contrary, if it is apparent that the item is relevant, such a company will be scored zero. The method is unweighted based on the fact that each item is equally important. The index of disclosure is the ratio of the actual score to the expected score. Descriptive statistics including Chi-square, Cramer’s V, Contingency coefficient, lambda and one-way analysis of variance was used in analyzing the data and it was discovered that there is a high degree of association between the listing status and disclosure indexes. In order to identify which independent variable determines the extent of disclosure, multiple regression procedure was adopted. The independent variables selected are quotation status, parent company relationship, annual sales, total assets, and number of shareholders. It was found that listing status and size are major explanatory variables for voluntary disclosure. In addition, firms categorized as trading disclose less voluntary information than other industries. Also, multiple listed companies disclose more information than domestically listed companies.

After the above study, Cooke (1992:229) goes further to examine the Japanese financial reporting on the premise that findings in one country may not be applicable to Japan because of its unique culture and business environment. He examines the impact of size, stock market listing and industry type on both voluntary and mandatory disclosures in the annual reports of Japanese listed corporations. Size is considered using eight variables, viz, capital stock, turnover, number of shareholders, total assets, current assets, shareholders’ fund and bank borrowing. An extensive list of 165 information items (65% voluntary and 35% mandatory), included in these items are disclosure recommendations by IASC and other relevant laws and accounting standards. He uses the same scoring technique as in Cooke (1989:113) that is a modified dichotomous approach. Descriptive statistics reveals that mean scores for mandatory disclosure are quite high (Cooke, 1992: 233). The mandatory disclosures range from 88% to 100% while the voluntary disclosures range from 7% to 41%. A linear regression model is used to test the hypothesis. The problem of multicollinearity between the size variables is resolved by using Factor analysis by principal components. The principal factors are used in the regression model as regressors. In the result (Cooke, 1992:236), it is found that manufacturing firms disclose more information than non-manufacturing firms. In conclusion, he discovers that disclosure increases with size, industry type and multiple listings.

Wallace et al(1994:41), investigate the impact of firm characteristics on disclosure in annual reports and accounts of Spanish firms. They also aim at knowing whether the firm characteristics found relevant in previous study are also implicated in Spain or not. They investigate 30 listed and 20 unlisted firms in Spain for the year 1991. They construct an index of comprehensive disclosure of mandatory items as a proxy for disclosure quality for each Spanish company. Their score is based on the density (fullness) of information in their annual report. The list of information items is restricted to 16 mandatory items in order not to penalize a company for not disclosing any item. The scoring rewarded both qualitative and quantitative information. Qualitative information is scored on the basis of the number of words describing the item. The indexes vary between range 29% to 80%. They classify their independent variable into three categories, structure related (total assets, total sales and gearing), performance-related (liquidity ratio, earnings return and profit margin) and market-related variables (auditor type, industry type, listing status). Using regression analysis, the index of disclosure varies significantly positive with firm size. This result is in line with discoveries of Cerf and Cooke. The coefficient of liquidity is found to be significantly negative, which implies that the Spanish firms with low liquidity disclose less information. The result also indicates that comprehensive disclosure increases with listing status. The research provides evidence that the amount of detail in Spanish corporate annual reports and accounts is increasing in firm size and stock exchange listing, and decreasing in liquidity. The limitations noticed about this study are as follows: firstly, using 50 firms may not give a stable regression equation, to achieve stability the number of firms could be increased to 100 or more. Secondly, the study focused only on 16 disclosure items, the result might be different if more items are considered and lastly the study excluded the financial sector perhaps the result might be better if this sector is included.

To extend the previous studies to transnational levels, Meek et al. (1995:555) examine the factors affecting voluntary disclosures by United Kingdom, United States and Continental Europe multinational companies. These factors are classified into strategic, financial and non-financial using 1989 annual reports. The explanatory variables considered are company size, country of origin, leverage, profitability, industry and degree of multinationality. Disclosure scores and disclosure index are created by utilizing the additive and unweighted method of Cooke (1989:113). They report that the results were statistically significant for on the overall level and information type with explained variation of 14%, 46% and 33% in the case of financial, nonfinancial and strategic information respectively. Country, international listing status and company size are the three most important variables measuring voluntary disclosure. Industry is influential in cases of financial and nonfinancial but not strategic information.

Asian Countries of Hong Kong, Singapore and China are investigated in prior literature. Some of these studies are for Hong Kong by Wallace and Naser (1995:311) and Ferguson et al (2002:125), for China by Xiao (1999:349), and for both Hong Kong and Singapore investigated by Chau and Gray (2002:247). Wallace and Naser (1995:311) investigate the multivariate impact of selected firm characteristics on corporate annual reports. The principal objective of the study is to provide additional insight to the corporate reporting and accounting practices of the newly industrialized nation at that time. Eighty firms listed on the Stock Exchange of Hong Kong are utilized for the study with annual year end 1991. Eleven variables are selected as explanatory variables which are broken down into performance-related, structure-related and market-related. This is in line with the previous studies of Wallace et al. (1994:44).

Wallace and Naser utilize a scoring scheme and researcher-created indexes similar to Wallace et al. A set of eleven characteristics are examined as determinants of researcher constructed indexes of the comprehensiveness of disclosure in the annual reports. Some variables are transformed using natural logarithmic conversion to reduce their skewness and the potential size effects of these variables on the regression equations. Two regression models (the unranked OLS and the ranked OLS procedures) are used and the reported conclusions are generally based on the more robust (ranked OLS) models though the results from the unranked OLS regressions were not dissimilar. Their findings give evidence that the disclosure indexes vary positively with asset size and in line with the results from previous research (e.g., Cerf 1961:31; Singhvi and Desai 1971:137; Firth 1979: 279; McNally et al. 1982:16-17). The scope of business operations is also significantly positive. Profit margin is significantly negative suggesting that HK firms with higher profit margins tend to provide less detailed information in their CARs. The variable representing conglomerate status (scope) is also significantly negative, suggesting that HK firms which are not conglomerates tend to provide less detail in their annual reports. They also find that market capitalization, liquidity ratios, earnings return on equity, and outside shareholders' interests are less useful in explaining variation in disclosure indexes. The study is criticised for evaluation of mandatory items only, thus ignoring voluntary disclosure items. Perhaps the disclosure indexes on non-mandatory items may reveal a profile different from the one reported in this study.

Further to the study on the stock exchange of Hong Kong, Ferguson et al. (2002:125) examine the impact of international capital market pressures on voluntary disclosure of former state owned enterprises in China listed at the stock exchange of Hong Kong. They assess the disclosure of strategic, financial and non-financial information using five independent variables namely firm type, firm size (logarithm of total assets), leverage ( ratio of long term liability to stockholders equity), industry (utilities and electronic firms), multiple-listing. They find that overall disclosure scores are highly variable ranging from 0.03 to 0.44. Disclosure by type of information varies considerably. This is consistent with the studies of Meek et al (1995:565). Leverage is found to have an effect on the type of information disclosed. It is discovered that these firms disclose significantly more strategic and financial information than other listed firms at the Hong Kong Stock Exchange.

Xiao (1999:349) investigates the current corporate disclosure requirements placed upon Chinese listed companies and the level of compliance with them. China operated a planned economic system until the late 1970s when it started its economic reform programme and adopted an open door policy. Under the old system, all enterprises were either state-owned run directly by the government, with little room for market mechanisms. Economic reforms of the 1970s and the adoption of the open door policy, however, have resulted in dramatic changes to the disclosure environment. Xiao uses descriptive analysis on 10 categories of information in annual reports of 13 companies. The ten informative items are, brief introduction of the company, three-year summary of accounting and operations data, Chairman or managing director's statement, Directors' report, Financial statements, Statement of material events, Description of related companies, Notice of the AGM, Other information and Reference information. Although this study was not statistically analyzed, it was reported that the general level of compliance appeared to be high.

The examination of the association between ownership structure and voluntary disclosure of listed companies in two Asian Countries of Hong Kong and Singapore is conducted by Chau and Gray (2002:247). A linear multiple regression analysis is used to test the association between the dependent variable of voluntary disclosure and the independent variable of ownership structure. In addition to the ownership structure, a number of control variables are also included in the model to test the hypotheses. They find that the extent of outside ownership is positively associated with voluntary disclosures. In particular, the results also indicate that the level of information disclosure is likely to be less in family businesses.

German companies are investigated by Glaum and Street (2003:64). They investigate the extent to which German companies comply with both the International Accounting Standards and United States Generally Accepted Accounting Principles (GAAP), the two predominant internationally accepted sets of standards. Using a sample of 200 companies in their year 2000 financial statements, they discover that compliance ranges from 41.6% to 100%. The average compliance is 83.7% but significantly low for companies that apply IAS. They report that the overall level of disclosure is positively related to firms audited by Big 5 auditing firms and firms having cross-listings on US exchanges. Checks further reveal that industry, country of origin, profitability, multinationality, ownership structure, firm age, and growth has no significant impact on the companies’ disclosure practices. Similar to the studies of Glaum and Street (2003:64), Cuijpers and Buijink (2005:487) use IAS and US GAAP to examine the extent of compliance and determinants of voluntary adoption of these standards by firms listed and domiciled in the European Union (EU) for the period 1999. They find that firms voluntarily using nonlocal GAAP are more likely to be listed on a US exchange, the EASDAQ exchange in Brussels, and have more geographically dispersed operations. Furthermore, they are more likely to be domiciled in a country with lower quality financial reporting and where IAS is explicitly allowed as an alternative to local GAAP.

New Zealand companies are examined by Owusu-Ansah and Yeao (2005:92). They investigate the effect of the Financial Reporting Act of 1993 (FRA) on mandatory disclosure practices of companies listed on the New Zealand Exchange Limited. The study covers a four-year period (i.e., 1 January 1992 to 31 December 1993, two consecutive years immediately before and after the effective date of the FRA. To quantify the mandatory disclosure practices of each company, a scoring template developed for each year under investigation is used to derive an index of mandatory disclosure. They use both univariate and multivariate analyses to examine the association between the levels of compliance with mandatory disclosure by the selected companies before and after the implementation of the FRA.

They find that mean corporate disclosure compliance levels in the periods after the enactment of the FRA are significantly higher than those in the periods before the enactment of the legislation. They control only for the effects of seven company-specific characteristics which are company size, company age, liquidity, profitability, management equity holding, auditor-type, and industry-type. Three of the variables are found to be statistically significant; these are company size, auditor type, and profitability except for the auditor type they all have their expected signs. In the final analysis, the overall findings suggest *ceteris paribus*, that minimum corporate disclosure compliance levels between the pre- and post-FRA periods increased as a result of the implementation of the FRA.

Networks of hypotheses that link the driving forces of disclosure are developed by Gruning (2006). The driving factors are empirically evaluated simultaneously, hence, including secondary effects. Structural equation modeling with a correct weight matrix is used to analyse data for a sample of 30 German and 30 Polish companies listed in the respective premium stock market segment. To obtain results that can be compared with previous research the approach of the European PRISM project was modified to measure corporate disclosure quality. For seven communication dimensions 118 items are analysed for each company based on the 2002 annual reports. They find that firm size and industry do not directly influence corporate disclosure but are mediated by cross-listing. The home country effect is of a direct and indirect nature that is mediated by firm size and cross-listing. They discover that cross-listing plays a central role in mediating most of the secondary effects on corporate disclosure.

The quality of the annual financial statements of firms in three Continental European countries: Austria, Germany and Switzerland were assessed by Daske and Gebhardt (2006:461). The period covered was 1998 when the IAS/IFRS standards were revised considerably. The selected firms had already adopted internationally recognized standards (IAS/IFRS or U.S. GAAP) during the period of study. Both univariate and multivariate tests are performed using average, median, mean, t-test, spearman correlation and rank regression. Their multivariate analyses utilize a very similar set of control variables to prior research. These variables are firm size proxied by log of market capitalization or log of total assets, the number of analysts following a firm, its financing needs proxied by leverage, free float, capital intensity and performance measured by return on assets. Their evidence shows that disclosure quality has increased significantly with the adoption of IFRS in the three countries studied, even when controlling firm characteristics.

Iatridis (2008:219) examines the disclosure of accounting information in the financial statements of UK firms. The study also examines the financial attributes of firms that disclose key accounting issues such as risk exposure, changes in accounting policies, use of international financial reporting standards and hedging practices. Their evidence reveals that firms that provide informative accounting disclosures appear to display higher size, growth, profitability and leverage measures. His findings also reveal that the implementation of international financial reporting standards promotes consistency and reliability of financial reports, enhances the quality and the comparability of financial statements and also facilitates companies raising capital internationally.

**2.2.2 Previous Studies in Developing Countries**

Singhvi (1968:551) in his doctoral dissertation attempts to improve on and extend the work of Cerf (Buzby, 1975:17). He modifies Cerf’s index of disclosure and expands the tested explanatory variables to six. His studies are based on the annual reports of 200 corporations which include 100 listed and 55 unlisted corporations in the United States and 45 listed corporations in India. An index containing 34 items of information is created using assigned weights, ranging from1 to 4. Size is measured by total assets, listing status, number of shareholders, audit firms, and low profit as measured by rate of return and earnings margin. He discovers that small - sized corporations in the U.S and India do not disclose adequate information and that Indian based corporations disclose less adequate information and less inventor-oriented information than US companies. He also finds that the companies that are likely to disclose low quality information in India are likely to be small in size, less profitable and managed by Indian managers.

Mexican corporations were examined by Chow and Wong-Boren (1987:533). Their aim was to expand understanding of accounting practices in non-Anglo- American nation and secondly to provide additional evidence on the factors attributable to voluntary financial disclosures. They tested the effect of three firm characteristics - firm size, financial leverage and asset proportion- based on Agency Theory ( Jenson and Meckling (1976:305-360) and Leftwich, Watts and Zimmerman (1981:50-77) and Watts and Zimmerman (1978:112-134). They sampled 52 manufacturing firms using the unweighted disclosure index method. 24 information items are used to construct the disclosure index. Using descriptive statistics, pearson correlation and regression, their study reveals that disclosure increases with firm size. No significant effect was observed for financial leverage and assets. The positive significance of firm size is consistent with the findings of Cerf and Singhvi and Desai.

Nigerian financial reporting environment was empirically investigated by Wallace (1988:352-362), Okike (2000:39), Adeyemi (2006:40) and Ofoegbu and Okoye (2006:45-53). Wallace work is one of the pioneer studies on the Nigerian corporate reporting. His study won international recognition and accolade since this is the first work to show a detailed analysis of this subject empirically. He investigates the extent of disclosure using statutory and voluntary item, similar to the studies of Buzby (1975:16), Barrett (1975:15), McNally et al (1982:11) and Chow and Wong-Boren (1987:533). Wallace’s choice of information items was relevant to the user group - accountants, top civil servants, managers, investors and other professionals. He uses a sample of 47 companies, 54% of the total population of listed firms quoted at the Nigerian Stock Exchange during 1982 and 1986. Disclosure is treated as a dichotomous item, 1 for an item disclosed and 0 for those not disclosed. The scoring system is informed by its intensity. Two types of disclosure indexes are constructed, unweighted and weighted. The weighted disclosure index reflects the preferences of the six-user groups. The result of the analysis reveals that companies which publish annual reports do not adequately comply with the disclosure regime. The overall disclosure index reveals the weakness in the disclosure practice in Nigeria, ranging from 37.55% to 43.11%. There is a high level of disclosure relating to balance sheet, historical items and valuation methods, whereas there are apparent weaknesses in status data, social reporting, income statement items and projections. His result is similar to the New Zealand study of Mc Nally (1982:14). Eight items not disclosed by any company in New Zealand are among the list of 26 items not disclosed by any company in this Nigerian study.

Further to the study of Wallace (1988:352), Okike (2000:39) investigates the corporate reporting practices in Nigeria. She observes that it is weak and accounting reports have been found deficient in the sense that they lack vital information. Ofoegbu and Okoye (2006:45) investigate the extent to which Statement of Accounting standards are complied with in Nigeria. Using a sample of seven standards ( SAS 3, 7, 8, 10, 11, 18 and 19) conveniently chosen, they analysed the annual reports of 41 companies publicly quoted at the Nigerian Stock Exchange. It is discovered that there is a mixed result of compliance with disclosure requirements. Notably, full compliance (100%) is recorded for items such as: bases of determining book value of assets, cash flow presentations, disclosure of various forms of tax and movements of taxes and assets during the year. Partial compliance (ranging from 2% to 90%) is recorded for items such as: frequency of revaluation policy, amount of foreign exchange gain or loss, maturity profile of risk asset of banks, and commission paid/received.

Studies on mandatory and voluntary disclosure practices in Zimbabwe are conducted by Owusu-Ansah (1998:92) and Chamisa (2000:267). Owusu-Ansah (1998:92) empirically investigates the degree of influence of eight corporate attributes on the extent of mandatory disclosure and reporting of 49 listed companies in Zimbabwe. Owusu-Ansah and Chamisa used an unweighted relative disclosure index method which consists of 32 disclosure items from the three regulatory sources in Zimbabwe (i.e., the adopted IAS, the Companies Act, and the listing rules of the ZSE). To capture the intensity of the disclosure of these items, they were disaggregated into 214 sub-items. The relative index has been used in previous studies (e.g., Wallace, 1988:352; Cooke, 1989:113, Wallace et al., 1994:41). Using multivariate regression models, he discovers that company size, ownership structure, company age, multinational corporation alienation, and profitability have statistically significant positive effect on mandatory disclosure while the quality of external audit, industry-type and liquidity were statistically insignificant. Some of the results were consistent with prior studies e.g. Singhvi (1968:551) for India, Cooke (1992:229) for Japan, Wallace et al (1994:41) for Spain. For the same country, Zimbabwe, Chamisa (2000:267), examines the compliance of listed companies with the IASC standard. His results reveal high significance for both the compliance level and the impact of the IASC standards on the corporate reporting practices. He concludes that the IASC standards are relevant to Zimbabwe and similar capitalistic developing countries.

In Asia, Bangladesh was investigated by Karim et al (1998:57). They investigated the extent of voluntary disclosure with 91 voluntary items for 146 companies. By using unweighted index they find that the companies disclose an average of only 26 percent of the 91 voluntary information items. The range is from 5 to 50. Other Asian studies include the work of Ali et al (2004:183) and Akhtaruddin (2005:399). Akhtaruddin (2005:399) investigates the extent of mandatory disclosure by 94 companies listed both on the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). It also assesses the relationship between company specific characteristics (age, size, status, profitability) and mandatory disclosure of the sample companies. The disclosure index employed in this study is based mainly on the three regulatory sources namely, the Companies Act 1994, disclosure requirements of the stock exchanges, and the approved IASs. Using unweighted disclosure index and OLS regression analysis, they find that companies, on average, disclose 44% of the items of information. In addition they find that company age, profitability and status have no significant effect on disclosure however; there is little support for industry size as a predictor of mandatory disclosure.

Naser et al (2002:122), investigate the changes in the disclosure practices of Jordan after introducing IASs and the relationship between fifteen corporate attributes and depth of information. The outcome of the analysis reveals there is a slight increase in information disclosure after the introduction of the IASs. He also finds that the depth of disclosure is associated with profitability, size, liquidity, gearing and audit firm status.

Saudi Arabia became an area of interest after the Saudi authorities introduced a number of reforms in order to transform the economy in the late 1990s to 2000. One notable measure is that the Saudi government issued a law that allows foreign investors, for the first time, to invest in Saudi Arabia. Central to this development are the annual reports published by companies operating in Saudi Arabia. In this light, Naser and Nuseibeh (2003:41) attempt to assess the quality of information disclosed by nonfinancial companies listed on the Saudi Stock Exchange by examining the extent to which Saudi firms comply with stated accounting measurement and disclosure. An Index of disclosure is constructed using three main categories: mandatory; voluntary related to mandatory; and voluntary unrelated to mandatory disclosure. The outcome of the analysis indicated a relatively high compliance with the mandatory requirements in all industries covered by the study, with the exception of the electricity sector. As for the voluntary disclosure, the analysis reveals that Saudi companies disclose information more than the minimum required by law. The level of voluntary disclosure, however, is relatively low.

In India, Ahmed (2005:73) investigates the extent of voluntary reporting practices of listed non-financial companies with 12 disclosure items for 100 companies. He also relates the extent of voluntary reporting practices to industry type. An unweighted disclosure index was applied to the corporate annual reports for the year ending between June 30, 2002 and December 31, 2002. He finds that the level of reporting voluntary information items is low and the variability in the level of reporting among the companies is wide. Sector wise comparison of voluntary reporting shows little fluctuations among the sectors that indicate a great deal of similarity among them in respect of reporting voluntary information items

A detailed analysis of the disclosures of the financial statements of listed companies in the Egyptian Stock is conducted by Dahawy and Conover (2007:1). They use the disclosure check list already designed by the Egyptian Capital Market Authority to measure compliance of the companies to disclosure requirement of the standards. The findings reveal that not all the companies comply fully with the international standard. The compliance rate is between 52% and 76% with an average disclosure level of 62%. The lowest level of compliance is noticed for consolidated financial statements, leasing and treatment of intangible assets. Their result is consistent with Street and Gray (2001:1) who find similar results for countries studied.

## 2.2.3 Previous Studies on IAS/IFRS and Financial Reporting

The degree of compliance by companies claiming to comply with IFRS is very mixed and selective. According to Street, Gray and Bryant (1999:46), IFAC had asserted in times past that auditors were asserting that financial statements complied with IASs when the accounting policies footnotes and other notes showed otherwise. They opine that while many companies may appear anxious to seek the international investment status that comes with the adoption of IASs they are not always willing to fulfil all obligations involved. To this end they empirically examine the 1996 annual reports for 49 companies in 12 developed countries to determine the extent of compliance with IASs. Their tests for compliance focuses on both measurement and disclosure issues for the IASs revised during the Comparability Project. This entails IAS 2 to IAS 23, but excludes IAS 11, Construction Contracts, which is not applicable for most Companies.

Their findings reveal that only 20 (41%) companies note full compliance with IASs while 29 (59%) companies note compliance with some limited exceptions. The main areas of noncompliance are in respect of IAS 2, Inventory, where 4% of the companies used inventory valuations not endorsed by the standard and did not disclose the method used. In the case of IAS 8, Net Profit or Loss, for the Period, 27% of the companies violate the all inclusive requirement and 20% violated the IASC’s strict guidelines on extraordinary items. Noncompliance in respect of disclosures was noticed for IAS 9, Research and Development Costs, and for IAS 16, Property, Plant and Equipment. For IAS 18, Revenue, the majority of companies (55%) are not in compliance with the disclosure requirements. In respect of IAS 19, Retirement Benefit Costs, disclosure by the majority of companies (53%) is very limited. Some companies use methods eliminated by the standard for IAS 21, and failure to comply with the required standard was evident in IAS 22, Effects of Changes in Foreign Exchange Rates and IAS 23 Borrowing Costs. Taylor and Jones (1999:557) investigate where and how companies that purport to be using International Accounting Standards (IAS) are referring to IAS in their financial statements. One hundred and twenty-four financial statements from a total of 26 developed and developing countries are examined and classified. Virtually all firms surveyed refer to IAS in the footnotes but refer to IAS in the audit report just under 50% of the time. The country with the largest number of IAS references is Switzerland, followed by Canada, France and Sweden.

Street and Bryant (2000:41) go further to examine the overall level of disclosure and the level of compliance of companies preparing IAS based financial statements. They utilise the methodology adopted by Cooke (1989, 1992) and develop hypothesis based on prior literature. Their findings reveal the overall level of compliance for the entire sample is less than or equal to 75% of several IASs. For IAS 17, 71% is observed, for IAS 19, Employee benefits, 69% is observed, for IAS 14, Segment reporting 60% is observed while 50% is observed for IAS 23 Borrowing Costs and IAS 29 Financial Reporting for Hyperinflationary economies. It is discovered that the overall level of disclosure is greater for companies with U.S. listings. Additionally, higher level of compliance is associated with an audit opinion that states the financial statements are in accordance with IASs and the accounting policies footnote that specifically states that the financial statements are prepared in accordance with IASs.

Some critics may argue that the state of economic development between developed and developing countries may question the relevance of IASs to developing nations due to a variety of environmental factors (Chamisa, 2000: 278). However, this question on relevance of IASs standards to developing countries is evaluated by Chamisa (2000:267) using Zimbabwe as case study. He examines the *de facto* compliance by a sample of listed Zimbabwe companies. The result reveals that listed Zimbabwe companies appear to comply significantly with IASs disclosure requirement which are not required by the Companies Act. Specifically, this is so for the requirements of IASs 1, 2, 3, 4, 5, 6, 7, 10, 12, 13, 16, 19 and 21 in 1990. He concludes that IASs appear to have significant impact on the reporting practices of Zimbabwe listed companies.

After the International Accounting Standard Board came on board in 2001, there was concern that a comprehensive infrastructure should be in place so that high quality international accounting and reporting standards should be used, interpreted and consistently enforced throughout the world. In this light, Street and Gray (2001:1) conducted a research for Association of Chartered Certified Accountants of England and Wales (ACCA) in 2001, to examine the financial statements of worldwide sample of companies that refer to the use of IAS, and to explore the extent of noncompliance and the factors responsible for such. A sample of 279 companies for accounting year end 1999 was used for the study. They utilised the methodology of Street and Bryant (2000:41). The factors examined are company size, industry type, listing status, the manner in which companies refer to IAS, type of auditor, profitability, type of audit standard, type of accounting standard, country of domicile and size of the home stock market. They reported a significant positive association with level of compliance with IAS and non-regional listing status, being in transportation, electronics and communication industry, referring to IAS in the accounting policy note, being audited by Big 5+2 audit firm, and domiciled in China or Switzerland. Contrarily, countries domiciled in France, Germany, Western Europe and Africa are evident by lower levels of compliance.

A special study was conducted by the World Bank Group between November, 2003 and March, 2004 on the observance of standards and codes for Nigeria. As part of the aims of the project, they examined the degree of compliance with national accounting standards and determine the comparability of national accounting standards with International Accounting Standards (IASs). In their study they observed that the SASs had not been reviewed or updated in line with the current IFRSs (World Bank, 2004:10). The following was reported (World Bank, 2004:10-13).

1. The Nigerian Statements of Accounting Standards (SAS) seem incomplete because there are many accounting issues not yet covered by NASB but had been addressed by IAS/IFRS. Also, the current SASs is based on old IASs which had been revised or withdrawn. IASs with no equivalent SASs are: IAS 18, Revenue; IAS 20, Accounting for Government Grants and Disclosure of Government Assistance; IAS 22, Business Combinations; IAS 23, Borrowing Costs; IAS 32, Financial Instruments: Disclosure And Presentation; IAS 34, IAS 35, Discontinuing Operations; IAS 36, Impairment of Assets; IAS 38, Intangible Assets; IAS 39, Financial Instruments: Recognition And Measurement; and IAS 41, Agriculture.
2. Over the years, extensive revisions have been conducted on the IASs which are not being reflected in the SAS. Large sections and paragraphs in IAS which are newly included cannot be found in the SAS. For instance, some requirements in IAS 1, Presentation of financial statements are omitted from SAS. These are: statements of changes in equity, distinctions between current and noncurrent classifications, information to be presented on the face of the balance sheet, income statement and notes to the financial statements and their structure, true and fair override, restricted cash, concession arrangements, and development stage enterprises.
3. There is no requirement to adopt the IASs in areas where the Nigerian Accounting Standards Board has not issued standards. Although some preparers of financial statements have applied some IAS/IFRS where there is a gap, but this does not denote full compliance with all requirements of IAS/IFRS and related interpretations.
4. Review of 45 sets of financial statements (including 8 banks and 2 insurance companies) of listed companies reveals there are some compliance gaps between local accounting standard and actual practice. Disclosures by some companies are insufficient. For instance, cash flow statements of some companies do not include reconciliation of amounts in the statements with the equivalent items reported in the balance sheets. It is also seen that most entities do not disclose their ultimate parent, associated or affiliated companies, and their relationships with significant local and overseas suppliers or customers.
5. Banks are observed to comply generally with national accounting standards but transparency and disclosures seem inadequate. They exhibit weak risk management and weak governance practices that make it difficult to detect problems early.

**2.2.4 Association between Corporate Attributes and the Extent of Disclosure**

Company size is the most consistently reported significant corporate attribute in previous empirical studies (Street and Bryant, 2000:309; Meek et al, 1995: 558). According to Owusu – Ansah (1998:610), theory, intuition and empirical studies suggest that size positively influences mandatory disclosure practices. On the other hand, Wallace et al (1994:4), admit that although there is overwhelming support for a positive relationship between firm size and level of disclosure, the theoretical basis is unclear. The direction can be positive or negative. On the positive, it can be argued that since large companies usually operate over wide geographical areas and deal with multiple products and have several divisional units, they are likely to have well built information system that enables them to track all financial and non-financial information for operational, tactical and strategic purposes. With this type of well structured internal reporting system, the incremental costs of supplying information to external users will be minimal. This will make them disclose more information than their smaller counterparts.

Watts and Zimmerman (1990:140) argue that larger companies are likely to show more information in order to improve the confidence of stakeholders and to reduce political costs. Generally, large firms disclose more information than smaller ones (Meek et al, 1995, 558). On the other hand, it can also be argued that large firms are visible and susceptible to political attacks, in the form of pressure for the exercise of social responsibility, greater regulation such as price control and higher corporate taxes. Firms may react to this political action by avoiding attention which disclosure of some significant facts could have brought to them. Therefore, large firms disclose less detailed information in their annual reports to avoid attention (Wallace et al 1994:44; Wallace and Naser, 1995:322)

Evidences in empirical research (see Table 2.02) confirm the positive and sigificant association between company size and overall level of disclosure (Singvi and Desai, 1971:131; Buzby, 1975:30; Firth, 1979:274; Chow and Wong-Boren, 1987:539; Wallace and Naser,1995:360; Cooke, 1989:120; Wallace et al, 1994:49; Raffournier, 1995:276, Inchausti, 1997:64, Owusu-Ansah, 1998:616; Ferguson et al., 2002:145). On the other hand, Street and Gray, 2001:53 and Malone, Fries, and Jones (1993:266) find no such association. Singhvi and Desai, (1971:131), state that this positive relationship may be attributed to three basic reasons. First, the cost of accumulating detailed information is less for large firms; second, management of larger firms is likely to realize the possible benefits of disclosure; and lastly, smaller firms, as against the larger firms feel that full disclosure can endanger their competitive positions.

Many empirical studies (see Table 2.03) have tested the relationship between profitability and extent of disclosure (Singhvi and Desai, 1971:134; Wallace and Naser, 1995:363; Meek et al., 1995:566; Inchausti, 1997:63; Glaum and Street, 2003:86; Akhtaruddin, 2005:411). The outcomes of these researches are mixed. For instance, Singhvi and Desai (1971:134), Owusu-Ansah (1998:620) find positive and significant association between profitability and disclosure, whereas Meek et al. (1995:566) find that profitability has no effect on disclosure and Wallace and Naser (1995: 311) find a negative association between them. Lang & Lundholm (1993: 250) as cited in Owusu-Ansah (1998:616) argue that the influence of a company’s profitability level on disclosure can be positive, neutral or negative depending on its performance.

It can be argued that non-profitable firms may disclose less information in order to cover up losses and declining profit (Singhvi and Desai, 1971:135), whereas profitable ones will want to distinguish themselves by disclosing more information so as to enable them to obtain capital on the best available terms (Meek et al, 1995:559). Corporate managers are usually reluctant to give detailed information about a non-profitable outlet or product, hence they might decide to disclose only a lump profit attributable to the whole company. Inchausti (1997:49) employing signaling theory, states that due to better performance of companies, management is more likely to disclose detailed information to the public than management with poor performance in order to avoid undervaluation of company’s shares. It can also be argued that unprofitable companies will be inclined to release more information in defence of poor performance.

Prior studies (see Table 2.04) examined if there existed any association between leverage and disclosure levels (Meek et al., 1995:566, Chow and Wong Boren 1987:539, Ferguson, 2002:138; and Iatridis, 2008:233). According to Iatridis (2008:236)’ firms that provide extensive accounting disclosures tend to use more debt than equity to finance their operations. It appears, therefore, that firms are inclined to disclose information about sensitive accounting issues, such as gearing and risk profile in order to reassure investors and lenders that abide with the disclosure practices as enumerated by the accounting regulation. Provision of accounting disclosures reduces overall level of risk and allows for fund raising in the debts market.

According to Jenson and Meckling (1976:350), agency costs are higher for companies with more debt in their capital structure and disclosures are expected to increase with leverage. Myers 1977 as cited in Ali et al. (2004:188) states that firms with high debt tend to disclose more information to assure creditors that shareholders and management are less likely to bypass their covenant claims. Dumontier and Raffournier (1995) as cited in Ali et al. (2004:188) argue that increased disclosure of IAS requirement enhances the monitoring role of financial statements. That, in turn, reduces agency costs.

Prior studies reporting mixed findings on the relationship between leverage and level of disclosure. Meek et al (1995:566) reported that the leverage ratio is negatively associated with the disclosure index. Ferguson et al (2002:141) report a positive association between information disclosure and leverage, whereas Chow and Wong-Boren (1987:539), Wallace et al (1994:50) and Wallace and Naser (1995:364) find no such statistical association. The various leverage ratios considered in previous studies is: debt to equity ratio, debt to total assets, total debt, and capital gearing ratio. Disclosures are expected to increase with leverage. This can be supported with the argument that firms will want to disclose detailed information to gain access to the money market.

The extent of mandatory and voluntary disclosure by listed company could be associated with its listing age (Owusu-Ansah, 1998:614; Prencipe, 2004: 325). This association has been tested by various researchers ( see Table 2.05). The results varies, Owusu Ansah ( 1998:625) and Prencipe (2004: 333) finds positive and significant relationships, Haniffa and Cooke(2002:340) and Al-Shammari( 2005: 120) finds appositive and non significant relationship, while Glaum and Street(2003:90) and Akhtaruddin (2005:414) finds a negative and non-significant relationship. The positive association is based on the premise that older, well-established, companies with more experience are likely to include more information in their annual reports in order to enhance their reputation and image in the market (Akhtaruddin,2005:405). Owusu-Ansah(1998:614) argued that newly-established companies may suffer competitive disadvantage if they disclose certain information items such as product development, which can be used to their detriment by the other competitors. In other words they hoard information in order not to suffer from competitive disadvantage. Contrary to this opinion, Haniffa and Cooke (2002:330) believe that younger companies disclose more information to boost investor confidence and to reduce skepticism.

The study supports the opinion of Haniffa and Cooke (2002:330), it is expected that there will be a negative association between company listing age and the extent of disclosure. This is principally due to the upsurge of companies, particularly in the financial sector that were recently listed in the Nigerian Stock Exchange. In order to meet up with the capitalization reform, most of the companies within the banking and insurance sectors had to penetrate the stock market to boost their capital. In a bid to attract a lot of investors, most of the companies particularly in the banking sector disclosed a lot of information.

Watts and Zimmerman (1990:14) explains the relationship between industry and disclosure using political costs theory. They argue that political costs vary according to industry. Disclosure differential may be associated with the type of product line, nature of production and nature of service provided (Ahmed, 2004:614). The association between industry-type and disclosure is supported by empirical evidences (Table 2.06), but the results are mixed. Ahmed (2005:73) finds industry-type to be a significant factor accounting for the differences in the disclosure levels of the companies in their sample. Cooke’s (1989:120) findings report that manufacturing companies disclose more information than other types of companies. But the findings of Owusu-Ansah (1998:616) and Akhtaruddin (2005:409) reveal that company status has no effect on disclosure. Accounting policies and techniques may vary by industry and also the relevance of selected items of disclosure may vary across industries. According to Wallace et al (1994:47), because of the peculiarities of some particular industries they may adopt disclosing more detailed information than mandated. Political costs and competitive costs are expected to vary by industry. Higher potential political costs will make highly regulated industries to disclose more detailed information whereas competition may make some industries to curtail information to avoid information leakage (Ferguson et al., 2002:133).

Although company management is primarily responsible for preparing the financial report, the company external auditors play a major role in the disclosure policies and practices of their clients (Ali et al., 2004:189). Jenson and Meckling (1976:305) argue that auditing is a way of reducing agency costs. Companies that incur high agency costs tend to engage high profile ‘big’ auditing firms. This is also related to the fact that these big auditing firms have a good knowledge of local and international standards and the costs of implementing the standards are lower than for the smaller firms (Lopes and Rodrigues, 2007:33). Prior studies (Table 2.07) categorise audit firms on the basis of whether an auditor belongs to the ‘Big Five’ (Glaum and Street, 2003: 64) ‘ Big Six( Wallace and Naser, 1995:326 or‘Big Four’ international audit firms or not. The size of the audit firm influences the amount and quality of information disclosed in annual reports. The Big Four accounting firms are PriceWaterhouseCoopers, KPMG, Akintola Williams Deloite, and Ernst and Young. Prior studies provide evidence that type of auditor influences the overall level of disclosure. For instance, Singhvi and Desai (1971:133) and Street and Gray (2001:30) recognize positive association between audit firm size and the extent of disclosure.

Multinational corporations (MNCs) operate in several countries the world over. These corporations are usually multiple listed and need to meet the information requirements of a diverse group of investors with different cultural backgrounds (Ahmed, 2004:189). According to Owusu- Ansah (1998:615), the extent of a company’s mandatory disclosure is influenced by its affiliation with a recognized MNC. This is because the MNC’s demand a greater amount of information than is required by local regulations from their affiliates, also the political costs of affiliates of MNCs are relatively high. The performance of the operations of MNCs and their local affiliates are frequently evaluated and monitored by international governmental agencies such as the United Nations. With these factors, MNCs are more likely to insist on full compliance with all statutory and regulatory requirements of the host countries by their affiliates. Moreover, it enhances their bargaining powers with their host countries (Owusu-Ansah, 1998:615). A review of literature on the association between multinational affiliation and extent of disclosure are as highlighted in Table 2.08.

Owusu-Ansah, (1998:615) further explains that foreign direct investments come with technology transfer. Most multinationals use sophisticated accounting systems that are usually transplanted in their affiliates. So by adoption, these affiliates are likely to operate a similar sophisticated accounting and reporting system like their multinational parent. This means the cost of producing information will be lesser than information costs incurred by local firms with no multinational parent. This will enable them to disclose detailed information at minimal costs. Due to globalization, more companies are being internationalized and hence require disclosing detailed information in order to penetrate the international capital markets. According to Radebaugh, Gray and Black (2006: 126), the amount of information disclosed by MNCs have grown over the years because the importance of information disclosed is being increasingly recognized by multinational corporations.

**2.3 Theoretical Framework**

There is no generally accepted theory governing financial reporting disclosure (Al-Shammari, 2005:34; Schipper, 2007:302). Positive Accounting Theory (PAT) is found by previous researchers as a framework that relates company attributes to the extent of financial disclosure. The following section discusses, the theory, prior works that have used PAT and the relevance of PAT to this present study.

**The Positive Accounting Theory**

Positive Accounting Theory (PAT) came into being in the mid 1960s. It stemmed from the works of the popular theorist Fama in the 1960s, particularly the work that related to the Efficient Markets Hypothesis (Deagan (2004:207). ‘Positive’ Accounting theory was popularized with the works of Gordan (1964:251). He argued that senior management was likely to manipulate the information in the financial statements in its own favour by selecting accounting procedures that maximize their own utility. Afterwards several attempts had been made to provide a positive theory of financial reporting (Jenson and Meckling,1976:305-360; Watts,1977:53-75; Watts and Zimmerman,1978:112-134). They tried to explain why accountants do what they do and explained its effect on people and resource allocation.

‘Positive’ Agency theory was developed and utilized by Jensen and Meckling (1976:306) to analyze the relationship between the owners of the organization and the managers within the nexus of contract. Prior to this period, Italian Professor Aldo Amaduzzi in 1949 published a book entitled, *Conflitto ed equilibrio di interessi nel bilancio dell’impresa*’ ( translated in English it means, Conflict and Equilibrium of Interests in Corporate Financial Statements), in which he analyzed financial statements (and their content) as the equilibrium outcome of a conflict of interests between different corporate stakeholders. Due to language barrier, his work was not considered as mainstream (Melis, 2007: 55).

‘Positive’ Agency theory is concerned with resolving the problems that can occur in agency relationships (Jensen and Meckling, 1976:306). They define agency relationship as a contract under which the owners of the organization (principal(s)) engage the manager (agent) to perform some service on their behalf. Under this arrangement, the owners delegate some decision making authority to the manager. It is presumed that both parties are utility maximizers, with varying philosophies and this could result in divergent and misaligned interest between them. Owners’ would want to maximize net present value of firm while the managers would want to maximize utility, of which income is part. Most cases, the agent will not always act in the best interests of the principal. The agents could also hide information for selfish purpose by non-disclosure of important facts about the organization (Barako et al., 2006: 5). Owners face moral dilemmas because most times they cannot ascertain or evaluate the decision made by their agents (Barako, 2007:114). This conflict of interest results to “agency problem” a.k.a. “principal-agent problem” whose resolution incurs agency costs (Al-Shammari, 2005:36).

Jenson and Meckling (1976: 307) and Jenson (1983:334) acknowledge that agency problem is common to all organizations and it exists in all corporative efforts at each level of management in firms. This includes public organizations, private organizations, non-for-profit organizations such as schools, hospitals, and foundations, and even governmental enterprises and bodies such as the federal, state and local government. Jenson and Meckling (1976:308) focused exclusively on the positive aspects of the agency relationship as it applies to corporations. That is how to structure the contractual relation between the owner and manager to induce the manager to make choices which will maximize the owner’s welfare, given that uncertainty and imperfect monitoring exist.

Agency cost is a summation of the monitoring costs, bonding costs and residual loss. The owners’ limit the abnormal activities of the managers, by incurring monitoring costs. They establish appropriate incentives such as management compensation policies to ensure that the managers’ behavior aligns with the owners’ interest. The managers’ compensate the owners’ in return, by incurring “bonding costs” to assure the owners’ that their actions will not be injurious ( e.g provision of adequate information in financial reports). Residual loss is the loss incurred by the owners’ because the manager's decisions do not serve its interests. Agency costs can be reduced by disclosing more information in the financial statements which enable the owners to have access to appropriate, relevant and reliable information.

Jenson and Meckling(1976:332) assert that the magnitude of the agency costs vary from firm to firm. Agency costs depend on the tastes of managers, the ease with which they can exercise their own preferences and the costs of monitoring and bonding activities. They emphasize that agency costs may increase or decrease based on the extent of separation and control within a corporation. For instance widely-held share ownership could result to greater conflicts between the owners’ and managers’. In order to remedy the situation, managers disclose more information than their counterparts managing closely-held organizations. These information disclosures are signals to the owners that the managers are acting in their interest. This allows the owners to monitor their interests more effectively.

Agency costs are also involved in debt finance. Jenson and Meckling(1976:335) also consider the role of monitoring and bonding costs to debtholders. The debtholders can limit the managers’ behavior by the inclusion of various covenants in the debt agreement which results in reductions in the value of the bonds. These provisions are detailed and cover most operating aspects in order to provide cover to the debtholders from the incentive effects. Such provisions are in respect of dividends, maintenance of working capital and future debt issues. The costs involved in writing such provisions, the costs of enforcing them and the reduced profitability of the firm are termed monitoring costs. The debtholders will have incentives to engage in the monitoring actions to the point where the “nominal” marginal cost is equal to the marginal benefits. The manager also has incentives to take into account the costs imposed by these debt agreement because it directly affect the future cash flows of the firm. To reduce these costs the managers incur bonding costs by disclosing detailed financial statements such as those contained in the usual published accounting report. This will facilitate the debtholders’ assessment of the company and also to assure them that their interests are well protected.

Watts (1977:53) in a review of the development of corporate reporting in U.K., investigated the implications of Jensen and Meckling's analysis for the content of financial statements. He developed a positive theory of accounting towards the determination of accounting standards. Watts and Zimmerman (1978: 113) expatiate more on the works of Watts by focusing on costs and benefits generated by accounting standards which accrue to management. Among the factors Watts and Zimmerman (1978: 113) advocated to influence accounting standards are political costs. Political sector has the power to affect wealth transfer and redistribute wealth via the political process. They could lobby for nationalization, expropriation, break-up or regulation of an industry. Managers have the incentive to counter these potential government intrusions by employing a number of devices such as government lobbying, social responsibility campaigns and selection of accounting procedures to minimize earnings. They asserted that the magnitude of the political costs is highly dependent on the firm size and profitability.

Corporations with large number of shareholders tend to be on the public eye and are subject to their multiple users for detailed disclosure (Singhvi and Desai, 1971: 133). These large companies are watched by the various government agencies and they tend to disclose more information to avoid pressure from them. Large firms are visible and generally exposed to political attack such as pressure for social responsibility, price control and corporate taxes (Wallace et al, 1994:44). According to Jenson and Meckling (1976:305-360), some voters may lobby elected officers for nationalization, expropriation or the break up of the entire industry. Cooke (1989: 119) is of the view that political lobbying may be undertaken to increase regulation in a particular industry. Devices such as social responsibility campaign in media can be employed by firms to minimize government intrusion (Watts and Zimmerman, 1978:115). Reported profits might be constrained by political costs of regulatory changes (Wilson and Shailer, 2007:258) and firms may want to disclose less information to reduce the likelihood of political action.

Watts and Zimmerman (1990:148) defined Positive Accounting Theory as a positive theory of accounting that seeks to explain and predict accounting practice. This is quite distinguished from Normative theories of accounting that are meant for prescriptive purposes. According to Watts and Zimmerman (1990:148):

*We adopted the label "positive" from economics where it was used to distinguish research aimed at explanation and prediction from research whose objective was prescription. Given the connotation already attached to the term in economics we thought it would be useful in distinguishing accounting research aimed at understanding accounting from research directed at generating prescriptions.*

In their works they identified three key hypotheses that are often used in positive accounting literature. These are the bonus plan hypothesis, the debt hypothesis and the political cost hypothesis. They explained the hypotheses as follows:

*The bonus plan hypothesis is that managers of firms with bonus plans are more likely to use accounting methods that increase current period reported income. Such selection will presumably increase the present value of bonuses if the compensation committee of the board of directors does not adjust for the method chosen (Watts and Zimmerman, 1990:148).*

*The debt/equity hypothesis predicts the higher the firm's debt/equity ratio, the more likely managers use accounting methods that increase income. The higher the debt/equity ratio, the closer (i.e., "tighter") the firm is to the constraints in the debt covenants (Kalay 1982). The tighter the covenant constraint, the greater the probability of a covenant violation and of incurring costs from technical default. Managers exercising discretion by choosing income increasing accounting methods relax debt constraints and reduce the costs of technical default (Watts and Zimmerman,1990:149).*

*The political cost hypothesis predicts that large firms rather than small firms are more likely to use accounting choices that reduce reported profits. Size is a proxy variable for political attention. Underlying this hypothesis is the assumption that it is costly for individuals to become informed about whether accounting profits really represent monopoly profits and to "contract" with others in the political process to enact laws and regulations that enhance their welfare. Thus, rational individuals are less than fully informed. The political process is no different from the market process in that respect. Given the cost of information and monitoring, managers have incentive to exercise discretion over accounting profits and the parties in the political process settle for a rational amount of ex post opportunism (Watts and Zimmerman,1990:149).*

Several researchers had built their work using positive accounting theory. For example Ali et al. (2004:188) state that larger organizations have a greater tendency to disclose more financial information in their annual reports than smaller ones. This enhances their agency costs, reputation, public image and government intervention. This is consistent with the findings of Watts and Zimmerman (1986) and Chow and Wong-Boren (1987). They also argued that organizations with higher debts ratios might disclose less information in order to disguise the level of the organization’s risk. Large audit firms are susceptible to agency costs. The have a greater incentive to disclose the adequacy of the accounting systems than smaller firms.

Positive accounting theory has a direct bearing on the research topic. In this research, accounting disclosure presents an excellent opportunity to apply positive agency theory. This is premised on the fact that managers (agents) have better access to company’s’ accounting information can make credible and reliable communication to the market to optimise the value of the firm. Through financial reporting they communicate to the users of financial reports information that is useful in making choices among alternative uses of scarce resources. On the contrary, these managers may because of their selfish interests, fail to make proper disclosure or nondisclosure of important information to the users. Such practices will not be in the interests of shareholders (principal). Consequently, this may result in a higher cost of capital and lower value of shareholders’ investments.

**2.4 Conceptual Model**

Financial statements of Nigerian companies are regulated by the requirements of the Nigerian Accounting Standards Board (NASB) through its pronouncements referred to as Statement of Accounting Standards (SAS). Although originally fashioned after the standards promulgated by the IASC now IASB, the similarities between both sets of standards have dwindled with time and machineries are presently put in place to fully align the local standards with the international ones. The disclosure requirements of these Standards (SAS and IAS/IFRS) define the way accounting information was presented in financial statements. Other voluntary disclosures, which are discretionary accounting information over and above the mandatory disclosures, are also provided by management. The financial statements provide valuable information for different stakeholders. The major objective of financial statements is that they provide information about the financial position, performance and changes in the financial position of an enterprise (Elliot and Elliot, 2005:156). According to Meigs and Meigs (1993:7), financial statements are the principal means of reporting general-purpose financial information to users. There are several users – managers, investors, suppliers, customers, lenders, employee, government and the general public - who have vested interest in these financial statements (Glautier and Underdown, 1997:11, Lewis and Pendrill, 2000:8; Werner and Jones, 2003:18; Sutton, 2004:5; Elliot and Elliot, 2005:158; IASB,2006:19). The accounting data presented in the financial statements must be relevant and meaningful to the user (Omoleyinwa, 2000:1). A model of the conceptual view is as illustrated in Figure 2.01.

**Figure 2.01 : Conceptual View of Accounting Disclosures and Users of Accounting Information**

Investors

Creditors

SAS Disclosures

**NASB**

*Annual Reports*

Suppliers

Government Agencies

`IAS/IFRS

Disclosures

**IASB**

Customers

Public

Voluntary

Disclosures

**Management**

Management

**Source: Developed by Researcher (2009)**

With the literature review in this chapter, a conceptual framework for this study is developed by exploring the relationship between the dependent variable, overall disclosure index (ODI = DISAS + DIFRS + DIVol ) and explanatory variables (company size, profitability, leverage, listing age, industry type, auditor size and multinational affiliation). The concept is operationalised using the seven independent variables as stated in Section 3.2.5. Pictorially, it is demonstrated in Figure 2.02 below:

**Figure 2.02: Framework for studying the Association between Disclosure Practices of Listed Companies and Corporate Attributes**

Dependent Variables Independent Variables

Company Size

Profitability

Company Age

Industry type

Leverage

Leverage

*Corporate Disclosure*

*Practices*

Auditor Size

Multinational

**Source: Developed by Researcher (2009)**

**Table 2.01: Review of Studies Conducted in Developed and Developing Countries on Mandatory and Voluntary Disclosures**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author(s) and Year** | **Country of Study** | **Independent variables/Dependent Variables** | **Data Analysis** |
| 1 | Singhvi (1968) | United states and India | Independent  Company size, profitability, number of shareholders, type of management  Dependent  Weighted disclosure index | Univariate |
| 2 | Singhvi and Desai(1971) | United states | Independent  Company size, listing status, profitability, audit firm, number of shareholders  Dependent  Weighted disclosure index | Univariate and Linear Regression |
| 3 | Buzby(1975) | United States | Independent  Company size, listing status  Dependent  Weighted disclosure index. | Univariate and Matched-pair Ranked Correlation |
| 4 | Firth (1979) | United Kingdom | Independent  Company size, listing status, audit firm  Dependent  Weighted disclosure index. | Univariate |
| 5 | McNally et al (1982) | New Zealand | Independent  Company size, rate of return, growth, audit firm, industry  Dependent  Weighted disclosure index. | Univariate, Kruskal-Wallis, Rank order Correlation |
| 6 | Chow and Wong-Boren (1987) | Mexico | Independent  Company size, financial leverage, assets in place.  Dependent  Weighted and unweighted disclosure index. | Univariate, Bivariate Correlation and Multiple Regression |
| 7 | Wallace (1988) | Nigeria | Independent  Various user groups  Dependent  Weighted disclosure index. | Descriptive |
| 8 | Cooke(1989) | Sweden | Independent  Company size, listing status, industry and parent company relationship.  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Univariate, Linear Regression  Stepwise |
| 9 | Cooke(1992) | Japan | Independent  Company size, listing status, industry.  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Univariate, Linear Regression Stepwise and Factor analysis for size variables. |
| 10 | Cooke(1993) | Japan | Independent  Listing status  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Univariate |
| 11 | Malone et al(1993) | United States of America | Independent  Company size, listing status, profitability, leverage, audit firm, number of shareholders  Dependent  Weighted disclosure index | Stepwise Regression model |
| 12 | Wallace et al(1994) | Spain | Independent  Company size, profitability, listing status, industry, liquidity, audit firm, gearing.  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Multivariare Rank OLS Regresssion |
| 13 | Meek et al(1995) | UK, US, France, Germany, Netherlands | Independent  Company size, profitability, country origin, listing status, industry, leverage, multinationality.  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Linear Regression models |
| 14 | Raffournier(1995) | Switzerland | Independent  Company size, profitability, ownership structure, internationality, industry, leverage, auditor type  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Univariate and Multiple Llinear Regression (stepwise) |
| 15 | Wallace and Naser(1995) | Hong Kong | Independent  Company size, profitability, scope of business, audit firm, market capitalization, sales, liquidity, earnings return, outside ownership, foreign registered office, gearing  Dependent  Unweighted (equal weight/dichotomous) disclosure index | OLS and Rank OLS Regression |
| 16 | Inchausti(1997) | Spain | Independent  Company size, Stock exchange, industry, profitability, leverage, auditing, dividends  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Correlation and Stepwise Regression |
| 17 | Adams and Hossain (1998) | New Zealand | Independent  Company size, Stock exchange, industry, profitability, leverage, auditing, dividends  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Regression |
| 18 | Owusu-Ansah (1998) | Zimbabwe | Independent  Company size, audit quality, ownership structure, industry type, company age, MNC affiliation, profitability, liquidity  Dependent  Unweighted (equal weight/dichotomous) disclosure index | OLS |
| 19 | Entwistle(1999) | Canada | Independent Variables  R & D expense proportion, capilitalization of R & D, Cross listing status, Size, Industry, Capital structure  Dependent Variable  Number of sentences | Multiple Linear Regression |
| 20 | Tower et al(1999) | Australia, Hong  Kong, Malaysia, Philippines, Singapore and Thailand | Independent Variables  Country, Size, Leverage, Profit, Industry, Days  Dependent Variable  Disclosure ratio | Univariate and General Linear Model |
| 21 | Depoers (2000) | France | Independent  Company size, barriers to entry, labour pressure, leverage, ownership structure, audit firm.  Dependent  Unweighted (equal weight/dichotomous) disclosure index | Multiple Linear Regression, Stepwise OLS |
| 22 | Gray et al (2001) | United Kingdom | Independent  Profit, turnover, capital employed, industry classification, number of employees.  Dependent  Unweighted (equal weight/dichotomous) disclosure index | OLS Regression |
| 23 | Street and Gray(2001) | China, France, Germany, Switzerland, Other Western Europe, Africa, Middle East, Former Soviet block | Independent  Listing status, company size, profitability, industry, type of auditor, type of accounting standard used, type of auditing standard used, country of domicile, size of home stock market.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Multiple Regression, Correlation, ANOVA, and Univariate |
| 24 | Bujaki and McConomy(2002) | Canada | Independent Variables  Financial condition, Share issue, unrelated director, regulated industry, medium and size.  Dependent Variable  Disclosure score | Linear Regression |
| 25 | Chow and Gray(2002) | Hong Kong and Singapore | Independent  Ownership structure, size, leverage, audit firm, multinational, industry and profitability.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Linear Regression |
| 26 | Naser et al(2002) | Jordan | Independent  Company size, Liquidity, Market Capitalization, Gearing, Sales, Profitability, Number of shareholders, % of Government ownership, % of individual ownership, % of Foreign ownership, % of Arab ownership, Size of Auditors, Type of Industry, Profit Margin, Number of employees.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Multiple Linear Regression, Correlation and Univariate |
| 27 | Camfferman and Cooke(2002) | United Kingdom and Netherlands | Independent  Industry type,  size, net income margin, debt ratio, liquidity ratio, return on equity, and audit firm  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Mann-Whitney nonparametric statistic and Regression analysis |
| 28 | Ferguson, Lam and Lee(2002) | Hong Kong | Independent  Firm type (Local, H-Share, Red chip), Industry type, firm size, leverage, multiple listing.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Univariate and Linear OLS Regression |
| 29 | Eng and Mak(2003) | Singapore | Independent  Managerial ownership, government ownership, proportion of outside directors, sixe, leverage, growth, industry, audit firm, analyst, profitability.  Dependent  Weighted disclosure Index | OLS Regression |
| 30 | Glaum and Street (2003) | Germany | Independent  Company size, Industry type, profitability, multinational, domicile, maturity, growth, growth options, choice, ownership structure, country, listing.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Univariate and Ordinary Least Square (OLS) |
| 31 | Ali et al(2004) | India, Pakistan and Bangladesh | Independent  Size, financial leverage, multinational, size of external auditor and profitability.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Univariate, Ordinary Least Square, (OLS),Correlation and Factor analysis |
| 32 | Prencipe(2004) | Italy | Independent  Correspondence between segments, growth rate, listing status, age, ownership dilution, profitability, size, leverage.  Dependent  Weighted and unweighted disclosure index. | OLS regression |
| 33 | Akhtaruddin (2005) | Bangladesh | Independent  Company size, company age, Industry type, profitability.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index | Univariate and Ordinary Least Square (OLS) |
| 34 | Al-Shammari(2005) | Bahrain, Oman,Kuwait,Qatar, Saudi Arabia, United Arab Emirates | Independent  Company size, country of origin, Industry type, profitability, leverage, liquidity, auditor, internationality, ownership dilution, company age.  Dependent  Unweighted (equal weight/dichotomous) disclosure Index |  |
| 35 | Daske and Gebhardt(2006) | Germany, Switzerland and Austria | Log of market capitalization, log of assets, average number of analysts, total debt to market capitalization, PPE to total assets and return on assets. | Multiple Linear Regression, Correlation and Univariate |
| 36 | Iatridis (2006) | United kingdom | Independent  Size, growth, profitability, liquidity, leverage, taxation, management  Dependent  Binary | Binary Logistic Regression and Kruskal-Wallis test. |
| 37 | Barako(2007) | Kenya | Independent  Board composition, leadership structure, Board size, audit committee, shareholder concentration, foreign ownership, institutional ownership, firm size, external auditor firm, leverage, profitability, liquidity,industry type.  Dependent  Weighted disclosure index | Univariate, Ordinary Least Square (OLS) with Panel-Corrected Standard Errors  (PCSEs). |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**Table 2.02**

**Summary of Studies Investigating the Association between Level of Disclosure and Company Size**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author (s)** | **Proxy** | **Reported**  **Sign** | **Significant(Sig)/Non Significant(Nsig)** |
| 1 | Singhvi (1968) | Assets | + | Sig |
| 2 | Singhvi and Desai(1971) | Assets | + | Sig |
| 3 | Buzby(1975) | Total assets | + | Sig |
| 4 | Firth (1979) | Sales | + | Sig |
| 5 | McNally et al (1982) | Total assets | + | Sig |
| 6 | Chow and Wong-Boren (1987) | Market value of equity plus book value of debt. | + | Sig |
| 7 | Cooke(1989) | Assets | + | Sig |
| Number of shareholders | + | Sig |
| Sales | + | Sig |
| 8 | Cooke(1992) | Factor variable capital stock,  turnover , number of shareholders, total assets, current  assets, fixed assets,  shareholders' funds and bank borrowings. | + | Sig |
| 9 | Malone et al(1993) | Total assets | + | Nsig |
| 10 | Wallace et al(1994) | Log of total assets | + | Sig |
| Log of turnover | + | Sig |
| 11 | Meek et al(1995) | Total sales in $ | + | Sig |
| 12 | Raffournier(1995) | Log of sales | + | Sig |
| 13 | Wallace and Naser(1995) | Log of total assets | + | Sig |
| 14 | Inchausti(1997) | Log of total assets | + | Sig |
| Log of sales |  | Not tested |
| 15 | Owusu-Ansah (1998) | Log of total assets | + | Sig |
| 16 | Entwistle(1999) | Total assets | + | Nsig |
| 17 | Tower et al(1999) | Total Asset | + | Nsig |
| 18 | Depoers (2000) | Log of sales | + | Sig |
| 19 | Haniffa and Cooke (2002) | Total Asset | + | Sig |
| 20 | Bujaki and McConomy(2002) | Log of Total  Assets | + | Sig |
| 21 | Naser et al(2002) | Total Asset | - | Nsig |
| Net Sales | + | Sig |
| Number of employees | + | Nsig |
| Market capitalization | + | Sig |
| 22 | Camfferman and Cooke(2002) | Total assets | + | Sig |
| 23 | Chow and Gray(2002) | Sales | + | Sig( moderate) |
| 24 | Ferguson, Lam and Lee(2002) | Log of total assets | + | Sig |
| 25 | Eng and Mak(2003) | Sum of market value of ordinary shares, book value of debt and book value of preference shares | + | Sig |
| 26 | Glaum and Street(2003) | Log of Market value of equity + book value of debt | - | Nsig |
| 27 | Ali et al (2004) | Log of total assets | + | Sig |
| 28 | Prencipe(2004) | Log of sales | + | Sig |
| 29 | Akhtaruddin (2005) | Capital employed | - | Nsig |
| Annual sales | + | Sig |
| 30 | Al-Shammari(2005) | Log( Market value of equity + book value of debt) | + | Sig |
| 31 | Barako(2007) | Total Assets | + for 4 categories | Sig for 4 categories |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**Table 2.03**

**Summary of Studies Investigating the Association between Level of Disclosure and Profitability**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author(s)** | **Proxy** | **Reported**  **Sign** | **Significant(Sig)/Non Significant(Nsig)** |
| 1 | Singhvi (1968) | Rate of return | + | Sig |
| 2 | Singhvi and Desai(1971) | Rate of return | + | Sig |
| Earnings margin | + | Sig |
| 3 | McNally et al (1982) | Ratio of net income to total assets | + | Nsig |
| 4 | Malone et al(1993) | Net income to net sales | + | Nsig |
| 5 | Wallace et al(1994) | Earning to sales | + | Nsig |
| 6 | Meek et al (1995) | Return on Assets | + | Nsig |
| 7 | Raffournier(1995) | Net income \* 100/net worth | + | Sig(moderate) |
| 8 | Wallace and Naser(1995) | Profit margin | - | Sig |
| 9 | Inchausti(1997) | Operating profit/total assets | - | Nsig |
| Net income/equity |  | Not tested |
| 10 | Owusu-Ansah (1998) | Returns on capital employed | + | Sig |
| 11 | Tower et al (1999) | Ratio of Profit/Total Assets | + | Nsig |
| 12 | Haniffa and Cooke (2002) | Return on Equity i.e net income to total owners equity | + | Sig |
| 13 | Naser et al(2002) | Return on Equity | + | Nsig |
| Profit margin | + | Sig |
| 14 | Camfferman and Cooke(2002) | Net Income margin | + for 1 st category and – for 2nd category | Sig for 1 category and Nsig for 1 category |
| Return on equity | + | Nsig |
| 15 | Chow and Gray(2002) |  | + | Nsig |
| 16 | Glaum and Street(2003) | Net income before tax to shareholders’ equity | - | Nsig |
| 17 | Ali et al (2004) | Return on total assets | + | Sig |
| 18 | Prencipe(2004) | Operating income/ total assets | + | Nsig |
| 19 | Akhtaruddin (2005) | Net profit on capital employed | + | Sig( marginally) |
| Net profit on sales | + | Sig (marginally) |
| 20 | Al-Shammari(2005) | Return on equity = earnings b4 tax/ shareholders’ equity | + | Nsig |
| 21 | Barako(2007) | Return on equity: Net profit to total shareholders’ fund. | + for 4 categories | Sig for 2 categories, Nsig for 2 categories |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**Table 2.04**

**Summary of Studies Investigating the Association between Level of Disclosure and Leverage**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author(s)** | **Proxy** | **Reported**  **Sign** | **Significant(Sig)/Non Significant(Nsig)** |
| 1 | Chow and Wang-Boren(1987) | Book value of debt divided by size. | + | Nsig |
| 2 | Malone et al(1993) | Ratio of debt to equity | + | Sig |
| 3 | Wallace et al(1994) | Debt/equity | + | Nsig |
| 4 | Meek et al(1995) | Debt/equity | - | Nsig |
| 5 | Raffournier(1995) | Debt \* 100/Total assets | + | Nsig |
| 6 | Inchausti(1997) | Total liability/equity | + | Nsig |
| 7 | Tower et al (1999) | Ratio of Long term debt to Total Equity | + | Nsig |
| 8 | Depoers (2000) | Debt to total assets | + | Nsig |
| 9 | Haniffa and Cooke (2001) | Debt ratio : Total debt to Total assets | + | Nsig |
| 10 | Bujaki and McConomy (2002) | Total liability/ Total assets | + | Sig |
| 11 | Camfferman and Cooke (2002) | Debt to common equity | + for 1st category and – for 2nd category | Sig for 1 category and Nsig for 1 category |
| 12 | Ferguson, Lam and Lee(2002) | Long term liability to book value of shareholders’ equity | + | Sig(only for financial information) |
| 13 | Naser et al. (2002) | Equity ratio | + | Sig |
| 14 | Eng and Mak (2003) | Debt ratio | - | Sig |
| 15 | Ali et al(2004) | Total debt to total tangible asset | - | Nsig |
| 16 | Prencipe (2004) | Financial liabilities/ total assets | + | Sig |
| 17 | Al-Shammari (2005) | Book value of debt/(Mkt value of equity + book value of debt) | + | Sig |
| 18 | Barako (2007) | Debt ratio :Total debt to Total Asset | + for 3 categories, - for 1 category | Sig for 1 category, Nsig for 3 categories |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**Table 2.05**

**Summary of Studies Investigating the Association between Level of Disclosure and Company Listing Age**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author(s)** | **Proxy** | **Reported**  **Sign** | **Significant(Sig)/Non Significant(Nsig)** |
| 1 | Owusu Ansah (1998) | Half-yearly since flotation date  to December 1994 | + | Sig |
| 2 | Haniffa and Cooke(2002) | Actual length of listing | **+** | Nsig |
| 3 | Glaum and Street(2003) | Number of age from foundation | **-** | NSig |
| 4 | Prencipe(2004) | Natural logarithm of the number  of years since IPO | + | Sig |
| 5 | Akhtarudin (2005) | 3 categories, very old, old, and new. | - | Nsig |
| 6 | Al-Shammari(2005) | Number of age from foundation | + | NSig |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**Table 2.06**

**Summary of Studies Investigating the Association between Level of Disclosure and Industry Type**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author(s)** | **Proxy** | **Reported**  **Sign** | **Significant(Sig)/Non Significant(Nsig)** |
| 1 | McNally et al (1982) | 21 distinct groups |  | Nsig |
| 2 | Cooke(1989) | Trading, manufacturing, services and conglomerate | Trading - | Trading (sig) Others Nsig |
| 3 | Cooke (1992) | Manufacturing and others | Manufac-  turing + | Manufacturing (sig)  Others (nsig) |
| 4 | Meek et al (1995) | Metal, Engineering, Consumer and Oil | Consumer goods – others + | Nsig |
| 5 | Raffournier(1995) | Manufacturing/ Non manufacturing | + | Sig(moderate) |
| 6 | Inchausti(1997) | Basic, manufacturing and service | + | Nsig |
| 7 | Owusu-Ansah (1998) | Principal economic activity | - | nsig |
| 8 | Tower et al (1999) | Resources, Manufacturing, Financial, Service | + | Nsig |
| 9 | Haniffa and Cooke (2002) | Consumer, Industrial, Construction/Property,Trading/  Services, Plantation/Mining | - | Industrial Sig 1% |
| 10 | Camfferman and Cooke(2002) | Trading/Manufacturing/Conglomerate | -,+,+ for 1st category and +,+,+ for 2nd category | Conglomerate is significant for the two categories |
| 11 | Chow and Gray(2002) | Electronics, publishing, food, shipping | All + for 1st category and all – for 2nd category |  |
| 12 | Ferguson, Lam and Lee(2002) | Utilities/consumer electronics | - | Nsig |
| 13 | Naser et al(2002) | Manufacturing/Service | - | Nsig |
| 14 | Glaum and Steet (2003) | Biotechnology, industrial services, Internet, IT/Software, Technology and Telecommunications | 3 +, 3- | Nsig |
| 15 | Akhtaruddin (2005) | Traditional /Modern | + | Nsig |
| 16 | Al-Shammari(2005) | Banking, Insurance, Manufacturing, Services | + | Sig |
| 17 | Barako(2007) | Agriculture, Commercial and Services,  Finance and Investments, and  Industrial and Allied | Agriculture +for 4 categories | Agriculture Sig for all 4 categories |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**Table 2.07**

**Summary of Studies Investigating the Association between Level of Disclosure and Auditor**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author(s)** | **Proxy** | **Reported**  **Sign** | **Significant(Sig)/Non Significant(Nsig)** |
| 1 | Signhvi and Desai(1971) | Auditing firms | - | Sig |
| 2 | McNally et al (1982) | Big 8/ non big 8 |  | Nsig |
| 3 | Malone et al(1993) | Big 8/ non big 8 | + | Nsig |
| 4 | Wallace et al(1994) | Big 6/ Non big six | - | Nsig |
| 5 | Raffournier(1995) | Big six/Non big six | + | Sig |
| 6 | Wallace and Naser(1995) | Big Six/Non Big Six | - | Sig |
| 7 | Inchausti(1997) | Big Six/Non Big Six | + | Sig |
| 8 | Owusu-Ansah (1998) | Concentration ratio | + | Nsig |
| 9 | Depoers (2000) | Big Six/Non Big Six | + | Nsig |
| 10 | Haniffa and Cooke (2002) | Big Six/Non Big Six | + | Nsig |
| 11 | Naser et al(2002) | Local/International Affiliation | - | Sig |
| 12 | Camfferman and Cooke(2002) | Big Six/Non Big Six | + | Sig for 1 category, Nsig for 1 category |
| 13 | Chow and Gray(2002) | Auditing firms | + | Nsig |
| 14 | Glaum and Street(2003) | Big 5/Non Big 5  Anderson, KPMG, Ernst and Young, PwC, Delloite | + | Sig |
| 15 | Ali et al(2004) | Factor score of audit fee, no of entities audited and size of audit firm. | + | Nsig |
| 16 | Al-Shammari(2005) | Big five/ Non big five | + | Nsig |
| 17 | Barako(2007) | Big four/ Non big-four, PricewaterhouseCoopers, Ernest and Young, Deloitte and Touch and KPMG Peat Marwick | + for 2 categories, - for 2 categories | Sig for 3 categories, Nsig for 1 category |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**Table 2.08**

**Summary of Studies Investigating the Association between Level of Disclosure and Multinationality**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Author(s)** | **Proxy** | **Reported**  **Sign** | **Significant(Sig)/Non Significant(Nsig)** |
| 1 | Malone et al(1993) | Foreign operations Vs No foreign operation | + | Nsig |
| 2 | Meek et al(1995) | % of foreign sales | - | Nsig |
| 3 | Raffournier(1995) | % of export to sales | + | Sig |
| 4 | Owusu-Ansah (1998) | Presence of significant influence | + | Sig |
| 5 | Chow and Gray(2002) | Multinational/not multinational | + | Nsig |
| 6 | Glaum and Street(2003) | Foreign sales to total sales | - | Nsig |
| 7 | Ali et al(2004) | Multinational/not multinational | + | Sig |
| 8 | Al-Shammari(2005) | Shares held by foreigners/ total share at year end | + | Sig |

**Source: Compiled from the literature reviewed by the researcher (2009)**

**CHAPTER THREE**

**RESEARCH METHODS**

**3.0 Introduction**

This chapter explains the research methodology that is used to achieve the research objectives. Chapter 3.1 highlights the research design. Principally, two research methods are adopted: content analysis and survey research. Chapter 3.2 focuses on the research methods for the content analysis method. It includes the content analysis study population, sampling technique, data gathering method, disclosure checklist, scoring technique, validity test and model development. Chapter 3.3 focuses on the research methods for the survey research. It includes the study population for the survey research, sampling technique, data gathering method, description of the questionnaire, validity and reliability tests, and actual field work. The data analyses methods are enumerated in Chapter 3.4, while the instrument for data analysis is highlighted in Chapter 3.5.

**3.1 Research Design**

There are varieties of approaches employed to determine compliance and to examine the factors that influence the extent of information disclosure in the annual reports of listed firms. Some researchers determine disclosure using a survey of annual report users, preparers, auditors and regulators (McNally et al., 1982:12; Barako, 2007: 118), while some others construct a check list for evaluating the content of the annual report (Inchausti, 1997:47; Street and Gray, 2001:23). In other cases, researchers combine the two methods (Barrett, 1975:18). The research interest is on the method whereby, the extent of compliance is determined, firstly, by a content analysis of annual financial reports and, secondly, by a survey research method.

Firstly, a content analysis of the annual reports of a cross sectional sample of ninety listed companies with accounting year end between January and December 2006 is conducted. A cross sectional sample for one year is utilized in order to minimize the effects of year to year changes in economic conditions. Each annual report is carefully scrutinized and scored as a disclosure index based on a researcher-developed checklist. The disclosure index method was seen by researchers in time past (Singhvi, 1968:551; Singhvi and Desai, 1971:130) as an adequate model for financial disclosure and have been used over time. Multivariate regression and cluster analysis is utilized to explain relationships and patterns derived from each of the ninety reports.

Secondly, a survey research is undertaken by administering a questionnaire to preparers (accountants), external auditors and users of accounting information (financial analysts, stockbrokers, bankers, regulators and educators) on disclosure practices of listed financial and non-financial companies in Nigeria. The questionnaire was designed to facilitate responses that would confirm if listed companies comply with the disclosure requirements of SAS, IFRS and if they voluntarily disclose any other relevant information. It also solicited responses on factors influencing the extent of disclosure and on consequences of non-compliance with the disclosure requirements of accounting standards.

**3.2 Content Analysis Research Method**

**3.2.1 Population of Study for Content Analysis**

The population for the content analysis of annual reports included all the listed companies at the first-tier market of the Nigerian Stock exchange in year 2006. As at December 2006, a total number of two hundred and two companies (NSE, 2007: 37) were quoted at the Nigerian Stock Exchange. Of these, one hundred and eighty six companies were quoted at the first-tier market while sixteen companies were quoted at the second-tier market. The first-tier market comprises thirty - one sectors namely: agriculture, airline, automobile, aviation, breweries, building materials, chemical and paints, commercial services, computer, equipment, conglomerates, construction, engineering, food, foot wear, healthcare, hotel, industrial and domestic products, leasing, machinery, managed funds, maritime, packaging, petroleum marketing, printing and publishing, real estate, road transportation, textiles, banking, insurance, mortgage and foreign.

**3.2.2 Sample Size and Sampling Technique for Content Analysis**

In order to gain the advantages of an in-depth study and effective coverage, samples are drawn from companies listed on the first tier market at the Nigerian Stock Exchange. Twenty five industries are considered using stratified random sampling method. Stratification is done based on the ratings of companies by Nigerian Stock Exchange on disclosure practices. Companies within these industries were rated as best in disclosure practices for the year end 2006. In order to select samples within the industries, all the companies rated best are first selected and afterwards, simple random selections of all other companies are conducted. The simple random sampling gives each subject of the study population an equal chance of being selected, thus free from bias and favour (Ujo, 2004:145). In all, ninety (90) listed companies are selected based on judgmental basis. The sample size represents about 48% of population of listed Nigerian companies on the first-tier market at NSE. Selection is based on an effort to maintain an industry mix representative of the listed Nigerian companies. The names of the companies included in the study are listed in Appendix I.

The survey of annual reports covered companies, which published their annual reports during the period January 31, 2006 and December 31, 2006. The single period 2006 is of interest principally because of two factors. Firstly, it was the most recent reporting period for majority of the companies at the start of the study in June 2007. In line with this period, accounting standards in force at the end of 2006 is implemented. Secondly, a single period eliminates the challenges of economic fluctuations. The sectors and the number of companies considered are as in Table 3.01 below. Each of the companies is numbered from 1 to 90. The names of companies, their specific numbers and industry are as shown in Appendix I.

**3.2.3 Data Gathering Method for Content Analysis**

The data gathering method explained in this sub section included: sources of data, instrument of data collection, disclosure checklist, selection of accounting standards, and scoring procedure.

**Table 3.01: Sampled Companies per Industry**

3

3.3

3.3

3.3

2

2.2

2.2

5.6

1

1.1

1.1

6.7

16

17.8

17.8

24.4

2

2.2

2.2

26.7

4

4.4

4.4

31.1

2

2.2

2.2

33.3

1

1.1

1.1

34.4

2

2.2

2.2

36.7

7

7.8

7.8

44.4

2

2.2

2.2

46.7

1

1.1

1.1

47.8

6

6.7

6.7

54.4

5

5.6

5.6

60.0

1

1.1

1.1

61.1

5

5.6

5.6

66.7

11

12.2

12.2

78.9

1

1.1

1.1

80.0

1

1.1

1.1

81.1

5

5.6

5.6

86.7

7

7.8

7.8

94.4

1

1.1

1.1

95.6

1

1.1

1.1

96.7

2

2.2

2.2

98.9

1

1.1

1.1

100.0

90

100.0

100.0

Agriculture

Automobile and Tyre

Aviation

Banking

Breweries

Building Materials

Chemical and Paints

Commercial

Computer

Conglomerate

Construction

Engineering

Food

HealthCare

Hotel

Indusrial/Domestic

Products

Insurance

Maritime

Mortgage

Packaging

Petroleum

Printing

Real Estate

Textile

Foreign

Total

Valid

No of Sample

Percent

Valid

Percent

Cumulativ

e Percent

Source: Field Study (2009).

**3.2.3.1 Sources of Data**

For the purpose of the content analysis undertaken in this study, secondary data is utilised. The secondary sources of data consist of annual audited reports, SASs obtained from the Nigerian Accounting Standard Board, and IASs / IFRSs issued by the International Accounting Standard Board (IASB).

**3.2.3.2 Instrument of Data Collection**

The instrument employed for collection of the secondary data is a researcher designed checklist (Appendix V). They are in three parts viz; SAS checklist, IFRS checklist, Voluntary checklist. The Overall disclosure checklist is the combination of the three checklists. The checklists are as explained below:

**3.2.3.3 The Disclosure Checklist**

There are different methods that can be employed to construct disclosure checklist in order to measure the information contents of annual reports. Methods vary considerably among different studies. In some studies an exhaustive list of financial and/or non-financial voluntary information items are quantified (Chau and Gray, 2002:247; Chow and Wong-Boren, 1987: 535; Meek et al, 1995: 561; Ferguson et al., 2002:125; Haniffa and Cooke, 2002:317; Barako, 2007:118), in some others only mandatory items are quantified (Owusu-Ansah, 1998:608; Street and Gray, 2001:21; Akhtaruddin, 2005:399; Al-Shammari:2005:1), whilst others consider both voluntary and mandatory items (Cooke, 1992:229; Cooke, 1993:521; Inchausti, 1997:48). There are also differences in the number of information items in the checklist. There is no agreed theory on the number and the selection of the items to include in a disclosure checklist (Wallace et al, 1994: 43). This study takes a comprehensive approach by focusing on both mandatory and voluntary items, using a researcher-constructed checklist. The disclosure checklist is designed in line with the disclosure requirements of the SASs, IASs/IFRSs and other relevant voluntary disclosure.

**3.2.3.3.1 The SAS Checklist**

SAS checklist is based on thirteen mandatory SASs, namely: SAS 1 - Disclosure of Accounting Policies (17 items); SAS 2 - Information to be disclosed in the Financial Statements (13 items); SAS 3- Accounting for Property, Plant and Equipment (6 items); SAS 4 - On Stocks (4 items); SAS 7- On Foreign Currency Conversions and Translations (4 items); SAS 8 - Accounting for Employees’ Retirement Benefits (3 items); SAS 9- Accounting for Depreciation (4 items); SAS 13- Accounting for Investments (5 items); SAS 18 - Statement of Cash Flows (5 items); SAS 19 - Accounting for Taxes ( 8 items); SAS 21 - On Earnings Per Share (5 items); SAS 22 - On Research and Development Costs (4 items); SAS 23 - On Provisions, Contingent liabilities and Contingent Assets (4 items); making a total of 82 information items. These information items are questions drafted from the disclosure requirements of these standards as issued by the Nigerian Accounting Standard Board (NASB). The items are arranged from 1 to 82 in a chronological order (Appendix V).

**3.2.3.3.2 The IFRS Checklist**

The checklist questions are drafted based on the disclosure requirement of the IASs/IFRSs which are not mandatory by law to Nigerian listed companies. Questions on the IASs/IFRSs are screened to ensure there was no duplication, especially for standards with SAS counterparts. Questions already asked in the SAS mandatory checklist are eliminated from the IAS/IFRS checklist. The disclosure items was initially based on twenty one IASs/IFRSs, namely, IAS 1- Presentation of Financial Statement ( 9 items), IAS 2 – Inventories (3 items), IAS 10 - Events after the balance sheet date (4 items), IAS 12 - Income Taxes (3 items), IAS 14 -Segment Reporting ( 5 items), IAS 16 - Property, Plant and Equipment ( 4 items), IAS 18 - Revenue ( 1 item), IAS 20 - Government Grants and Government Assistance (4 items), IAS 21 Foreign Exchange Rates (3 items), IAS 23- Borrowing Costs (3 items), IAS 24 - Related Party Disclosures (5 items), IAS 27- Consolidated and Separate Financial Statements (7 items), IAS 28 – Investment In Associates (5 items), IAS 31 Interests in Joint Ventures (4 items), IAS 32 - Financial Instruments Presentation (4 items), IAS 36 - Impairment of Assets (4 items), IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets ( for financial year end before December 2006) (5 items), IAS 38 – Intangible Assets, (7 items), IAS 40 - Investment Property (5 items), IFRS 2 - Share Based Payments (3 items) and IFRS 3- Business Combinations (5 items). After the preliminary analysis, six IFRS standards was eliminated, IAS 2, IAS 12, IAS, 20, IAS 21, IAS 31 and IFRS 2, reasons are as narrated in Table 3.04 below. Originally, we had 93 items on the checklist, after the elimination only 73 items remained. Therefore the 73 items remaining are used for the IFRS checklist. The item numbers are as indicated in bracket in the questionnaire (see Appendix V).

**3.2.3.3.3 The Voluntary Checklist**

Voluntary checklist is a list of ten information items not incorporated among the mandatory SAS or IAS/IFRS disclosures but constructed based on past literature and contemporary issues. The items are labeled 1 to 10, comprising items on financial highlights, quantitative forecast of performance for the next year, share price at accounting year end, corporate social responsibility information, corporate governance information, performance trend for the past five years using graphs, environmental liabilities and cost information, donations analysis, risk management information and unclaimed dividend analysis.

**3.2.3.3.4 The Overall Disclosure Checklist**

The overall disclosure checklist that measures the extent of disclosure is made up of one hundred and sixty five (165) information items. The 165 information items are categorized as (i) 82 mandatory SAS items, (ii) 73 IAS/IFRS items, and (iii) 10 voluntary disclosure items.

**3.2.3.4 The Selection of Accounting Standards**

Accounting standards effective up to the period of study (December 2006) are utilized for the study. The accounting standards are generally selected based on its relevance to both financial and non-financial companies. Exclusion of standards is based on (i) irrelevance to annual reports, (ii) industry-specific, (ii) required on certain occasions (iii) replaced by another standard and (iv) outside the period of the study.

**3.2.3.4.1 Selection of SASs**

As at May 2009 there are 30 SASs (Appendix II). The selection or non-selection of the SASs is based on the criteria as indicated on Table 3.02 below.

**Relevant to Financial and Non-Financial companies**

Disclosures for both financial and non-financial companies are considered. Thirteen Standards are found relevant for the period studied. These are: SAS 1 - Disclosure of Accounting Policies; SAS 2- Information to be disclosed in the Financial Statements; SAS 3 - Accounting for Property, Plant and Equipment; SAS 4 - On Stocks; SAS 7 - On Foreign Currency Conversions and Translations; SAS 8 - Accounting for Employees’ Retirement Benefits; SAS 9 - Accounting for Depreciation; SAS 13 - Accounting for Investments; SAS 18 - Statement of Cash Flows; SAS 19 - Accounting for Taxes; SAS 21 - On Earnings Per Share, SAS 22 - On Research and Development Costs; SAS 23 - On Provisions, Contingent liabilities and Contingent Assets.

**Table 3.02: Reasons for Inclusion or Exclusion of SASs**

|  |  |  |
| --- | --- | --- |
| **Standards** | **Reasons for inclusion and exclusion** | **Remarks** |
| SAS 1, SAS 2, SAS 3, SAS 4, SAS 7,SAS 8, SAS 9, SAS 13, SAS 18, SAS 19, SAS 21, SAS 22 and SAS 23 | Relevant to financial and non-financial companies | Included |
| SAS 20 | Irrelevant to annual reports | Excluded |
| SAS 5, SAS 10, SAS 11, SAS 14, SAS 15, SAS 16, SAS 17 | Industry-specific | Excluded |
| SAS 6 | Required on certain occasions | Excluded |
| SAS 12 | Replaced by another standard, SAS 19 | Excluded |
| SAS 24, SAS 25, SAS 26, SAS 27, SAS 28, SAS 29, SAS 30 | Outside the period of the study | Excluded |

Source: Field Study (2009).

**Irrelevant to Annual Reports**

SAS 20 - On Abridged Financial Statements: This is a standard applicable to only abridged financial statements, not annual reports. This study measures the level of compliance in annual reports, therefore SAS 20 is irrelevant.

**Industry-specific**

Standards that apply to all listed companies are considered in the study, therefore standards that apply to specific industries are not considered. These are SAS 5 - On Construction Contracts; SAS 10 - Accounting for Banks and Non-Bank Financial Institutions (Part 1); SAS 11 - On Leases; SAS 14 - Accounting for Petroleum Industry: Upstream Activities; SAS 15 - Accounting for banks and non- Bank Financial Institutions (Part 2); SAS 16 - Accounting for Insurance Business; SAS 17 - Accounting for Petroleum Industry: Downstream Activities.

**Required on Certain Occasions**

SAS 6 - On Extraordinary items and Prior Year Adjustments: This is a standard that applies to certain occasions when there are extraordinary items or prior year adjustments. Since the non-disclosure of these items cannot be determined it is therefore eliminated from the study.

**Replaced by another Standard**

Due to global developments and the need to broaden SAS 12 - Accounting for Deferred Taxes was revised and replaced by SAS 19, Accounting for Taxes. Since SAS 12 has been repealed, it is not considered in the study.

**Outside the period of the Study**

Seven standards are excluded from the study because they are not applicable to the period of study, year end from 1 January to 31 December 2006. These are: SAS 24 - On Segment Reporting; SAS 25 - Telecommunication Activities; SAS 26, Business Combinations; SAS 27 - Consolidated and Separate Financial Statements; SAS 28 - Investment in Associates; SAS 29 - Interests in Joint Ventures; and SAS 30 - Interim Financial Reporting.

**Table 3.03 Parity of SAS with IFRS as at 31st December 2006**

|  |  |
| --- | --- |
|  | Standards |
| SAS with equivalent/revised IFRS | SAS 1, SAS 2, SAS 3, SAS 4, SAS 5, SAS 6, SAS 7, SAS 8, SAS 9, SAS 10, SAS 11, SAS 13, SAS 15, SAS 18, SAS 19, SAS 21, SAS 22, SAS 23 |
| SAS with no equivalent IFRS | SAS 14, SAS 16, SAS 17, SAS 20 |
| IFRS where no equivalent SAS exists | IAS 14, IAS 18, IAS 20, IAS 23, IAS 24, IAS 27, IAS 28, IAS 29, IAS 31, IAS 32, IAS 34, IAS 36, IAS 38, IAS 39, IAS 41, IFRS 1, IFRS 2, IFRS 3, IFRS 4, IFRS 5, IFRS 6 |

**Source: Field Study (2009).**

The parity of SASs and IFRSs are as described in Table 3.03 above. It shows the various Nigerian standards with IFRS equivalents, Nigerian standards with no IFRS equivalent and IFRS with no Nigerian equivalent.

**3.2.3.4.2 Selection of IASs/IFRSs**

IASs/IFRSs applicable to listed companies are as contained in Appendix III. The selection or non-selection of the accounting standards is based on the criteria shown in Table 3.04.

**Relevant to Financial and Non-Financial Companies in Nigeria**

SASs does not materially conform to IFRSs due to differences that bound substantially in scope, content and disclosure requirements. In the period of the study, twenty one International Standards are found to be relevant to financial and non-financial companies. After the preliminary analysis, the availability of information to determine whether there is compliance with the IFRS by the majority of the companies or not is assessed. It is observed that the disclosure content that will assist us to determine the level of compliance by the listed companies is very low in some cases (See Table 4.04). Disclosure requirements of some Standards are not disclosed by all the companies. IAS 20 Government Grants and Government Assistance and IFRS 2 Share Based Payment are eliminated for this reason. Others where low compliance are recorded such as IAS 2, IAS 20, IAS 21, IAS 31 were also excluded. Of the remaining fifteen standards, five Standards - IAS 1, IAS 10, IAS 16, IAS 37, IAS 40 - have national unrevised equivalent, while the remaining ten Standards - IAS 14, IAS 18, IAS 23, IAS 24, IAS 27, IAS 28, IAS 32, IAS 36, IAS 38, IFRS 3- do not have equivalent Standard in Nigeria. For Standards with national unrevised equivalent, only the revised disclosures are included in the disclosure checklist, questions applicable to both SAS and IFRS are not included since they are in the SAS disclosure check list.

**Accord substantially with the requirements of equivalent Nigerian standards**

Disclosure requirements of IAS 7 Cash Flow Statement and IAS 9 Research and Development accord substantially with SAS 18, Statement of Cash flow and SAS 22, On Research and Development costs respectively. Therefore these two standards are excluded from the study because the disclosures are duly incorporated into its national equivalent.

**Required on Certain Situations**

Any standard that applies just on certain occasions such as IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 5 Non Current Assets are excluded from the study. This is due to the fact that non-disclosure of these items cannot be determined by the researcher.

**Table 3.04: Reasons for Inclusion or Exclusion of IASs/IFRSs**

|  |  |  |
| --- | --- | --- |
| **Standards** | **Reasons for inclusion and exclusion** | **Remarks** |
| IAS 1, IAS 2, IAS 10, IAS 12, IAS 14, IAS 16, IAS 18, IAS 20, IAS 21, IAS 23, IAS 24, IAS 27, IAS 28, IAS 31, IAS 32, IAS 36, IAS 37, IAS 38, IAS 40, IFRS 2, IFRS 3 | Relevant to financial and non-financial companies in Nigeria | Included |
| IAS 7, IAS 9 | Accord substantially with the requirements of equivalent Nigerian standards | Excluded |
| IAS 8, IFRS 5 | Required on certain occasions | Excluded |
| IAS 11, IAS 17, IAS 41, IFRS 4, IFRS 6 | Industry-specific | Excluded |
| IAS 19, IAS 26, IAS 29, IAS 34, IAS 39 | Standards excluded due to specific reasons | Excluded |

**Source: Field Study (2009).**

**Industry-specific**

Like the SASs standards, those IASs/IFRSs that are industry specific are eliminated from the study. These include: IAS 11 - Construction Contract; IAS 17 - Leases; IAS 41 - Agriculture; IAS 30 - Disclosures in the Financial Statement of Banks and Similar Financial Institutions and IFRS 6 – Exploration for and Evaluation of Mineral Resources.

**Standards excluded due to Specific Reasons**

The following Standards are excluded due to specific reasons: IAS 19, Employment Benefits and IAS 26, Accounting and Reporting by Retirement Benefit Plan are not considered because Nigerian companies are now being guided by the Pension Reform Act , 2004; IAS 29 Hyperinflationary Economies are for situations when a company is operating in a hyperinflationary economy; IAS 39 Financial Instrument Recognition and Measurement has a disclosure counterpart, IAS 32, Financial Instrument Presentation which has been incorporated in the disclosure check list; IFRS 1 First Time Adoption of International Reporting Standards is required for companies adopting IFRS for the first time. Since IFRS is only voluntary in Nigeria, this is also excluded from the Study.

**3.2.3.5 The Scoring Procedure for Disclosure Indexes**

There are two important and contentious issues in previous researches on the scoring of disclosure items (Barako, 2007:119). The issues are whether the disclosure items should be weighted or unweighted. Barako, (2007: 118), argues that both approaches have been criticized. The weighted approach may introduce a bias towards a particular user-orientation. The unweighted approach dwells on the fundamental assumption that all items are equally important, which may not necessarily be true. According to Chavent et al. (2006:185), the major argument against weighted approaches is that of Cooke (1989: 115) stating that ‘one class of user will attach different weights to an item . . . than another class’ and that ‘the subjective weights of user groups will average each other out’.

This research is adopting the unweighted approach for the scoring. Cooke (1989: 115) is the first to propose the unweighted model hence this model is generally referred to as Cooke index. Unweighted approach is preferred because it is based on the assumption that each item of disclosure is equally important, it reduces subjectivity and it provides a neutral assessment of items. This approach uses a dichotomous procedure to develop a scoring scheme that captures the level of disclosure. Complete annual report for each company is reviewed in order to understand the nature and complexity of each company’s operation and to form an opinion about the company before scoring the items.

For the SAS and IFRS scores, each disclosure item on the checklist is assigned a value of ‘1’ if it is disclosed and ‘0’ if the item is assumed relevant but not disclosed. Items obviously not applicable and the items that the researcher does not know are coded not applicable (NA). When an item of information is not mentioned in the annual report, it is assumed it is not relevant (e.g prior year adjustments). The score (index) for each standard is the ratio of actual disclosure divided by applicable disclosure. It excludes not applicable disclosures.

For voluntary disclosures, the study utilizes a slightly different scale by allocating scores of 0 if no information, 1 for minimal and insufficient information and 2 for sufficient and detailed information. The other voluntary index (Vol index) is computed for each company by dividing the number of points achieved by the total points possible.

The extent of disclosure is measured by three indices, viz, SAS index, IFRS index and Vol index. The aggregate of the three is a primary index labeled overall disclosure index (ODI).

Overall disclosure index (ODI) = SAS index + IFRS index + Vol index

**The Scoring Procedure for Cluster Analysis**

For voluntary clusters, the information item is scored “0” if it is not disclosed, “1” if it is partially disclosed ( not in details), and “2” if it is fully disclosed.

**3.2.4 Validity of Content Analysis Instrument**

The validity of an instrument is being able to measure what it is supposed to measure. This ensures the content validity of the disclosure checklist. The checklist is reviewed by the researcher’s supervisor, co-supervisor, and two lecturers at the Department of Accounting at Covenant University. On the basis of this review a few changes are made to some of the questions. The content validity of the disclosure-measuring templates is further piloted among three professional accountants. The essence of pre-testing the measuring template is to determine the sensitivity, stability, dependability and reliability of the measuring instrument. The result from the independent scores is later compared with the researcher’s scores. The results from the researcher’s scores are substantially in agreement with the independent scores except for a few. Necessary adjustments are made to some of these items. This validated template is applied to the annual reports of the ninety selected companies, thereafter. The scores for each company are re-confirmed by the researcher in order to ensure consistency. The scores for each item are added and equally weighted to derive a final disclosure score for each company.

**3.2.5 Model Specification**

The empirical model is specified as follows:

ODI = f (SIZE, PRO, LEV, AGE, SEC, AUD, MULT)………………….(1)

The dependent variable ODI is further broken down into three sub-models as below:

DISAS = f (SIZE, PRO, LEV, AGE, SEC, AUD, MULT)………………..(2)

DIFRS = f (SIZE, PRO, LEV, AGE, SEC, AUD, MULT)…………………(3)

DIVol = f (SIZE, PRO, LEV, AGE, SEC, AUD, MULT)………………….(4)

The empirical model and sub-models are specified into four multiple regression equations. The model is further replicated into four models, Model 1, Model 2, Model 3 and Model 4 using unranked and ranked data and specified into sixteen equations all together. The application of unranked and ranked data is in line with the works of Ali et al., 2004:183; Wallace and Naser, 1995:311).

The full specification of the sixteen regression equations are as below, where, **β**0=regression i

ntercept; **β**i=parameters to be estimated; j=1.....,90 ( number of samples) and εj = the error term.

The ‘a priori expectations are:

**β**1  > 0; implying that the higher the SIZE, the higher the disclosure indexes,

**β**2  > 0; implying that the higher the PRO, the higher the disclosure indexes,

**β**3  > 0; implying that the higher the LEV, the higher the disclosure indexes,

**β**4  < 0; implying that the higher the AGE, the lower the disclosure indexes,

**β**5  > 0; implying that the higher the SEC, the higher the disclosure indexes,

**β**6  > 0; implying that the higher the AUD, the higher the disclosure indexes,

**β**7  > 0; implying that the higher the MULT, the higher the disclosure indexes,

**Model 1**

Model 1 utilises unranked OLS and a composite size variable as proxy for company size. The full specification of the regression equations using unranked OLS are assumed to be as follows:

**Equation A1**: ODIj =  **β**0 + **β**1SIZE(Fac)j + **β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj **+ β**6 AUDj+ **β**7MULTj+ εj …………………………….(1)

**Equation A2**: DISASj =   **β**0 + **β**1SIZE(Fac)j + **β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj **+ β**6 AUDj+ **β**7MULTj+ εj ………………………..(2)

**Equation A3** = DIFRSj =  **β**0 + **β**1SIZE(Fac)j + **β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj **+ β**6 AUDj+ **β**7MULTj+ εj…………………………(3)

**Equation A4** = DIVOLj =  **β**0 + **β**1SIZE(Fac)j + **β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj **+ β**6 AUDj+ **β**7MULTj+ εj .......................................(4)

**Model 2**

The original four multivariate equations (Model 1) using ranked OLS and a composite size variable as proxy for company size is repeated. The full specification of the second four regression equations using ranked OLS are assumed to be as follows:

**Equation A5**: RODIj = **β**0 + **β**1RSIZE(Fac)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj **+ β**6 AUDj+ **β**7RMULTj+ εj………………… (5)

**Equation A6**: RDISASj =  **β**0 + **β**1RSIZE(Fac)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj **+ β**6AUDj+ **β**7RMULTj+ εj …………………..(6)

**Equation A7**: RDIFRSj = **β**0 + **β**1RSIZE(Fac)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj **+ β**6AUDj+ **β**7RMULTj+ εj …………………...(7)

**Equation A8**: RDIVOLj = **β**0 + **β**1RSIZE(Fac)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj **+ β**6 AUDj+ **β**7RMULTj+ εj …………………..(8)

**Model 3**

The original four multivariate equations (Model 1) using unranked OLS and log transformation of total assets as a proxy for company size is repeated. Size variable is transformed using natural logarithmic conversion to reduce its skewness and the potential size effect of the size variable on the regression equations. The full specification of the regression equations are assumed to be as follows:

**Equation A9**: ODIj =  **β**0 + **β**1SIZE(LTA)j **+ β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj + **β**6 AUDj+ **β**7MULTj+ εj …………………………………(9)

**Equation A10**: DISASj =  **β**0 + **β**1SIZE(LTA)j **+ β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj + **β**6 AUDj+ **β**7MULTj+ εj ……………………………….(10)

**Equation A11**: DIFRSj = **β**0 + **β**1SIZE(LTA)j **+ β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj + **β**6 AUDj+ **β**7MULTj+ εj ………………………………..(11)

**Equation A12**: DIVOL =  **β**0 + **β**1SIZE(LTA)j **+ β**2PROj + **β**3LEVj + **β**4AGEj + **β**5SECj + **β**6 AUDj+ **β**7MULTj+ εj ………………………………..(12)

**Model 4**

The original four multivariate equations (Model 1) using ranked OLS and log transformation of total assets as a proxy for company size are repeated. The full specification of the regression equations are assumed to be as follows:

**Equation A13**: RODIj =  **β**0 + **β**1RSIZE(LTA)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj + **β**6 AUDj+ **β**7RMULTj+ εj………………………(13)

**Equation A14**: DISASj = **β**0 + **β**1RSIZE(LTA)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj + **β**6 AUDj+ **β**7RMULTj+ εj ………………………(14)

**Equation A15**: DIFRS = **β**0 + **β**1RSIZE(LTA)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj + **β**6 AUDj+ **β**7RMULTj+ εj ……………………….(15)

**Equation A16**: DIVOL = **β**0 + **β**1RSIZE(LTA)j + **β**2RPROj + **β**3RLEVj + **β**4RAGEj + **β**5SECj + **β**6 AUDj+ **β**7RMULTj+ εj ………………………..(16)

Based on previous studies, availability of data and its relevance, seven independent variables above are selected as proxies for corporate attributes. Table 3.05 summarizes the company attributes, their proxies, code and expected signs. For this study, companies have been broadly classified into two: financial and non-financial. This is because in Nigeria, the financial sector is highly regulated due to its overall contribution to the economy and it is expected to disclose more detailed information than the other industries. The banking sector accounts for 65 percent of the market capitalisation of the Nigerian Stock Exchange (Reuters, 2009:1).

**Table 3.05: Summary of Independent and Dependent Variables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Serial number | Description of Independent and Dependent Variables | Proxy | Code | Expected signs |
| 1a  1b | COMPANY SIZE  COMPANY SIZE  (Alternative model) | Factor variable ( total assets, turnover, shareholders fund, no of shareholders , no of employees)  Log Total Assets, | SIZE(Fac)  SIZE(LTA) | +  + |
| 2 | PROFITABILITY | Return on equity i.e. PBTMI/Equity | PRO | + |
| 3 | LEVERAGE | Total liability to equity | LEV | + |
| 4 | COMPANY AGE | Age is the number of years since it became listed at the NSE to December 2006. | AGE | - |
| 5 | SECTOR | 1 = Financial ( Banking, Insurance, Mortgage)  0= Non-financial (Agriculture, Manufacturing, Service Food/health, Building/construction, Service, Conglomerate, Petroleum marketing) | SEC | + |
| 6 | AUDITOR | Big Audit Firm (1)or non big(0) | AUD | + |
| 7 | MULTINATIONAL AFFILIATION | Percentage of foreign investors holding above 5% of issued shares. | MULT | + |
| 8 | OVERALL DISCLOSURE INDEX | An addition of the SAS disclosure index, IFRS disclosure index and Voluntary disclosure index | ODI |  |
| 9 | SAS DISCLOSURE INDEX | The disclosure score of SAS disclosures. | DISAS |  |
| 10 | IAS/IFRS DISCLOSURE INDEX | The disclosure score of IAS/IFRS disclosures. | DIFRS |  |
| 11 | VOLUNTARY DISCLOSURE INDEX | The disclosure score of voluntary disclosures. | DIVol |  |

Source: Field Study (2009).

The non-financial industries are agriculture, airline, automobile, aviation, breweries, building materials, chemical and paints, commercial services, computer, equipment, conglomerates, construction, engineering, food, foot wear, healthcare, hotel, industrial and domestic products, leasing, machinery, managed funds, maritime, packaging, petroleum marketing, printing and publishing, real estate, road transportation and textiles. The financial firms are banking, insurance and mortgage sectors.

**3.3 Survey Research Method**

**3.3.1 Population of Study for Survey Method**

The research population for the survey research consists of preparers, external auditors and users of accounting information in Nigeria. The preparers are the accountants while the external auditors are responsible for the audit of financial reports of companies. The users include investors, educators, creditors, stockbrokers, financial analysts, and regulators. The population size of approximately 99,402,514 was relevant. This is 71% of the population termed as adult literacy rate (HDI, 2006), that is % ages 15 and above that can peruse annual reports. They have the ability to identify, understand, interpret, communicate and use annual reports. Nigerian population is 140,003,542 according to 2006 population census conducted by the National Population Commission of Nigeria.

**3.3.2 Sample Size and Sampling Technique for Survey Method**

In view of the researcher’s inability to reach out to the entire population, and in order to gain the advantages of an in-depth study and effective coverage, samples are drawn using stratified random sampling from the six geopolitical zones in Nigeria. These zones are South-West, South-East, South-South, North-Central, North-East and North-West. Yaro Yamani formula is used in determining the sample size.

According to Yaro Yamani, n = N / [1 + (Ne2)],

Where: n is the sample size,

N is the population,

e is the error limit (0.05 on the basis of 95% confidence level)

Therefore, n = 99,402,514 / [1 + 99,402,514 (0.052)

n = 99,402,514 / 248,507

n = 400

Using a population of approximately 99.402 million Nigerians with an error limit of 5%, a sample size of 400 is considered adequate as computed above. That notwithstanding, due to the relatively low response rate expected, a total of one thousand copies of the questionnaire are distributed. A low response is experienced based on the fact that the questionnaire travelled far and wide to the six geopolitical zones in Nigeria. Five hundred questionnaires are sampled in the South-West, while one hundred copies of the questionnaire are administered in each of the other zones. The preponderance of the samples in the South-West, particularly Lagos City, is because it accounts for over 65% of the commercial activities in Nigeria (Galleria, 2009:1). For the preparers, accountants of listed companies are targeted, and for the auditors, auditors of the ‘Big Four’ auditing firms are targeted. It has been observed that the ‘Big Four’ audit firms are the appointed auditors for 90% of the listed companies (World Bank, 2004:5). Targeted users are bankers representing creditors, accounting lecturers in Universities representing educators, stockbrokers, financial analysts and regulators. The regulators are officers in charge of regulatory activities at Nigerian Stock Exchange and Securities and Exchange Commission. The targeted users are expected to have a good understanding of accounting standards and disclosure practices of listed companies. Of the 1000 copies sent out to various respondents, only 483 were duly completed and returned and all were used in the analysis since this number bears a marginal increase on the computed sample size above.

**3.3.3 Data Gathering Method for Survey Research**

The data gathering method explained in this sub section includes: sources of data, instrument of data collection, description and administration of questionnaire.

**3.3.3.1 Sources of Primary Data**

For the purpose of this study, the primary data are obtained through the administration of questionnaires to preparers, auditors and users of accounting information.

**3.3.3.2 Instrument of Data Collection for Survey Research**

The instrument for collection of primary data from the respondents is a questionnaire which contains five sections; sample is as in Appendix IV.

**3.3.3.3 Description of the Survey Questionnaire**

The questionnaire for obtaining the primary data is structured for quick responses. It is divided into five sections. Section A covers six items on the personal data of respondents. It contains data on respondent’s organization name (optional), location and State in which the organization is located, sex of respondents, educational and professional qualifications, occupation and work experience. The Location/State is used in capturing the geopolitical zones. These zones are coded 1 for South-West, 2 for South-East, 3 for South-South, 4 for North-Central, 5 for North-East and 6 for North-West. Sex of respondents could either be male (1) or female (2). Educational qualification is coded 1 for HND, 2 for BSc/BA, 3 for MBA/MSc, 4 for PhD, 5 for others and 999 for no response. The professional qualification of respondent is captured as 1 for ACA/FCA, 2 for ACCA/FCCA, 3 for CNA/FCNA, 4 for other professional qualifications such as ACIB, MNIM, and CISA, 5 is for a combination of two professional qualifications such as ACA and ACCA and 999 is for no response. For the occupation of respondents, 1 represents Accountant, 2 represents Auditor, 3 represents Stockbroker, 4 represents Financial Consultant/Analyst, 5 represents Accounting Educator, 6 represents Banker, 7 represents Others and 999 is used in representing no response. Working experience of respondents is coded as 1 for 1-5 years experience, 2 for 6-10 years experience, 3 for above 10 years experience and 999 for no response.

Sections B to E cover areas relevant to the accomplishment of the research questions. It contains twenty nine closed-ended items (labeled 7 to 35) designed on a 4-point Likert scale (Kumar, 1999:131). The scales are: Strongly Agree (4 points); Agree (3 points); Disagree (2 points) and Strongly Disagree (1 point). Respondents are expected to indicate their choices by ticking one of these options. In cases where no choice is made, such item is treated as a missing value ‘999’. Specifically, Section B covers 7 items on the extent of compliance of financial and non-financial companies with Statement of Accounting Standards (SASs) and International Financial Reporting Standard (IASs/IFRSs); Section C covers 5 items on disclosure of voluntary information; Section D covers 12 items on factors influencing disclosure; while Section E covers 5 items on consequences of non-compliance with disclosure requirements of the accounting standards.

**3.3.4 Validity and Reliability of Survey Instrument**

The validity of an instrument is being able to measure what it is supposed to measure while the reliability is the degree to which the items that make up the scale are all measuring the same underlying attribute consistently. To ensure the content validity, the questionnaire is reviewed by the researcher’s supervisor, co-supervisor, five lecturers in the Department of Accounting at Covenant University and a lecturer at University of Lagos for corrections and criticisms. On the basis of this review a few changes are made to some of the questions.

**Table 3.06: Reliability tests for the Survey Scale**

|  |  |  |  |
| --- | --- | --- | --- |
| Number | Type of Reliability Test | Value | Remarks |
| 1 | Cronbach’s Alpha | 0.824 | Very Reliable |
| 2 | Split-half | Part 1 =0.774 | Very Reliable |
| Part 2 =0.776 | Very Reliable |
| 3 | Guttman | Lambda 1 = 0.796 | Very Reliable |
|  |  | Lambda 2 = 0.833 | Very Reliable |
|  |  | Lambda 3 = 0.824 | Very Reliable |
|  |  | Lambda 4 = 0.532 | Moderately reliable |
|  |  | Lambda 5 = 0.813 | Very Reliable |
|  |  | Lambda 6 = 0.867 | Very Reliable |
| 4 | Parallel | 0.824 | Very Reliable |
|  |  | 0.825 (unbiased) | Very Reliable |
| 5 | Strict Parallel | 0.809 | Very Reliable |
|  |  | 0.810 (unbiased) | Very Reliable |

**Source: Field Study (2009)**

To ensure reliability, the survey questionnaire is tested in order to determine if the scale consistently reflects the construct it is measuring. This is achieved using Cronbach’s coefficient alpha which is the most common measure of scale’s internal consistency. It proceeds by associating each measurement item against each other and obtaining for all paired association the mean intercorrelation (Asika, 2004:74). Cronbach’s coefficient alpha provides an indication of the average correlation among the items of the scale. The value ranges between 0 and 1, 0 indicates low reliability while 1 indicates high reliability. A value of 0.7 is generally recommended (Pallant, 2004:6). Other reliability tests conducted are Split-half, Guttman, Parallel and Strict parallel.

With the results above (Table 3.06), it can be concluded that the instrument is very reliable based on the Cronbach’s Alpha reliability tests conducted. Cronbach’s Alpha the most common reliability test gives a value of 0.824. Other reliability tests confirm the reliability of the instruments. Split-half reliability test gives a value of 0.774 and 0.776 for each of the two halves. Guttman Lambda gives value greater than 0.70 for 5 out of 6 results. Parallel reliability test features the reliability value to be 0.824 and 0.825 (unbiased) while Strict Parallel reliability test features the value to be 0.809 and 0.810 (unbiased).

**3.3.5 Actual Field Work and Administration of Instruments**

For the questionnaire survey research, the actual field work was done in some designated cities and towns all over Nigeria. For South-West the field work took place at Lagos (Lagos State) and Ota/Abeokuta (Ogun State). For South-East the field work took place at Awka (Anambra State) and Owerri (Imo State). For South-South the field work took place at Benin City (Edo State), Warri (Delta State) and Port Harcourt (Rivers). For North Central the field work took place at Abuja (FCT) and Lokoja (Kogi State). For the North East field work was at Maiduguri (Borno State). For the North West the field work was at Kaduna (Kaduna State). The questionnaires were administered directly to the respondents by hand delivery late 2008 and early 2009 by the researcher and with the aid of research assistants. In order for the research assistants to administer the questionnaire, the researcher, first familiarized them with the subject and essence of study. This was followed up by enlightening them on the expected competence, qualification and experience of the would-be respondents. Agreements were also reached on the mode of the return of questionnaire which was on average of two weeks.

**3.4 Method of Analyses**

The methods that are adopted for data presentation include tables and graphs (box plots, normal plots). Univariate, bivariate and multivariate analyses are employed in exploring the primary and secondary data. For the secondary data, univariate statistics of frequencies, percentages, mean, standard deviation, minimum, maximum are used to describe the patterns of data. Normality test is conducted using Kolmogorov-Smirnov test. Bivariate relationships among the independent variables are explored using correlation analysis. The multivariate analyses comprise Ordinary Least Square (OLS) Regression, Ranked (OLS) Regression, Factor analysis and Cluster analysis.

The test of Hypotheses one to three is achieved using secondary data. Independent samples T-test is conducted for each hypothesis. It involves 2 steps (a) checking assumptions using Levene’s test of equality of variance (if sig value is larger than .05 equal variance is assumed) and (b) assessing difference between the two groups using a two tailed test at 5% level of significance. Eta squared is used in calculating the magnitude in the difference of the mean.

To test Hypotheses four, Ranked and Unranked Regression analysis are utilized. It has been suggested that rank transformation provides additional confidence in statistical results because it: (a) yields a distribution-free data; (b) provides results similar to the ones that can be derived from ordinal transformation; and (c) mitigates the impact of measurement errors, outliers and residual heteroscedasticity (Wallace et al., 1994:47). The diagnostic tests conducted are: Variance Inflation Factor, Tolerance and Durbin-Watson. These tests enable us to know if there is any threat of multicollinearity and independent errors. Traditionally, multicollinearity does not constitute a problem when the VIF does not exceed 10 and Tolerance for each of the variable is above 0.2 (Chavent et al., 2006:186; Field, 2006:196)*.* Pearson’s correlation and matrix scatterplot of the continuous independent variables are employed to measure the linear relationship between the independent variables. The significance coefficient of the F-statistics is used in determining if there is any heteroskedasticity problem. Statistical significance of the result is determined using t-statistics using 1%, 5% and 10% levels of significance. Factor analysis is utilized within eight regression equations. Two statistical measures are generated to assess the factorability of the data, namely (a) Kaiser-Meyer-Olkin (KMO) test which is utilized in testing the adequacy of samples. KMO must be greater than 0.5 to be adequate; and (b) Barlett’s test of sphericity. Cluster analysis is further utilized to explore the voluntary items in order to reflect the structure of the published information.

The test of Hypothesis five is achieved using the primary data. Multivariate Analysis of Variance (MANOVA) is used in testing the hypothesis. Box’s test of equality of covariance matrices is employed for MANOVA, this tells if the data violate the assumption of homogeneity of variance covariance matrices or not. If the p-value is greater than 0.001, then the assumption has not been violated (Pallant, 2004:228). Levene’s test of equality of error variances is employed to check the assumption of equality of variance for MANOVA. Any Sig. less than 0.05 violates the assumption (Pallant, 2004:228). The effect size of the variables is evaluated using Eta squared, if the value is 0.01 it is interpreted as small effect, if the value is 0.06 it is interpreted as moderate effect and if 0.14 it is interpreted as large effect (Pallant, 2004:181). Wilks’ Lamda is employed to check for statistically significant differences. If the significant level is less than 0.05, then it can be concluded that there is a difference among the groups (Pallant, 2004:229).

**3.5 Instruments for Data Analyses**

Data for the dependent and independent variables are captured from the annual accounts and collated with the aid of Microsoft Excel 2007. The gathered data are scrutinized and analyzed by employing a variety of quantitative analysis techniques using SPSS 16 package, 2007 version.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

**4.0 Introduction**

This chapter deals with the presentation and the analyses of secondary and primary data. The data is presented using tables and charts showing frequency distributions, means and standard deviations to aid easy understanding. Firstly, it presents the analysis of the annual report data. It covers the preliminary and advanced analyses using factor analysis, unranked OLS, ranked OLS and Cluster analysis. The hypotheses of the secondary data are tested using T- and F- statistics. Secondly, it presents the analysis of the primary data obtained by the researcher through the administration of questionnaire. The hypotheses of the primary data are tested using Multivariate Analysis of Variance.

**4.1 Analysis of Annual Reports- Preliminary**

**4.1.1 Descriptive Statistics of Dependent Variables**

Descriptive statistics of the disclosure indices is reported in Table 4.01 below. The mean of the disclosure index for SASs (DISAS) is 0.883511, with a minimum index of 0.5000 and a maximum of 0.9796. The mean of the disclosure index for IFRSs (DIFRS) is 0.550631, with a minimum index of 0.2308 and a maximum of 0.9800. The voluntary disclosure index (DIVOL) shows a declined mean value of 0.374013 with minimum and maximum at 0.0500 and 0.7000 respectively. The overall disclosure index which is a combination of DISAS, DIFRS, DIVol has a mean of 0.602714, with a minimum of 0.3732 and a maximum of 0.7878. This result shows that no company fully complies with the SAS disclosures requirement, despite the fact that they are mandatory, however the SAS mean is considerably higher than the IFRS and Voluntary means, with a low dispersion (Standard deviation = 0.00718).

**Table 4.01: Descriptive Statistics of Compliance Indexes**

90

.5000

.9796

.883511

7.183E-02

90

.2308

.9800

.550631

.144653

90

.0500

.7000

.374013

.153304

90

.3732

.7878

.602714

9.437E-02

90

DISAS

DIFRS

DIVol

ODI

Valid N (listwise)

N

Minimum

Maximum

Mean

Std.

Deviation

**Source: Field Study (2009)**

Descriptive statistics on Company by Company disclosure indices reveals that for the SAS disclosures the first three companies with the highest level of disclosures are: Ecobank Transnational Inc (0.9796), Nigerian Bottling Company Plc. (0.9524), and African Petroleum Plc. (0.9524). The companies with least disclosures are: Trans-Nationwide Express (0.6894), Afprint Nigeria Plc. (0.6522) and SCOA Nigeria Plc (0.5000). For IFRS disclosures the three companies leading are: Ecobank Transnational Inc (0.9800), Diamond Bank Plc. (0.82.5), and Intercontinental Bank Plc (0.8049); while the ones with least disclosures are Tripple Gee and Company Plc. (0. 2778), Afprint Nigeria Plc. (0.2381), and SCOA Nigeria Plc. (0.2308). For voluntary items, First Bank of Nigeria Plc (0.7000), Nestle Nigeria Plc (0.6500), Dunlop Nigeria Plc. (0.6500) and GlaxoSmithKline (0.6500) emerge the best while Aluminium Extrusion Plc. (0.1000), Japaul Oil and Maritime Plc. (0.0500) and Starco Insurance Plc. (0.0500) are on the bottom of the list. The overall disclosure level features three banks toping the list. They are: First Bank of Nigeria Plc (0.7878), Ecobank Transnational Inc (0.7532) and United Bank of Africa Plc (0.7520). At the bottom level are Afprint Nigeria Plc. (0.4132), Starco Insurance Plc. (0.4056) and lastly SCOA Nigeria Plc. (0.3732). This suggests that due to the reform, regulation and competition in the banking sector in Nigeria, banks maintain a high standard of information disclosure.

With the classification of the industries into nine on Sector basis, the mean comparison by industry (Table 4.02) features the banking industry as the sector with the highest level of disclosure, with overall disclosure level of 0.6870. Following this are the petroleum marketing (0.6421) and food and health (0.6384). Industries with the highest level of disclosure for SAS is petroleum marketing (0.9219), for IFRS is banking (0.7220) and for voluntary disclosure is food and health (0.417647). These three sectors that emerges the best are the most thriving industries in Nigeria. The banking industry in particular have started embracing global best practices in financial reporting to meet market expectations and to attract foreign investors.

**Table 4.02: Mean Comparison of Disclosure Indexes by Industry**

.876900

.510000

.305567

.564167

3

3

3

3

.873400

.455167

.375927

.568160

15

15

15

15

.921406

.722024

.417647

.687018

17

17

17

17

.894723

.545269

.475215

.638415

13

13

13

13

.886450

.550510

.338340

.591750

10

10

10

10

.817500

.460367

.215733

.497867

6

6

6

6

.845100

.525586

.419843

.596843

7

7

7

7

.921914

.667171

.337300

.642100

7

7

7

7

.862533

.434983

.320833

.539450

12

12

12

12

.883511

.550631

.374013

.602714

90

90

90

90

Mean

N

Mean

N

Mean

N

Mean

N

Mean

N

Mean

N

Mean

N

Mean

N

Mean

N

Mean

N

Sector

AGRICULTURE

MANUFACTURING

BANKING

FOOD & HEALTH

BUILDING AND

CONSTRUCTION

SERVICE

CONGLOMERATE

PETROLEUM

MARKETING

INSURANCE AND

MORTGAGE

Total

DISAS

DIIFRS

DIVOL

ODI

**Source: Field Study (2009)**

Tables 4.03 and 4.04 reveal the analysis of compliance with the accounting standards, in turn.

**Table 4.03: Descriptive Statistics of Compliance with SAS**

90

.5000

.9796

.883511

value iss disclosures were atsure7.183E-02

90

.5833

1.0000

.892656

9.099E-02

90

.7692

1.0000

.958230

5.888E-02

90

.0000

1.0000

.827029

.221332

59

.3333

1.0000

.977400

.121687

56

.0000

1.0000

.973214

.148313

86

.3333

1.0000

.705444

.194157

90

.0000

1.0000

.988889

.105409

75

.5000

1.0000

.935557

.154128

90

.6000

1.0000

.986667

6.569E-02

87

.1667

1.0000

0

.988779

9.047E-02

85

.2500

1.0000

.519608

.163485

5

.50

1.00

.9000

.2236

37

.5000

1.0000

.986486

8.220E-02

SAS index

SAS 1

SAS 2

SAS 3

SAS 4

SAS 7

SAS 8

SAS 9

SAS 13

SAS 18

SAS 19

SAS 21

SAS 22

SAS 23

N

Minimum

Maximum

Mean

Std.

Deviation

**Source: Field Study (2009)**

**4.1.1.1 Descriptive Statistics of Compliance with SASs**

Table 4.03 presents the descriptive analysis of the SAS standard-by-standard breakdown. On standard-by-standard analysis, it is observed that the compliance level is relatively high for SASs 2, 4, 7, 9, 13, 18, 19 and 23, with a mean greater than 0.90. The lowest level of compliance is found for SAS 21 with a mean of 0.52. The compliance level of SAS 1, 3, and 8 ranged between 0.70 and 0.89. The number of companies that actually disclose information on SAS 22 and SAS 23 are 5 and 37 respectively out of 90 with a compliance level ranging between 0.90 and 0.98. The analysis suggests that many companies whose year end was on 31st December 2006 chose not to comply with the requirements of SAS 22 and 23, while companies whose year end terminated before 31st December, 2006 ignored them because the standards only became operational on 31st of December, 2006. A more detailed standard-by-standard analysis is given below:

**SAS 1(Statement of Accounting Policies)**: For SAS 1, disclosure averaged between 100% and 58% with the banking sector taking the lead at 95%. Trans-Nationwide Express Plc in the Commercial industry had the lowest compliance of 58%. This is due to the fact that it failed to present some pertinent policies such as employee retirement benefits and taxes under the accounting policies caption.

**SAS 2 (Information to be disclosed in Financial Statements):** SAS 2 is highly complied with; it has a mean disclosure of 95%. Companies that fully comply with SAS 2 are from the Petroleum (marketing), Automobile and Tyre, Chemical and Paints, Breweries, and Building materials industries. Many companies that do not fully comply with the requirements of this standard either do not reveal the relationship with its significant local and overseas suppliers or distinguish between imported and local purchase items in their value added statements.

**SAS 3 (Accounting for Property, Plant and Equipment (PPE)):** The disclosure ranges between 0% and 100%. The building services sector is the only sector that fully complies with the disclosure requirements of SAS 3. Most companies whose gross book value of PPE is determined using revalued amounts do not disclose polices regarding the frequency of revaluations. A Conglomerate, SCOA Plc, fails to comply with the requirements of this standard with a 0% compliance. It deliberately or inadvertently does not disclose the basis of determining the book value of PPE and the movements in each category of PPE.

**SAS 4 (On Stocks)**: The extent of disclosure is very high for all sectors except for the financial sector where it is not applicable. Most companies that apply SAS 4 have a 100% compliance except for two companies SCOA Plc. and Avon Crowncaps and Containers Plc. that has a compliance level of 33%. The financial statements of these two companies do not state the amount in respect of each type of stock and did not classify them in a manner appropriate to their business. It is generally observed that the valuation methods utilized in determining the cost of stock is not disclosed by most companies.

**SAS 7 (On Foreign Currency Conversions and Translations)**: SAS 7 witnesses full compliance by fifty four out of the fifty five companies that comply with the disclosure requirements of SAS 7. Other companies ignore the requirements of this standard but disclose the accounting policy under the accounting policies caption. The highest levels of compliance are found in the Conglomerate, Petroleum, Building services and Banking industries. Dangote flour mills Plc. a member of the Food and Beverages industry has a 50% compliance level while SCOA Plc, a major importer of vehicles and equipment fails to comply with requirements of this standard (0%).

**SAS 8 (On Accounting for Employees’ Retirement Benefits)**: Disclosure of SAS 8 ranges between 33% and 100% with mean disclosure of 71%. It is observed that most reporting entities do not disclose in the notes to the accounts the categories of employees covered for the retirement, provident or pension plan. Also, most of the companies fail to disclose the percentage contribution of the employer and employee.

**SAS 9 (Accounting for Depreciation)**: For SAS 9, full disclosure (100%) is observed for eighty nine out of ninety sampled companies. SCOA Plc. is only the odd one out. It deliberately or inadvertently fails to disclose in the notes to the accounts, the amount charged as depreciation during the period, the methods used in computing depreciation in the period, and the accumulated depreciation for each category or group of assets.

**SAS 13 ( On Accounting for Investments):** Disclosure for SAS 13 ranges between 50% and 100%. The default in most companies is due to the fact that most of them do not disclose the aggregate quoted market value of securities of quoted companies as well as their corresponding carrying amount.

**SAS 18 (On Statement of Cash Flow):** The disclosure requirement of SAS 18 isobserved by all the ninety sampled companies. Of this, eighty seven companies comply 100%, while the others have a disclosure range between 60% and 80%. These companies do not disclose by way of note a reconciliation of the amounts in its Statement of Cash Flows with equivalent items reported in the profit and loss account and the balance sheet.

**SAS 19 (Accounting for Taxes)**: SAS 19 is fully disclosed by eighty five out of eighty seven companies. CAP Plc does not disclose the breakdown of its deferred taxation while SCOA Plc. does not disclose by way of notes the company income tax, education tax and deferred tax.

**SAS 21(Earnings per Share)**: SAS 21 is partially disclosed by majority of the sampled companies. Most companies do not disclose diluted earnings per share on the face of the income statement, and the historical financial summary with equal prominence.

**SAS 22 (On Research and Development Costs):** SAS 22 became operative on 31 December, 2006 for financial statements covering periods ending on or after December 31, 2006. Due to the lack of research culture in Nigeria, only five out of all the companies with year end on December 2006 complied. Of these five companies, four of them complied 100% while one company, May and Baker Plc. in the Health industry complied 50%. It failed to disclose its R& D costs in the financial statement.

**SAS 23 (On Provisions, Contingent Liabilities and Contingent Assets):** SAS 23 came into effect on 31 December, 2006. Therefore it only applied to companies with accounting year end of 31 December 2006. It was observed that only thirty seven companies in this category complied with the disclosure requirements. Out of these, thirty six companies fully disclosed the requirements while one company, Okomu Plc in the Agriculture industry had a compliance rate of 50%.

**Table 4.04: Descriptive Statistics of Compliance with IFRS**

**Descriptive Statistics**

90

.2143

.9811

.512946

.145289

90

.4286

1.0000

.641014

9.134E-02

3

.5000

1.0000

.833333

.288675

87

.3333

.7500

.651367

9.035E-02

3

.5000

1.0000

.833333

.288675

10

.3333

1.0000

.733330

.306325

54

.3333

1.0000

.918209

.191879

75

1.0000

1.0000

1.000000

.000000

0

8

1.0000

1.0000

1.000000

.000000

12

.3333

1.0000

.486092

.260730

64

.2000

1.0000

.723438

.203729

40

.3333

1.0000

.771435

.210145

12

.2000

1.0000

.709725

.325084

1

1.0000

1.0000

1.000000

.

17

.6667

1.0000

.882365

.164181

18

.5000

1.0000

.916667

.191741

23

.5000

1.0000

.608696

.210871

12

.8000

1.0000

.966667

7.785E-02

10

.3333

1.0000

.908330

.216783

0

14

.5000

1.0000

.832143

.156411

IFRS index

IAS 1

IAS 2

IAS 10

IAS 12

IAS 14

IAS 16

IAS 18

IAS 20

IAS 21

IAS 23

IAS 24

IAS 27

IAS 28

IAS 31

IAS 32

IAS 36

IAS 37

IAS 38

IAS 40

IFRS 2

IFRS 3

N

Minimum

Maximum

Mean

Std.

Deviation

**Source: Field Study (2009)**

**4.1.1.2 Descriptive Statistics of Compliance with IFRSs**

Since IFRSs are not mandatory in Nigeria, companies generally disclose part of the disclosure requirements of the various IAS and IFRS standards (Table 4.04). It is observed that only one standard, IAS 1, is complied with by all the ninety sampled companies. More than half of the companies i.e. between 54 and 87 companies report partly on IAS 10, IAS 16, IAS 18 and IAS 24. A few companies comply partially with IAS 14, IAS 21, IAS23, IAS27, IAS28, IAS32, IAS 36, IAS 38, IAS 40 and IFRS 3 while IAS 2, IAS 12, IAS 20, IAS 31 and IFRS 2 are hardly disclosed by the companies. Of all these companies, the banking industry witnesses the highest disclosure on seventeen standards. Analysis suggests that other non-banking industries generally disclose some information items in the IFRSs to their convenience while the banking sector discloses more information due to the nature of their businesses, banking sector reform sector regulation, and the demands of the global economic issues. Currently, a number of Nigerian banks (First Bank of Nigeria, Plc, Guaranty Trust Bank Plc, Zenith Bank, Plc, and Access Bank Plc) have made voluntary decisions to present their reports using IFRSs in order to improve the transparency and exposure level of their books, especially after the dearth of investor confidence which came as a result of the economic crisis that commenced in year 2008.

The standard-by-standard analysis is as presented below:

**IAS 1 (Presentation of Financial Statements)**: Only one company, Ecobank Transnational Incorporated fully complies with IAS 1. The other eighty nine companies have a compliance level between 0.43 and 0.75. Ecobank Transnational Incorporated disclosed full compliance with the IFRSs due to the fact that it is a foreign listed company. A few of other companies disclose partial compliance with IFRSs and majority do not refer to IFRSs at all. The financial statements of majority of the companies do not include a statement showing all changes in equity.

**IAS 2 (Inventories)**: The compliance of companies with regards to the questions drawn on this standard is very low. A few companies disclose the amount of inventories written down that are recognized as expenses during the period and no organization discloses the carrying amount of inventories pledged as security for liabilities.

**IAS 10 (Events after the balance sheet date):** The disclosure ranges between 0.33 and 0.75 for companies that comply with the disclosure requirements of IAS 10. Most of the companies disclose the date the financial statement is authorized for issue except for Starco Insurance Plc, Oando Plc and Afprint Plc that fails to disclose the date when the financial statements are authorized for issue and the body who gives the authorization. Diamond bank whose year end is 30 April 2006, falsely or in, error discloses that the financial statements are authorized for issue on 7th June 2005. This is erroneously authorized by the Board of Directors and endorsed by the auditors, one of the Big-four in the auditing industry.

**IAS 12 (Income Taxes):** The requirement of IAS 12 as drawn on the questionnaire is not disclosed by most companies. Most of these companies do not provide an explanation of the relationship between tax expense (income) and accounting profit in the form required. They also do not give details of deductible temporary differences, unused tax losses, and unused tax credits except for three companies.

**IAS 14 (Segment Reporting):** IAS 14 does not have an equivalent standard in Nigeria as at December, 2006 which is the period of study. This standard is ignored by most of the companies. Only ten companies disclose information regarding segment reporting. The requirement is partially disclosed by five of them while the other five fully comply with it.

**IAS 16 (Property, Plant and Equipment):** IAS 16 is the equivalent of SAS 3 but IAS 16 has additional disclosures. It is observed that fifty four companies comply with the additional requirements while others ignore it. Most companies disclose the amount of expenditure recognise in the carrying amount of PPE in the course of its construction. Majority also recognized the existence of PPE whose title is restricted and pledged as security for liabilities, but on a negative pledge, thereby making their amounts unascertained.

**IAS 18 (Revenue)**: IAS 18 at present does not have an equivalent standard in Nigeria. Analysis reveals that seventy five out of the ninety sampled companies disclose the amount of each significant category of revenue recognised during the period, including revenue arising from the sale of goods, the rendering of services, interest, royalties; and dividends.

**IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance):** The Nigerian accounting standard does not have an equivalent version of IAS 20. According to the analysis, no company accounts for or discloses any information relating to government grants and assistance. This suggests that the Nigerian Government does not give grant or assistance in form of technical and marketing advice to the listed companies in Nigeria.

**IAS 21 (The Effects of Changes in Foreign Exchange Rates):** The equivalent Nigerian standard is SAS 7. Only eight banks in the banking industry recorded information on additional required disclosure on IAS 21. They particularly disclosed net exchange differences classified in a separate component of equity, and also a reconciliation of the amount at the beginning and end of the period. Other requirements, such as the reason for using a different presentation currency to report for their foreign operations were totally ignored by all the companies.

**IAS 23 (Borrowing Costs):** IAS 23 does not have an equivalent Nigerian standard but notwithstanding, twelve companies disclosed information on it. Out of these twelve, only two companies, Presco Plc an agricultural company and Ecobank Transnational Incorporated, a foreign listed company met all the disclosure requirements. Disclosures include accounting policy adopted for borrowing costs, the amount of borrowing cost capitalised during the period and the capitalisation rate used to determine the amount of borrowing costs eligible for the capitalization.

**IAS 24 (Related Party Disclosures):** Related party disclosure, IAS 24 does not have a counterpart standard in Nigeria, but disclosures regarding to related parties are expected to be made in SAS 2. More than two-third (sixty seven) of the sampled companies reported on related party transactions. Others particularly in the insurance industry ignore information pertaining to this. This is expected because their transactions are mostly indigenous.

**IAS 27 (Consolidated and Separate Financial Statements):** The Nigerian equivalent standard to IAS 27 came into being in 2008. During the period considered it is observed that almost half of the companies (forty) present consolidated accounts. Most of these companies disclose in the consolidated financial statements the names of significant subsidiaries but fail to disclose country of incorporation or residence of significant subsidiaries.

**IAS 28 (Investment In Associates):** There is no equivalent standard to IAS 28 in December 2006, the period of study. Only a few companies disclose information related to investment in associates such as listings of significant associates, method used in accounting for them and fair value of investments in associates.

**IAS 31 (Interests in Joint Venture):** IAS 31 does not have an equivalent accounting standard in Nigeria as at December 2006. Analysis reveals that only one company, May and Baker Nigerian Plc, in the health care industry discloses information pertaining to interests in joint venture.

**IAS 32 (Financial Instruments Presentation):** Financial instruments presentation standard, IAS 32 does not have an equivalent Nigerian standard. Even though the disclosure provisions have been superseded by IFRS 7 as at 2007, this standard is considered for the study based on the period of study. The analysis reveals that only the banking industry adhered to the disclosure provisions requirement with a disclosure range between 67% and 100%. Due to the nature of the banking business, all the banks disclose the accounting policies and methods adopted in classifying financial assets, financial liabilities, and equity instrument.

**IAS 36 (Impairment of Assets):** There exists no equivalent standard to IAS 36 in Nigeria. The disclosure requirement of this standard is partially disclosed by eighteen companies, majority from the banking and petroleum industries. Many of the companies only disclose the policies adopted for impairment losses but some of them fail to narrate the main events and circumstances resulting in the impairment loss

**IAS 37 (Provisions, Contingent Liabilities, and Contingent Assets):** The equivalent Nigerian standard of IAS 37 is SAS 23 which became effective on 31st December, 2006. IAS 37 is only considered for companies with year end before 31st December. Out of all the companies, twenty three companies (majorly banks) disclose information relating to IAS 37 although its Nigerian counterpart is not in force at the end of their accounting period.

**IAS 38 (Intangible Assets):** IAS 38 does not have an equivalent Nigerian standard. Part of this standard is captured in SAS 2 under Other Long-term assets. The analysis shows that only twelve companies disclose information on intangible assets. This implies that most of the listed companies in Nigeria do not have intangible assets. Out of the twelve that disclose information on IAS 38, six of them are from the banking sector. This is expected because of the just concluded consolidation exercise in the banking industry.

**IAS 40 (Investment Property):** IAS 40 does not have an equivalent standard in Nigeria. In this study only ten companies seem to disclose information on investment properties. These companies are in the conglomerate, banking and insurance industries. They disclose the accounting method on whether the fair value or the cost model is used.

**IFRS 2 (Share-based Payment):** Share based payment does not have an equivalent standard in Nigeria and seems not to be common in Nigerian companies. Analysis reveals that no company discloses any information on share based payment.

**IFRS 3 (Business Combinations):** IFRS 3 doesn’t have a Nigerian counterpart. Analysis shows that only the banks including the foreign listed bank disclose information on business combinations. The Nigerian banking system is recently revitalized by beefing up the minimum capital base to N25million. This exercise has resulted in a wave of mergers and acquisitions. The resultant consolidation process resulted to business combinations which the banks have to account for and since there is no Nigerian standard dealing with this issue, they all resort to the use of international standards.

**4.1.1.3 Descriptive Statistics of Voluntary Disclosures**

Table 4.01 (page 97) indicates the index of other voluntary disclosures. The minimum index is quite low at 0.050 while the maximum is .70 with a mean of 0.374. Analysis suggests that most company discloses voluntary items minimally. The item-by-item analysis is as follows:

**Financial highlights:** Nine of the ninety sampled companies do not disclose the financial highlights within the context of the annual report. Fifteen companies have a brief highlight, while the others present a comprehensive highlight, showing the major profit and loss items, major balance sheet items, per share data and number of employees.

**Forecast of performance for the next year:** This item is not recorded by any of the companies. No company forecasts the performance for the following year in quantitative terms. Most of the companies refer to their future expectations qualitatively within the context of the Chairman’s statement.

**Share Price at accounting year end**: The share price of the listed companies at year end is only disclosed by forty companies, while others do not bother to disclose it. Disclosures of share prices by most companies are incorporated in the financial highlight as part of the per share data information.

**Corporate Social Responsibility Report:** Corporate social responsibility is embarked on by all the listed companies. Some reports are brief while others are quite comprehensive. Out of the ninety companies only ten companies disclose their social responsibilities in details. Others make brief disclosures on donations, employee welfare and employment of disabled staff usually as an integral part of the Directors report. Companies that make comprehensive reports give additional information relating to education, health, welfare, culture and sports.

**Corporate Governance Report:** Corporate governance related information is disclosed by fifty five companies. Out of these, only twenty companies give detailed disclosure. Others only disclose it briefly as part of the Directors report. Among the companies that make a comprehensive disclosure is First Bank of Nigeria Plc. It voluntarily complies with the provisions of the “Code of Best Practices on Corporate Governance” by disclosing items such as Board structure, the roles of the Board, executive committee, Board audit, Board Remuneration and Board meetings.

**Performance Trend for the past Five Years using Graphs:** The performance trend for the past five years is charted on graphs by forty two companies. The charts contain graphs on some performance indicators such as profit before tax, shareholders’ fund, total assets, total liabilities and gross earnings.

**Environmental Liabilities and Cost:** Environmental liabilities and costs are not disclosed by the companies except for Guaranty Trust Bank that discloses it briefly.

**Donations** – Donations are disclosed by sixty four companies. Most of these companies disclose the organizations the donation is given and the corresponding amount. It is observed that one out of the sixty four companies does not give a detailed disclosure.

**Risk Management issues associated with the Organization**: The risk management issue associated with the company is not disclosed by majority of the companies. A few companies particularly in the banking sector disclose this in the Directors’ report.

**Unclaimed dividend analysis:** Unclaimed dividend is only analyzed by thirty two companies. Of these companies, eighteen do not analyse in details. Companies that make disclosure give information on dividend warrant number, year of issue, date declared and total amount. Some companies even go to the extent of disclosing the names of the shareholders that are yet to collect their dividend.

**4.1.2 Descriptive Statistics of Independent Variables**

The independent variables are company size (proxied by total assets, turnover, shareholders fund, number of employees, and number of shareholders), profitability, leverage, company age, industry, multinational parent and size of audit firm. While the size, profitability, leverage and company age variables are continuous, the others are not.

**Table 4.05: Descriptive Statistics of Company Size by Sector**

197766678.7

20790938.66

26786659

92362.68

1943.78

1022815

835700

369484

739

68

884137000

90447000

1.01E+08

321809

7844

240897005.3

24222233.61

26806873

97952.88

2227.91

14679604.93

20402272.56

6210637

45413.25

1067.67

91983

79572

34519

910

33

92436519

209078938

36249393

282754

9389

19963958.89

35842464.20

8769922

56152.09

1796.41

73674328.70

20527509.41

13149063

60461.14

1336.48

91983

79572

34519

739

33

884137000

209078938

1.01E+08

321809

9389

161024225.7

32414445.46

19573601

74874.56

1968.26

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Sector

FINANCIAL

NON FINANCIAL

Total

Asset (‘N000)

Turnover

(N,000)

Sharehol

der Fund

(N’000)

Number of

sharehold

ers

Number of

employees

**Source: Field Study (2009)**

**Figure 4.01: Box plot of Composite Size variable by Sector**

****

**Source: Field Study (2009)**

**4.1.2.1. Company Size**

The company size is proxied by two variables: factor variable and log of total assets. The factor size variable is a composite of five variables, namely, total assets, turnover, shareholders fund, number of employees and number of shareholders. Table 4.05 presents the descriptive statistics of all the variables by sector (financial and non-financial), while Table 4.06 shows the industry analysis. Each of these variables varies greatly, the total assets ranged from N91million to N884billion, with a mean of N73billion. The turnover ranges between N79million to N209 billion, with a mean of N20 billion. The shareholder’s fund varies between N34million and N101 billion, with a mean of N13 billion. The number of shareholders ranges between 739 and 321,809, while the number of employees ranges between 33 and 9389. The non- financial sector features the minimum value for all the variables except for number of shareholders. On the average the financial sector is more buoyant than the non-financial sector, with a higher mean for all the variables.

Taking a keen view at the industry analysis presented in Table 4.06 below, it is seen that the Banking industry has the highest average for total assets with a mean of N334billion, followed by Petroleum industry with a mean of N31billion and Food and Health industry with a mean of N26billion. For the turnover, the Petroleum industry takes the lead (N72 billion), followed by Food and Health (N34.3 billion) and Banking (N33.8 billion). For shareholder’s fund the Banking industry has the highest average (43 billion), followed by Conglomerate (8 billion) and Building construction (7.7 billion). For the number of shareholders, the highest is Banking (149,178), followed by Petroleum (101,807), and Conglomerate (71,403). For the banking industry took the lead (3124), followed by Conglomerate (2300) and Food and Health (1675).

Generally, the banking industry strives to be highest for most of the size variables. The solidity of this sector is attributable to the consolidation of the Nigerian banking industry in a bid to create a sound and more secure banking system that depositors can trust. The size variables are generally positively skewed. In order to mitigate the effect, factor analysis is utilized. A graphical view of the box-plot of the composite size variable against the sector is as illustrated in Figure 4.01 above. Companies 20 (United Bank of Africa Plc.) and 21 (Union Bank Plc.) featured as outliers for the financial sector, while companies 24 (Nigerian Breweries Plc.) and 84 (Oando Plc.) featured as outliers for the non-financial sector.

**4.1.2.2 Profitability**

Table 4.07 shows that profitability ranges from 0.0278 to 0.3384 for the financial sector while it ranges from -2.1204 to 1.1027 for the non-financial sector, with an overall mean of 0.207083. According to Table 4.08, Petroleum industry records the highest profitability (return on equity) with a mean ratio of 0.5502, followed by building and Construction (0.351860), then by Food and Health (0.287708). The Agriculture industry is worst off with a mean of -0.631700, which implies that the average equity capital has been eroded. On scrutinizing the data critically it is observed that Livestock feeds appear as an outlier in the box plot presented in Figure 4.02. It records an abnormal equity of N-343,406,000, with a return on equity of -2.1204. This implies that the entire equity of the Livestock feeds Plc. has been eroded. The high profitability ratio of the Petroleum marketing industry is attributable to the fact that petroleum is Nigeria’s main source of income, since the discovery of Oil in Nigeria in the early 1960’s. Unfortunately, the agricultural sector which had been previously Nigeria’s main stay is now relegated and neglected.

**Table 4.06: Descriptive Statistics of Company Size by Industry**

3746881.00

1801849.00

3354501.00

9652.50

552.67

321737

560018

2155681

6723

73

6425205

2740784

4553321

12582

1214

3119516.87

1121492.12

1695387.50

4142.94

591.80

4996838.80

4998878.27

2005026.33

20763.70

981.53

356909

592093

34519

3175

52

19502326

19993483

9016410

93653

9389

6196649.82

5483893.35

2864896.03

27611.15

2347.19

330505694.59

33818668.00

43677530.82

149178.20

3123.56

113183308

11287062

25579791

4088

783

884137000

90447000

100500000

321809

7844

236901678.04

24229571.42

22865441.86

88149.92

2219.90

25675941.92

34303808.23

10918071.62

52137.38

1674.92

223907

211336

119955

2934

59

75657062

86571665

36249393

138057

6154

25982701.94

35571654.36

11949397.84

38653.76

1966.77

12424663.70

7901752.00

7685225.63

23519.90

650.20

91983

128410

163357

910

33

48478498

39646622

25015270

67224

2499

17753297.18

12185713.45

10237884.81

24183.47

8034924.71

3820030.50

1671187.17

1465305.00

13625.75

359.33

187394

79572

103235

3640

65

15298219

4642952

4239052

23511

1099

5776513.65

1872186.53

1606719.86

9175.77

408.40

16004205.57

18179468.29

8034924.71

71403.14

2300.86

3508200

1868175

763845

2777

302

41872194

43494366

27055099

196901

6572

14314753.05

14795415.68

9842363.69

63433.42

2511.34

30897024.57

71699925.29

7176315.00

101807.14

315.57

1208537

126573

101917

15573

36

92436519

209078938

24396270

282754

529

29079743.47

70207129.64

8376917.75

103638.41

166.22

9719739.50

2334988.75

2857924.00

7139.40

227.73

1022815

835700

369484

739

68

61838000

9596000

5869964

23257

750

16640572.61

2377474.78

1774657.31

6980.77

216.89

73674328.70

20527509.41

13149063.35

60461.14

1336.48

91983

79572

34519

739

33

884137000

209078938

100500000

321809

9389

161024225.66

32414445.46

19573601.41

74874.56

1968.26

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

Mean

Minimum

Maximum

Std. Deviation

AGRICULTURE

MANUFACTURING

BANKING

FOOD & HEALTH

BUILDING AND

CONSTRUCTION

SERVICE

CONGLOMERATE

PETROLEUM

MARKETING

INSURANCE AND

MORTGAGE

Total

Asset

Turnover

Shareholder'

s fund

Number of

shareholders

Number of

employees

**Source: Field Study (2009)**

**Table 4.07: Descriptive Statistics of Continuous Variables by Sector**

.161341

4.8207

11.28

9.759E-02

29

29

29

29

8.715E-02

5.1489

10.40

.2410

.0278

.28

1

.00

.3384

23.79

36

1.00

.229041

2.0430

23.13

.3696

61

61

60

58

.445859

2.6264

10.11

.2680

-2.1204

-4.35

1

.00

1.1027

10.86

45

.81

.207227

2.9380

19.27

.2789

90

90

89

87

.370699

3.8334

11.58

.2884

-2.1204

-4.35

1

.00

1.1027

23.79

45

1.00

Mean

N

Std. Deviation

Minimum

Maximum

Mean

N

Std. Deviation

Minimum

Maximum

Mean

N

Std. Deviation

Minimum

Maximum

Sector

FINANCIAL

NON FINANCIAL

Total

Profitability

Leverage

Listing age

Multinatio

nality

**Source: Field Study (2009)**

**Figure 4.02: Box Plot of Profitability Ratio by Sector**

****

**Source: Field Study (2009)**

**Table 4.08: Descriptive Statistics of Continuous Variables by**

**Industry**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **INDUSTRY** |  | **Profitability** | **Leverage** | **Listing Age** | **Multinationality** |
| AGRICULTURE | Mean | -0.6317 | -0.1500 | 15.6700 | 0.4233 |
| Minimum | -2.1204 | -1.9400 | 4.0000 | 0.0000 |
| Maximum | 0.1362 | 1.0800 | 28.0000 | 0.6700 |
| MANUFACTURING | Mean | 0.1645 | 2.8460 | 25.8700 | 0.3790 |
| Minimum | -0.0804 | 0.7600 | 11.0000 | 0.0000 |
| Maximum | 0.7148 | 9.3400 | 45.0000 | 0.8100 |
| BANKING | Mean | 0.1762 | 6.1612 | 9.4700 | 0.1188 |
| Minimum | 0.0278 | 2.4500 | 1.0000 | 0.0000 |
| Maximum | 0.3384 | 17.1000 | 36.0000 | 1.0000 |
| FOOD AND HEALTH | Mean | 0.2877 | 1.1992 | 24.4200 | 0.3346 |
| Minimum | 0.0216 | 0.3900 | 1.0000 | 0.0000 |
| Maximum | 0.5954 | 2.3800 | 41.0000 | 0.7200 |
| BUILDING CONSTRUCTION | Mean | 0.3518 | 1.0850 | 19.8000 | 0.3060 |
| Minimum | -0.4192 | -3.1700 | 10.0000 | 0.0000 |
| Maximum | 1.1027 | 5.7200 | 32.0000 | 0.6000 |
| SERVICE | Mean | 0.2139 | 0.5950 | 15.6700 | 0.1325 |
| Minimum | -0.0184 | -4.3500 | 1.0000 | 0.0000 |
| Maximum | 0.5010 | 2.6100 | 34.0000 | 0.4000 |
| CONGLOMERATE | Mean | 0.1436 | 1.8814 | 31.2900 | 0.4650 |
| Minimum | -0.5363 | 0.5500 | 28.0000 | 0.20000 |
| Maximum | 1.0752 | 3.7100 | 35.0000 | 0.6100 |
| PETROLEUM MARKETING | Mean | 0.5502 | 5.6000 | 21.2900 | 0.5357 |
| Minimum | 0.1683 | 1.9700 | 8.0000 | 0.2500 |
| Maximum | 0.9928 | 10.8600 | 28.0000 | 0.7400 |
| INSURANCE AND MORTGAGE | Mean | 0.1403 | 2.9217 | 13.8300 | 0.0675 |
| Minimum | 0.0368 | 0.2800 | 2.0000 | 0.0000 |
| Maximum | 0.3191 | 23.7900 | 28.0000 | 0.5100 |
| TOTAL | Mean | 0.2072 | 2.9380 | 19.2700 | 0.2789 |
|  | Minimum | -2.1204 | -4.3500 | 1.0000 | 0.0000 |
|  | Maximum | 1.1027 | 23.7900 | 45.0000 | 1.0000 |

**Source: Field Study (2009)**

**4.1.2.3 Leverage**

**Figure 4.03: Box Plot of Leverage Ratio by Sector**

****

**Source: Field Study (2009)**

Generally leverage represented by total liability to equity, ranges from -4.35 to 23.79, with a mean of 2.9380 (Table 4.07). The financial sector leverage ranges between 0.28 and 23.79, while the non-financial sector is between -4.35 and 10.86. The financial sector records a higher leverage than the non-financial sector due to the nature of their business, particularly; Company 73 (Union Homes Savings and Homes) appear as an outlier (Figure 4.03). Due to its mortgage business, it records a huge liability of about N59 billion which results in a very high leverage of 23.79. For the non-financial companies, petroleum marketing companies appear to have the highest mean of 5.6000 (Table 4.08). The outliers recorded for the non-financial sector are Company 82 (Eterna Oil and Gas Plc.); Company 79 (African Petroleum Plc), and Company 56 (Aluminium Extrusion Industries Plc.), with leverage of 10.86, 10.49 and 9.34 respectively.

**4.1.2.4 Company Listing Age**

**Figure 4.04: Box Plot of Company Listing Age by Sector**



**Source: Field Study (2009)**

Company Age is measured by the listing age of the companies at the Nigerian Stock Exchange to December 2006. It ranges from 1 to 45, with a mean of 23.13 for the non-financial sector, and a mean of 11.28 for the financial sector (Table 4.07). By industry analysis, it is observed that the conglomerate emerges with the highest mean of 31.29 years. Taking a critical look at the box-plot in Figure 4.04, it is observed that none of the companies appeared as outlier. The origin of the Nigerian Stock Exchange is dated back to 1960 when it was incorporated as the Lagos Stock Exchange. Trading on the Lagos Stock Exchange during the early years was generally poor due to the low rate of capital formation, poor communication and lack of responsiveness to the mechanics of the Stock Exchange dealings. In 1977, after the indigenization decree, it picked up and the Stock Exchange was renamed Nigerian Stock Exchange (NSE). Since then the stock market has been vibrant and as at December 2006, 202 companies were listed on the NSE first and second tier markets.

**4.1.2.5 Multinationality**

Multinationality is represented by the percentage of foreign investors holding above 5% of the shareholdings in the company to the total number of shareholders. Of the ninety sampled companies, 48 companies have foreign investors holding above 5% of the shareholdings. The analysis of the percentage of internationality per sector and industry is shown in Table 4.07 and 4.08 respectively. The mean of the multinationality for the financial sector (9.8%) is quite lower than the non financial sector (36.96%). The presence or non-presence of the multinational parent can be linked to the Nigerian Enterprises Promotion Decree ( Indigenization Decree) of 1972 that forbids 100% foreign ownership of Nigerian companies. It is propagated with the objective of craving a greater participation of Nigerians in the ownership, management and control of productive enterprises in Nigeria. Thereafter there have been various reforms that liberalise the ownership of shares by foreigners. That not withstanding, the financial sector has the least international ownership but the petroleum sector and conglomerate are observed to have a greater foreign ownership.

**4.1.2.6 Auditor**

**Table 4.09: Type of Auditor by Sector Crosstabulation**

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**Source: Field Study (2009)**

**Table 4.10: Type of Auditor by Industry**

****

**Source: Field Study (2009)**

Tables 4.09 and 4.10 show the analysis of type of auditor by sector and industry respectively. Of the 90 sample companies, 66 (73.3%) are audited by the Big 4 audit firms with international affliation and 24 (26.7%) are audited by other firms. Of the 66 audited by the Big 4, 36 (54%) were audited by Akintola Williams Delloite, Ernst and Young (8%), KPMG 6(9%), and PricewaterhouseCoopers 19 (29%). Analysis by sector reveals that 21 out of the 29 financial companies are audited by the Big 4 and 45 out of 61 non-financial companies are also audited by the Big 4. With respect to industry, as illustrated in Table 4.10, all the 17 companies in the banking sector and the 7 companies in the petroleum companies are being audited by the Big 4. This reveals the Big 4 audit firms are appointed auditors of listed companies in Nigeria, especially Akintola Williams Delloite with the biggest market share of 54%. The big share is attributable to the merger of the Africa’s foremost accounting firm, Akintola Williams with KPMG Nigeria in 2003, for better and enhanced efficiency. This merger has led to the enlargement of the firm and their clientele.

**4.1.2.7 Type of Industry**

The sampled companies are classified into nine industries by the researcher. They are agriculture, manufacturing (Automobile and Tyre, Industrial, Packaging, Textile), Banking (local and foreign) and Service (maritime, aviation, commercial, computer, hotel), Food/Health (Breweries, Food and Beverages, Health care), Building (Building materials, Chemical and Paints, Real Estate), Conglomerate, Petroleum marketing, and Insurance/Mortgage (Insurance and Mortgage). These nine industries are further classified as financial and non-financial sectors. The distribution of the sampled industries per sector is as shown in Figure 4.11 below. Of the 90 sampled companies, 29 are financial companies while 61 are non-financial companies. This reflects the ratio of the financial companies to non-financial companies at the Nigerian Stock Exchange in 2006.

**Table 4.11: Industries by Sector Cross-tabulation**

****

**Source: Field Study (2009)**

**4.1.3 Normality Tests**

The data was examined for normality. Appendix VI reveals the non-linearity of the dependent and independent data. The Kolmogorov-Smirnov tests are shown in Table 4.12 below.

**Table 4.12: Tests of Normality**

****

**Source: Field Study (2009)**

It can be seen from above, that the test is significant for all the continuous independent and dependent variables except for the factored size variable, with p > 0.05. According to Field (2006:93), a Kolmogorov-Smirnov test with p > .05 tells us that distribution of the sample is not significantly different from a normal distribution, but if however, the result is opposite i. e. p < .05, that means the distribution is non-normal. A pictorially view of the normal Q-Q plot of these variables can be seen in Appendix VI. This result reveals that majority of the variables do not comply with the normality assumption, therefore, a rank transformation ordinary least square method is used to analyze the secondary data. This is employed in testing all the hypotheses

**4.2 Analysis of Annual Reports - Advance**

**4.2.1 Factor Analysis**

Factor analysis is used to obtain a composite score to represent the size variable.

**Table 4.13: Correlation Matrix of the Size Variables** **Source: Field Study (2009)**

Table 4.13 shows the R-Matrix (Correlation Matrix), with the top half containing the Pearson correlation coefficient between all pairs of variables and the bottom half containing one-tail significance of these coefficients. Checking the pattern of relationships, it is observed that the variables correlate fairly well (between 0.327 and 0.848), but not perfectly. There is no correlation coefficient particularly large (greater than 0.9) and there is no significant value greater than 0.05. Hence there is no problem of singularity of data. To ensure multicollinearity will not pose a problem, the determinant of the correlation matrix is checked. It is seen to be 0.0391, which is greater than the necessary value 0.00001 (Field, 2006:641), this gives the confidence needed to proceed with the factor analysis.

The Kaiser-Meyer-Olkin (KMO) and Bartlett’s tests are shown in Table 4.14 below. The KMO statistics vary from 0 to 1 and it is normally used in testing the adequacy of the samples. The rule of the thumb is that the KMO must be greater than 0.5 to be adequate. From the table it can be seen that the KMO is 0.804 which shows that the sample is adequate and factor analysis is appropriate for

**Table 4.14: KMO and Bartlett’s Test for the Size Variables**

****

**Source: Field Study (2009)**

the data. To proceed on the factor analysis we need to check further if there are relationships between the variables and the original correlation matrix is not an identity matrix. Barlett’s test of sphericity is used to conduct this test. On checking the result in Table 4.14, it is seen that the Bartlett’s test is highly significant (.000) with p< .001. This shows that the R-Matrix is not an identity matrix and factor analysis is appropriate.

**Factor Extraction**

The linear component within the data set (eigenvectors) can be determined by calculating the eigenvalues of the R-matrix. The importance of each component is relative to the magnitude of the associated eigenvalue. Eigenvalues associated with each component represent the variance explained by that particular linear component. Kaiser’s criterion states that only factors with eigenvalues greater than 1 should be retained (Field, 2006: 652). Table 4.15 lists the eigenvalues associated with each component before and after extraction. Before extraction, 5 components were indentified which are equivalent to the number of variables, but only the first component

**Table 4.15: Factor Extraction**

**Source: Field Study (2009)**

**Figure 4.05: Scree plot of the Eigenvalues**

****

**Source: Field Study (2009)**

has an eigenvalue above 1 (3.393) and it explains 67.853 of the total variance. The subsequent components have eigenvalues less than 1 and explains only small amount of variance. Second component 0.798 (15.967% of total variance), third component 0.398 ( 7.963% of total variance), fourth component 0.282 (5.646% of total variance), and fifth component 0.128 (2.569% of total variance). The Scree Plot of the eigenvalues for all the components before extraction is as shown in Figure 4.05. After extraction only one factor is retained, it explains 67.853% of the total variance.

The extraction column in Table 4.16 reflects the common variance per variable. It shows the amount of variance in each variable that can be explained by the retained factor (Field 2006: 654). The result reveals total asset to be 75.2%, turnover 38.9%, shareholders fund 86%, number of shareholders 75.6% and number of employees 63.5%.

**Table 4.16: Communalities**

****

**Source: Field Study (2009)**

The component matrix is displayed on Table 4.17. It contains the loading of each variable into component 1. Due to the fact that only one component was extracted, the solution cannot be rotated and therefore there is no rotated component matrix.

**Table 4.17: Component Matrix**

****

**Source: Field Study (2009)**

The component matrix reflecting the factor scores is as shown in Table 4.18 below. The factor scores coefficients are used as weights in the size equation.

**Table 4.18: Component Score**

**Component Score Coefficient Matrix**

.256

.184

.273

.256

.235

Asset

Turnover

Shareholder's fund

Number of shareholders

Number of employees

1

Compone

nt

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

**Source: Field Study (2009)**

The factor size equation can be represented as follows:

Factor Size = β1 Total Assets + β2 Turnover + β3Shareholder’s Fund + β4Number of Share holders + β5Number of Employees.

From Table 4.17, β1 = 0.256, β2 = 0.184, β3 = 0.273, β4 = 0.256, β5= 0.235. Replacing the β in the equation by these factor score coefficients, we have:

Factor Size = 0.256Total Assets + 0.184Turnover + 0.273Shareholder’s Fund + 0.256Number of Share holders + 0.235Number of Employees.

This composite size variable is used in the regression equations (1) to (8) .

**4.2.2 Bivariate Relationships among the Continuous Independent Variables**

Correlation analysis is used to explore the bivariate relationships among the size variables. Before conducting the correlation analysis, a preliminary glance of the general trend is necessary. This can be achieved with the aid of a scatterplot. The matrix scatterplot of the continuous independent variables are as shown in Figure 4.06 below. The 20 scatterplots in Figure 4.06 represent the various combinations of each variable plotted against each other variable. That is (i) size plotted against profitability, leverage and listing age and multinationality; (ii) profitability plotted against size, leverage and listing age and multinationality; (iii) leverage plotted against size, profitability and listing age and multinationality; (iv) listing age plotted against size, profitability, leverage and multinationality; and (v) multinationality plotted against size, profitability, leverage and listing age. The outliers observed on the scatter plots seem to be quite alarming. In order to test if multicollinearity could cause estimation problem, a new correlation matrix was constructed to explore the bivariate relationships among the continuous independent variables. Table 4.19 provides a matrix of the correlation coefficients for the five continuous independent variables. Underneath each correlation coefficients are the significant values and the number of valid cases. The correlation matrix as indicated in Table 4.19 shows that the highest correlation was between company size factor variable and leverage (r = .492 at p< .001), where r is less than 0.5. Other variables showed low correlation (between -0.004 and 0.324) which reveals that

**Figure 4.06: Scatterplot of the Continuous Independent Variables**

****

**Source: Field Study (2009)**

**Table 4.19: Pearson Correlation Coefficient of the Continuous Independent Variables**

**Correlations**

1.000

-.004

.492

\*\*

.015

-.233

.

.971

.000

.900

.050

73

73

73

72

71

-.004

1.000

.198

.036

.088

.971

.

.062

.739

.418

73

90

90

89

87

.492

\*\*

.198

1.000

-.181

-.063

.000

.062

.

.089

.560

73

90

90

89

87

.015

.036

-.181

1.000

.324

\*\*

.900

.739

.089

.

.002

72

89

89

89

86

-.233

.088

-.063

.324

\*\*

1.000

.050

.418

.560

.002

.

71

87

87

86

87

Pearson Correlation

Sig. (2-tailed)

N

Pearson Correlation

Sig. (2-tailed)

N

Pearson Correlation

Sig. (2-tailed)

N

Pearson Correlation

Sig. (2-tailed)

N

Pearson Correlation

Sig. (2-tailed)

N

Factor variable for size

Profitability

Leverage

Listing age

Multinational Parent

Factor

variable

for size

Profitability

Leverage

Listing age

Multinatio

nality

Correlation is significant at the 0.01 level (2-tailed).

\*\*.

**Source: Field Study (2009)**

multicollinearity might not necessarily pose a challenge. Using the log of total assets as the size variable, it is observed that the highest correlation is also between log of total assets and leverage (r = .451 at p< .001). This confirms that multicollinearity may not cause a major problem in the regression analysis. To take care of any estimation problem, the continuous independent variables are ranked. The next section shows the result of the correlation for the unranked and ranked data. It has been observed in previous research that they both yield similar results (Ali et al, 2004:151).

**4.2.3 Regression Analysis Results**

**4.2.3.1 Regression Result (Model 1) using Unranked OLS**

Equations A1, A2 A3 A4 of Table 4.20 report the result of the first four OLS regression equations using unranked OLS. The four models have common independent variables. These are: factor variable for size, profitability, leverage, company listing age, sector, auditor type, and multinationality. The dependent variable differs for each model. Equation A1 employs Overall Disclosure Index (ODI) as its dependent variable, EquationA2 utilizes SAS disclosure index (DISAS), EquationA3 uses IFRS disclosure index (DIFRS) while EquationA4 make use of Voluntary disclosure index (DIVol). The collinearity diagnosis for the four models reveals a VIF well below 2 for each variable: size 1.999, profitability 1.234, leverage 1.404, listing age 1.501, multinationality 1.459, sector 2.236 and auditor type 1.217. Tolerance for all the variables was all above the benchmark of 0.2: size 0.500, profitability 0.811, leverage 0.712, listing age 0.666, multinationality 0.685, sector 0.447 and auditor type 0.822. These results signify that there is no threat of multicollinerity, Durbin-Watson is 2.015, 2.299, 2.055 and 1.644 for each of the Equations A1, A2 A3 A4 respectively, this figure is about 2, there appears to be no threat of independent errors for any of the equations. The correlation coefficients and plots of residual do not suggest a departure from normality.

For the first equation A1, ODI is used as the dependent variable. The F-statistics (10.120) indicates that the model employed to explain the variations in mandatory and voluntary disclosures in company annual reports is adequate and significant at p < 0.001. This reveals that the model is capable of explaining variability in disclosing information in the sampled annual reports. The t-statistics is positive for size, auditor type and multinationality and negative for profitability, leverage, listing age and sector. Company size seems significant at 1% level but with a coefficient of zero which implies that its contribution is nil. The finding suggests that the level of overall compliance increases positively and significantly with both auditor type (p < 0.01) and multinationality ( p < 0.05), with contributory coefficients of 0.091 and 0.082 respectively. Profitability, leverage, listing age and sector are not significant explanatory variables.

**Table 4.20: Regression Result (Model 1) using Unranked OLS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Independent**  **Variables** | **Coefficients and t-statistics** | | | | | | | | | | | |
| **Equation A1** | | **Equation A2** | | | **Equation A3** | | **Equation A4** | | | | |
|  | Coeff. | t -statistics | Coeff. | t -statistics | | Coeff. | t -statistics | | Coeff. | | t -statistics | |
| Size (Factor)  Profitability  Leverage  Age  Multinational  Sector  Auditor  Constant | 0.000\*\*\*  -0.020  -0.002  -0.000  0.082\*\*  -0.013  0.091\*\*\*  0.545\*\*\* | (3.712)  (0.626)  (1.148)  (0.125)  (2.675)  (0.589)  (4.911)  (15.85) | 0.000  -0.017  0.003\*\*  0.000  0.007\*\*\*  -0.015  0.064\*\*\*  0.842\*\*\* | | (0.746)  (0.899)  (2.414)  (0.102)  (3.657)  (1.122)  (5.565)  (40.06) | 0.000\*\*\*  -0.023  0.002  -0.003\*\*  0.052  0.013  0.150\*\*\*  0.451\*\*\* | (3.318)  (0.489)  (0.468)  (2.495)  (1.107)  (0.371)  (5.312)  (8.676) | | | 0.000\*\*  -0.018  -0.012\*\*  0.002  0.019\*  -0.037  0.061  0.342\*\*\* | | (2.591)  (0.269)  (2.574)  (1.525)  (1.884)  (0.752)  (1.510)  (4.554) |
| **Number of cases** | **70** |  | **70** | |  | **70** |  | | | **70** | |  |
| **R2** | **0.533** |  | **0.528** | |  | **0.529** |  | | | **0.311** | |  |
| **Adjusted R2** | **0.481** |  | **0.475** | |  | **0.476** |  | | | **0.234** | |  |
| **F- Statistics** | **10.120** |  | **9.924** | |  | **9.959** |  | | | **4.007** | |  |
| **Prob. (F)** | **0.000\*\*\*** |  | **0.000\*\*\*** | |  | **0.000\*\*\*** |  | | | **0.001\*\*\*** | |  |

Note: t-statistics are in the parentheses

\* \*\* significant at the 1% level

\*\* significant at the 5% level

\* significant at the 10% level

**Source: Field Study (2009)**

The result of the SAS disclosure index model, Equation A2 is presented in the second column of Table 4.20. The overall model is significant with F- Statistics is equal to 9.924, and p less than 0.001. This reveals that the model is capable of explaining variability in disclosing information in the sampled annual reports. The t-statistics is positive for most of the independent variables with the exception of profitability and sector. The result reveals that the level of SAS mandatory disclosure varies positively and significantly with auditor type (p < 0.01) indicating that Big audit firms in Nigeria are very conversant with the mandatory disclosures, which has aided the disclosures of the companies they audit. This result is consistent with (Ali et al, 2004:196), for the mandatory disclosures of three South Asian countries, and inconsistent with Owusu-Ansah (2002:626) for the mandatory disclosures of Zimbabwe. multinationality and leverage is also statistically significant at p < 0.01 and p < 0.05 respectively. Other variables were not significant explanatory variables.

The third equation, A3, uses IFRS disclosure index as its dependent variable. The result reveals a F statistics of 9.959 which indicates that the model employed to explain the variations in IFRS disclosures in company annual reports. The t-statistics of Equation A3 shows negative signs for profitability and listing age while the others have positive signs. The result reveals that the level of IFRS disclosure varies positively and significantly with auditor type at p < 0.01, this agrees with Equations A1 and A2. The result finds company size to be also significant, at 1% level, but with a coefficient of 0.000. In addition to these two significant variables, it is found that company listing age is also significant but at p < 0.05. Profitability, leverage and multinational parent have no impact on the IFRS disclosures.

Equation A4 in Table 4.20 presents the result of the OLS using voluntary disclosure index as dependent variable. The result shows that the model has a lower significance than the previous three models with p = 0.001 and F at 4.007. The F-statistics value is lower than those of equations A1 A2 A3, which indicates a lower model adequacy. The t-statistics signs show negative signs for profitability, leverage and sector while the others have positive signs. The result reveals that voluntary disclosure associates significantly and negatively with Leverage (p < 0.05). Multinationality has a lower positive significance at a 10% level. Company size seems significant but with a zero coefficient which indicates a nil contribution. Non significant variables are profitability, leverage, listing age, auditor type and sector.

**4.2.3.2 Regression Result (Model 2) using Ranked OLS**

Model 1 above using ranked regression is re-estimated. The result of the ranked regression model is obtained in Table 4.21, equations A5 (dependent variable is rank of ODI)A6, (dependent variable is rank of DISAS)A7 (dependent variable is rank of DIFRS), and A 8(dependent variable is rank of DIVol). The conventional diagnostic tests for each independent variable reveals VIFs as follows: rank of size 1.665, rank of profitability 1.286, rank of leverage 1.262, rank of age 1.338, sector 2.118, auditor type 1.380 and rank of multinational parent 1.628. The VIF is below 2 for all the variables. Tolerance for each independent variable is between 0.601 and 0.792, which are all above 0.2. The VIF and tolerance diagnosis signify that there is no threat of multicollinerity. Durbin-Watson for Equation A5 is 1.743, for Equation A6 is 2.368, for Equation A7, is 1.992, and for Equation A8 is 1.601.The Durbin-Watson and other diagonistic tests such as plots of residual do not suggest a departure from normality.

For Equation A5, the overall model is significant with F- Statistics = 11.973 and p < 0.001. The F- Statistics value is higher and better than its unranked counterpart in Model 1, equation A1 (F statistics =10.120). This reveals that the model is capable of explaining variability in disclosing information in the sampled annual reports.

The t-statistics is positive for size, profitability, listing age, auditor type and multinationality and negative for leverage and sector. The overall compliance level is found to relate significantly positively with company size (p < 0.01), and auditor type (p < 0.01). This result is very consistent with those reported in model A1 in Alternate 1 above. The other five variables, profitability, leverage, listing age, sector and multinationality are not statistically significant.

**Table 4.21: Regression Result (Model 2) using Ranked OLS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Independent**  **Variables** | **Coefficients and t-statistics** | | | | | | | |
| **Equation A5** | | **Equation A6** | | **Equation A7** | | **Equation A8** | |
|  | Coeff. | t- statistics | Coeff. | t -statistics | Coeff. | t -statistics | Coeff. | t -statistics |
| Size (Factor)  Profitability  Leverage  Age  Multinational  Sector  Auditor  Constant | 0.584\*\*\*  0.023  -0.098  0.082  0.099  -0.391  23.438\*\*\*  6.643 | (4.787)  (0.296)  (1.127)  (0.914)  (0.924)  (0.064)  (4.223)  (0.595) | 0.236\*  -0.073  0.201\*\*  0.093  0.277\*\*  -6.192  25.9\*\*\*  7.287 | (1.712)  (0.708)  (2.036)  (0.922)  (2.284)  (0.890)  (4.126)  (0.576) | 0.646\*\*\*  -0.052  0.119  -0.103  -0.047  6.289  20.599\*\*\* 3.055 | (5.583)  (0.599)  (1.438)  (1.211)  (0.466)  (1.078)  (3.912)  (0.288) | 0.278\*  0.104  -0.305\*\*  0.255\*\*  0.222  -11.097  15.009\* 34.3\*\* | (1.684)  (0.841)  (2.573)  (2.106)  (1.526)  (1.332)  (1.995)  (2.266) |
| **Number of cases** | **70** |  | **70** |  | **70** |  | **70** |  |
| **R2** | **0.575** |  | **0.508** |  | **0.619** |  | **0.310** |  |
| **Adjusted R2** | **0.527** |  | **0.452** |  | **0.576** |  | **0.232** |  |
| **F- Statistics** | **11.973** |  | **9.147** |  | **14.408** |  | **3.972** |  |
| **Prob. (F)** | **0.000\*\*\*** |  | **0.000\*\*\*** |  | **0.000\*\*\*** |  | **0.001\*\*\*** |  |

Note: t-statistics are in the parentheses

\* \*\* significant at the 1% level

\*\* significant at the 5% level

\* significant at the 10% level

**Source: Field Study (2009)**

The result of the second equation, Equation A6 is presented in Table 4.21 above. The ANOVA result for the model shows that the model is significant with p < 0.001 (F = 9.147). This reveals that the model is adequate in explaining variability in disclosing SAS information in the sampled annual reports. The t-statistics reveals a positive sign for most of the independent variables with the exception of profitability and sector. This result agrees with its unranked counterpart of equation A2 in Model 1. The result also reveals that the level of SAS mandatory disclosure varies positively and significantly with auditor type, multinationality and leverage, a result consistent with Equation A2.  The area of departure is that in addition, Equation A6 has size ( p < 0.10) as a significant variable. In Equation A6, profitability, listing age and sector are not significant explanatory variables.

Equation, A7, uses the ranked IFRS disclosure index as its independent variable (Table 4.21). The F-statistic indicates that the model employed to explain the variations in IFRS disclosure in annual report of Nigerian companies is significant at p < 0.001. The t statistics portrays positive relationships for all the independent variables except for profitability. The results also show that size and auditor type are significant at 1% level in explaining IFRS disclosures. This means companies that are larger in size and companies audited by the Big four audit firms are likely to disclose more information. Other variables were not found to be as significant a predictor of compliance with IFRS disclosure as expected.

Equation A8 in Table 4.21 presents the result of the OLS using ranked voluntary disclosure index as dependent variable. The result shows that the equation has a lower significance than the previous three equations with p = 0.001 and F-statistics at 3.972. The coefficient of determination R2 showed a low fit of 0.310 and with an adjusted R2 of 0.232. The t-statistics of leverage and sector indicates a negative effect, while the other variables are positive. The results show that some variables are significant in explaining voluntary disclosures; these are size, leverage, listing age and auditor type at p < 0.05 and p < 0.10. Variables such as profitability, sector and multinationality have no impact on voluntary disclosures.

**4.2.3.3 Regression Result (Model 3) using Unranked OLS with Log Transformation of Total Assets**

Regression analyses of Model1 are re-run using log transformation of total assets as proxy for the company size. The results are documented in Table 4.22. Equations A9, A10 A11 A12 used ODI, SAS, IFRS and Voluntary indices as dependent variables respectively. The four models use the same independent variables which are company size (log transformation of total assets), profitability, leverage, listing age, sector, auditor type, and multinationality. The total number of valid cases improve from 70 (Model 1 & 2) to 86. The potential effect of collinearity on the regression was assessed using the tolerance level and VIF. Since tolerance level is above 0.2 (0.547, 0.915, 0.774, 0.737, 0.735, 0.454, 0.826) and VIF do not exceed 10 (1.830, 1.093, 1.293, 1.357, 1.361, 2.204, 1.210) it is concluded that collinearity is not a challenge. The normal P-P plots of regression standardized residual showed the distribution was approximately normal. The Durbin-Watson is recorded to be 1.882, 2.058, 1.728 and 1.630 for each of the Equations A9 A10 A11 A12 respectively. This figure shows there is no threat of independent errors for any of the models. Thus the diagnostic tests suggest the results are robust.

Equation A9, in Table 4.22 shows the regression result using the ODI as dependent variable. The F statistic indicates an overall fit with a value equal to 17.894, significant at p < 0.001. The F statistics indicates that the model employed to explain the variations in mandatory and voluntary disclosure in company annual reports is significant. The t-statistics shows a positive co-efficient for six out of the seven variables, only leverage is negative. The log of total assets, as the measure of size, is positively significant with a t value of 6.449 (p < 0.01). In the same vein, auditor type also shows a significant (p < 0.01) and positive relationship with overall disclosure index. However, all the other variables are statistically insignificant.

**Table 4.22: Regression Result ( Model 3) using OLS with Log Transformation of Total Assets**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Independent**  **Variables** | **Coefficients and t-statistics** | | | | | | | | |
| **Equation A9** | | **Equation A10** | | **Equation A11** | | **Equation A12** | | |
|  | Coeff. | t -statistics | Coeff. | t -statistics | Coeff. | t -statistics | Coeff. | t -statistics | |
| Size (LTA)  Profitability  Leverage  Age  Multinational  Sector  Auditor  Constant | 0.060\*\*\*  0.004  -0.000  0.000  0.025  0.014  0.076\*\*\*0.090 | (6.449)  (0.197)  (0.294)  (0.790)  (0.962)  (0.712)  (4.673)  (1.137) | 0.015\*\*  0.004  0.003\*  0.000  0.031\*  -0.005  0.06\*\*\*0.73\*\*\* | (2.219)  (0.280)  (1.905)  (0.595)  (1.669)  (0.376)  (5.043)  (12.80) | 0.095\*\*\*  0.012  0.003  -0.002\*\*  -0.015  0.058\*  0.098\*\*\*  -0.249\*\* | (6.596)  (0.409)  (0.984)  (2.038)  (0.367)  (1.888)  (3.896)  (2.026) | 0.070\*\*\*  -0.004  -0.007  0.003\*\*  0.058  -0.011  0.071\*  -0.208 | | (3.321)  (0.108)  (1.666)  (2.255)  (1.000)  (0.233)  (1.927)  (1.156) |
| **Number of cases** | **86** |  | **86** |  | **86** |  | **86** | |  |
| **R2** | **0.616** |  | **0.481** |  | **0.608** |  | **0.313** | |  |
| **Adjusted R2** | **0.582** |  | **0.434** |  | **0.573** |  | **0.252** | |  |
| **F- Statistics** | **17.894** |  | **10.327** |  | **17.283** |  | **5.087** | |  |
| **Prob. (F)** | **0.000\*\*\*** |  | **0.000\*\*\*** |  | **0.000\*\*\*** |  | **0.000\*\*\*** | |  |

Note: t-statistics are in the parentheses

\* \*\* significant at the 1% level

\*\* significant at the 5% level

\* significant at the 10% level

**Source: Field Study (2009)**

As shown in Table 4.22, equation A10 reported the F value of 10.327 (significant at the .001 level) for the level of SAS disclosure. The t-statistics is positive for most of the independent variables with the exception of sector. The result reveals that the level of SAS mandatory disclosure varies positively and significantly with auditor type (p < 0.01) this is in line with the discoveries of Equation A2 in Model 1 and equation A6 in Model 2, supporting the fact that the Big 4 audit firms in Nigeria are very conversant with the mandatory disclosures a fact which has aided the disclosures of the companies they audit. Size is seen to be significant at 5% level, while multinationality and leverage are significant at 10% level. All the other independent variables (profitability, listing age and sector) are not significant explanatory variables.

Equation A11 (Table 4.22), reports on the OLS regression using IFRS disclosure index as dependent variable. The overall model is significant with F equal to 17.283 with p less than 0.001.The t-statistics are positive for size, leverage, profitability, auditor type and sector. Negative signs appear for listing age and multinationality. The result reveals that the level of IFRS disclosure varies positively and significantly with company size and auditor type at p < 0.01, this agrees with most of the previous models. There is slight association between SAS disclosures and listing age (p < 0.05) and sector (p < 0.10). There is no significant association between DIFRS and other variables ( profitability, leverage and multinationality).

Equation A12 in Table 4.22 presents the result of the OLS using voluntary disclosure index as dependent variable. The F-statistic indicates that the model employs to explain the variations in voluntary disclosures in company annual reports is significant at p < 0.001 ( F = 5.087), although the result shows that the equation has a lower overall fit than the previous equations, A9, A10 and A11. The t-statistics is positive for size, listing age auditor type and multinationality but shows negative signs for the remaining variables. Company size associates significantly with voluntary disclosures at p < 0.01, listing age at p < 0.05 and type of auditor at p < 0.10. The other variables (profitability, leverage, sector and multinationality) are not sufficient explanatory variables.

**4.2.3.4 Regression Result (Model 4) using Ranked OLS with Log Transformation of Total Assets**

**Table 4.23: Regression Result ( Model 4) using Ranked OLS with Log Transformation of Total Assets**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Independent**  **Variables** | **Coefficients and t-statistics** | | | | | | | |
| **Equation A13** | | **Equation A14** | | **Equation A15** | | **Equation A16** | |
|  | Coeff. | t -statistics | Coeff. | t -statistics | Coeff. | t -statistics | Coeff. | t -statistics |
| Size (LTA)  Profitability  Leverage  Age  Multinational  Sector  Auditor  Constant | 0.610\*\*\*  0.104  -0.043  0.043  0.035  4.719  20.990\*\*\*-11.711 | (6.922)  (1.403)  (0.535)  (0.541)  (0.390)  (0.882)  (4.495)  (1.155) | 0.302\*\*\*  0.069  0.205\*\*  0.140  0.155  -2.836  20.25\*\*\*  -4.501 | (3.052)  (0.825)  (2.279)  (1.550)  (1.533)  (0.472)  (3.859)  (0.395) | 0.630\*\*\*  0.073  0.137\*  -0.081  -0.148  10.990\*\*  15.316\*\*\*-11.798 | (7.232)  (1.001)  (1.729)  (1.023)  (1.664)  (2.076)  (3.316)  (1.176) | 0.363\*\*\*  0.073  -0.209\*  0.195  0.169  -3.539  14.627\*\*13.735 | (2.993)  (0.719)  (1.898)  (1.765)  (1.365)  (0.480)  (2.276)  (0.984) |
| **Number of cases** | **86** |  | **86** |  | **86** |  | **86** |  |
| **R2** | **0.620** |  | **0.514** |  | **0.623** |  | **0.299** |  |
| **Adjusted R2** | **0.585** |  | **0.470** |  | **0.590** |  | **0.236** |  |
| **F- Statistics** | **18.144** |  | **11.763** |  | **18.440** |  | **4.753** |  |
| **Prob. (F)** | **0.000\*\*\*** |  | **0.000\*\*\*** |  | **0.000\*\*\*** |  | **0.000\*\*\*** |  |

Note: t-statistics are in the parentheses

\* \*\* significant at the 1% level

\*\* significant at the 5% level

\* significant at the 10% level

**Source: Field Study (2009)**

The OLS regression analysis of Model 3 is re-estimated using ranked regression. Table 4.23 contains the four equations analysed in Model 4. The ranked regression model entailed the ranking of all the continuous variables in the model. The four models have common independent variables, these are: rank of log of total assets, rank of profitability, rank of leverage, rank of company listing age, rank of multinationality, sector and auditor type. The dependent variable are rank of ODI for equation A13, rank of DISAS for equation A14, rank of DIFRS for equation A15 and rank of DIVol for equation A16. The correlation matrix was reviewed and VIF was assessed to see if there could be any multicollinearity challenge. VIF for each of the independent variables is seen to be satisfactorily below 10, they are: size 1.629, profitability 1.127, leverage 1.333, listing age 1.336, sector 2.002, auditor type 1.259 and multinational parent 1.453. The tolerance for each independent variable is also satisfactorily above 0.2, they are: size 0.614, profitability 0.887, leverage 0.750, listing age 0.748, sector 0.499, auditor type 0.794 and multinational parent 0.688. Durbin-Watson results for the equations are between 1.562 and 2.155. This does not pose a threat of independent errors since it is a figure not far from 2.

For Equation A13 (Table 4.23), the F-statistics is 18.144 at p < 0.001, indicating the model as a whole is well specified. This suggests the overall model possesses reasonably strong explanatory power compared with previous results in Models 1, 2 and 3 with values of 10.120, 11.973 and17.894 respectively. The t-statistics is positive for size, profitability, auditor type, sector, listing age and multinationality and negative for leverage. Company size and auditor type were the only two variables that are significant at p < 0.01. This is consistent with the previous analysis in models A1, B1 and C1 relating to overall compliance level (ODI). It is obvious that these are the two principal variables that relates to the level of overall compliance. The other five variables, profitability, leverage, listing age, sector and multinationality are not statistically related.

Equation A14 in Table 4.23 summarises the regression result using the rank of DISAS as the dependent variable. The F-value is 11.763 at a significance of p < 0.001. This shows that the overall model is well fit. The t-statistics is positive for all the independent variables with the exception of sector. Out of the seven corporate attribute variables, only auditor type and company size were significant at 1%. Leverage is significant at 5% with a t value of 2.279. Four of the variables profitability, listing age, sector and multinationality were not significant.

Using the ranked IFRS disclosure index as dependent variable, Equation A15 is summarized in Table 4.23. The ANOVA presents the F-Statistics as 18.440 which indicates that the model is fitted at a significant at p < 0.001. All the control variables show positive t value except for multinationality and listing age. The remaining five variables are found to have negative effect on the disclosure practices of the sample companies. Both company size and auditor type are found to be significant at 1%.

Equation A16 in Table 4.23 presents the result of the OLS using ranked voluntary disclosure index as dependent variable. The result shows that the model has an F-Statistics of 4.753 which is significant at a 1 % level. The t-statistics reveals only leverage and sector have negative signs while the others are positive. Auditor and company size still emerge as positive significant variables. Leverage and age are also found to be significant at 10% level. The other control variables do not have explanatory powers.

**4.2.4. Robustness Checks**

In order to determine the most effective model, four alternate models are created. In each model, four different equations are analysed using common independent variables. The original dependent variable is the Overall Disclosure Index (ODI), this is split into its three constituent parts, DISAS, DIFRS and DIVOL. Each of these is used as a dependent variable. The result of the regression analyses were as explained for Models 1 to 4 above. It is observed that for the four models the collinearity diagnosis reveal a VIF well below 2, a tolerance above 0.2 and Durbin-Watson about 2. This shows there is no threat of multicollinearity or independent errors in any of the panels. Also, all correlation coefficients and plots of residual do not suggest a departure from normality. Moreover all the F- values are significant showing a p < 0.001, which shows that all the equations have a good overall fit.

The major difference is sighted in the F-Statisticswhich reveals the equation’s ability in explaining the variability in disclosing information in the cross sectional sampled annual reports. Since our original interest is in the overall disclosure, the robustness of the model was assessed using the F-Statistics. For Model 1, F-Statistics= 10.120, For Model 2, F-Statistics= 11.973, For Model 3, F-Statistics= 17.894, For Model 4, F-Statistics= 18.144. Comparing these models it is clear that there is a gradual improvement in each method but the best model is equation A13, where we have the highest explanatory power explaining the variability of the dependent variable. With this we decided to use equation A13 as our core model in testing our hypothesis.

The estimation result is summarized in Table 4.24 as shown below:

**Table 4.24**

**Estimated Result**

|  |  |
| --- | --- |
| **Dependent Variable** | **Independent Variables** |
| ODI | -11.711+ 0.610SIZE (LTA) + 0.104PRO – 0.043RLEV + 0.043RAGE + 4.719SEC + 20.990AUD+ 0.035RMULT |

**Source: Computed by Researcher (2009)**

**4.2.5 Voluntary Items Cluster Analysis**

According to Chavent et al. (2006:187), it is acknowledged that a major limitation of linear regression lies in the fact that it cannot explore the pattern (profile) of items. Since the voluntary items are discretionary and not mandatory, exploring the voluntary items disclosure patterns using cluster analysis is considered. This reflects the structure of the published information. A hierarchical classification is used instead of the Divisive method utilized by Chavent et al(2006:187) in exploring the patterns for each aspect of disclosure.

The result of the agglomerative hierarchical clustering method is as presented on Table 4.25 below.

**Table 4.25: Voluntary Disclosures Hierarchical Cluster Results**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Group 1  (%) | Group 2  (%) | Group 3  (%) | Group 4  (%) | Group 5  (%) | p value  ( X2) |
| Item 1 | 93.1 | 64.5 | 66.7 | 91.7 | 20 | .000 |
| Item 3 | 100 | 0 | 66.7 | 100 | 0 | .000 |
| Item 4 | 31 | 3.2 | 66.7 | 0 | 0 | .000 |
| Item 5 | 17.2 | 29.0 | 100 | 8.3 | 6.7 | .003 |
| Item 6 | 100 | 96.8 | 100 | 0 | 0 | .194 |
| Item 7 | 100 | 96.8 | 100 | 0 | 0 | .000 |
| Item 8 | 100 | 96.8 | 100 | 0 | 0 | .000 |
| Item 9 | 0 | 6.5 | 100 | 0 | 0 | .000 |
| Item 10 | 17.2 | 19.4 | 33.3 | 0 | 0 | .052 |
| Average | 55.85 | 43.3 | 63.34 | 20 | 2.67 |  |

**Source: Field Study (2009)**

Appendix VII displays the agglomeration Schedule of the Voluntary Items. In the first stage of the schedule the two companies with similar disclosures that group together as a single company are Company 77 and Company 89. At the middle of the schedule we have Company 8 and Company 18 combining together and towards the end of the schedule we have Company 4 and Company 12 coming together. At the end, all the companies have combined together to form a single company. The clusters identified in the dendrogram are classified into five groups: Group One, twenty nine companies; Group Two, thirty one companies; Group Three, three companies; Group Four, twelve companies; and Group Five, fifteen companies. All the companies in each group are as highlighted in Appendix VIII. A descriptive statistics showing the percentage of companies that fully disclose the voluntary items in each group is as presented in Table 4.25 above. Item 2 (Quantitative forecast of performance for the next year) is not highlighted because it is not disclosed by any of the sampled companies. Generally, items are disclosed by 0% to 100% of the companies. Regarding total full disclosure level, Table 4.24 shows that the companies in Group Three (Dunlop Nigeria Plc., First Bank of Nigeria Plc. Zenith Bank Plc.) disclose the highest quantity of voluntary information the average disclosure for this group is 63.34% this is followed by group 1 (55.85), group 2 (43.3%), group 4 (20%) and group 5 (2.67%). The result reveals that companies from different industries are represented in each group. It is considered that the various groups differ in disclosing voluntary items if the chi square result is significant at the 0.01 and 0.05 levels. From the Table it is realised that companies disclosure are not of the same extent for all items except item 6 with p-value of 0.194.

**4.2.6 Hypotheses Testing for Secondary Data**

Hypothesis 1

Ho: There is no significant difference in the level of compliance with SASs disclosure requirements for listed financial and non-financial companies.

H1: There is a significant difference in the level of compliance with SASs disclosure requirements for listed financial and non-financial companies.

**Descriptive Statistics and Independent t-test for Hypothesis 1**

**Table 4.26: Independent t-test for Hypothesis 1**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Sector | Number of Cases | Mean | Std Deviation | t-value | Eta 2 |
| Financial  Non-financial | 29  61 | .8970  .8770 | .04890  .08003 | 1.236 | 0.017 |

**Source: Field Study (2009)**

The result of the independent samples t-test conducted to compare the SAS disclosure level for financial and non-financial listed companies is as shown in Table 4.26 above. The Levene’s test for equality of variances gives a significant value of .335. This means that the data did not violate the assumption of equal variance since it is larger than .05. There is no significant difference in disclosure levels for financial (M=0. 8970, SD=.04890), and non-financial listed companies (M= .8770, SD= .08003); t (88) = 1.236, p=.22. The magnitude of the differences in the means is very small ( eta squared = 0.017).

Thus, for Hypothesis 1, Ho is retained and H1 is rejected.

Hypothesis 2

Ho: There is no significant difference in the level of compliance with IFRS/IAS disclosures not contained in the SAS for listed financial and non-financial companies.

H1: There is no significant difference in the level of compliance with IFRS/IAS disclosures not contained in the SAS for listed financial and non-financial companies.

**Descriptive Statistics and Independent t-test for Hypothesis 2**

**Table 4.27: Independent t-test for Hypothesis 2**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Sector | Number of Cases | Mean | Std Deviation | t-value | Eta 2 |
| Financial  Non-financial | 29  61 | .6032  .5256 | .1647  .1280 | 2.445\* | 0.017 |

Note \* Sig at p < .05

**Source: Field Study (2009)**

Table 4.27 above shows the result of the independent samples t-test conducted to compare the IFRA/IAS disclosure level for financial and non-financial listed companies. The Levene’s test for equality of variances gives a significant value of .051. This means that the data does not violate the assumption of equal variance since it is larger than .05. There is a significant difference in disclosure levels for financial (M=0.6032, SD=.1647), and non-financial listed companies (M= .5256, SD= .1280); t (88) = 2.445, p=.016. The magnitude of the differences in the mean is moderate (eta squared = 0.064).

Thus, for Hypothesis 1, Ho is rejected and H1 is retained.

Hypothesis 3

Ho: The level of voluntary disclosure by listed financial companies is not significantly different from that by listed non-financial companies.

H1: The level of voluntary disclosure by listed financial companies is significantly different from that by listed non-financial companies.

**Descriptive Statistics and Independent t-test for Hypothesis 3**

**Table 4.28: Independent t-test for Hypothesis 3**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Sector | Number of Cases | Mean | Std Deviation | t-value | Eta 2 |
| Financial  Non-financial | 29  61 | .3776  .3723 | .1362  .1618 | 0.152 | 0.000 |

**Source: Field Study (2009)**

Table 4.28 above shows the result of the independent samples t-test conducted to determine the level of voluntary disclosure for financial and non-financial listed companies. The Levene’s test for equality of variances gives a significant value of .101. This means that the data does not violate the assumption of equal variance since it is larger than .05. There is no significant difference in disclosure levels for financial (M=0.3776, SD=.1362), and non-financial listed companies (M= .3723, SD= .1618); t (88) = 0.152, p=.880. The magnitude of the differences in the means is of no effect (eta squared = 0.000).

Thus, for Hypothesis 3, Ho is retained and H1 is rejected.

Hypothesis 4

Ho: There is no significant positive association between company size, profitability, leverage, company age, industry type, size of audit firm and multinational affiliation and the extent of disclosure by Nigerian listed companies.

H1: There is a significant positive association between company size, profitability, leverage, company age, industry type, size of audit firm and multinational affiliation and the extent of disclosure by Nigerian listed companies.

The regression estimation of equation A13 presented in Table 4.23 is used for hypotheses testing. The summary of the hypothesis result is shown in Table 4.29.

**Table 4.29: Summary of Hypothesis 4 Results**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Independent Variable | Expected Sign | Reported Sign | Significant or Not Significant | Accepted/Rejected |
| Company Size | + | + | Sig | Accepted |
| Profitability | + | + | NSig | Rejected |
| Leverage | + | - | NSig | Rejected |
| Company Listing Age | - | + | NSig | Rejected |
| Industrial sector | + | + | NSig | Rejected |
| Auditor Type | + | + | Sig | Accepted |
| Multinational Parent | + | + | NSig | Rejected |

**Source: Field Study (2009)**

Company size, measured by log of total assets, is found to be significant and positively associated with the extent of disclosure (p < 0.001), indicating that larger companies in Nigeria are more likely to comply with the mandatory and voluntary accounting disclosures. Thus H1 is retained.

Profitability, measured by return on equity, is found not to be significantly associated with the extent of disclosure, although a positive sign is reported as expected. Thus H1 is rejected.

Leverage, measured by total liability to shareholders’ fund is found not to be significant which means that it is not associated with the extent of accounting disclosure. The reported sign was contrary to the expected. Thus H1 is rejected.

Company listing age, measured as number of years since it becomes listed at NSE to December 2006, is not a significant explanatory variable. That is company listing age cannot be used in explaining the variation in the extent of disclosure. The reported positive sign does not conform to the predicted negative sign, thus H1 is not supported.

Industrial sector, measured by dummy variable (1 for financial sector and 0 otherwise), is found not to be statistically significant. The expected positive sign agrees with the reported sign but sector seems not to be a sufficient explanatory variable. H1 is rejected.

The auditor type is also represented by a dummy variable, 1 for Big four audit firms and 0 otherwise. Auditor type is found to be significant and positively related with the extent of disclosure (p < 0.001) indicating that Big 4 audit firms in Nigeria are very conversant with the mandatory disclosures, which has aided the disclosures of the companies they audit. Thus H1 is retained..

Multinationality measured by percentage of foreign investors’ holding above 5% of issued shares is found not to be significantly related to the extent of disclosure. The reported positive sign is as predicted; however, H1 is rejected.

**4.3 Presentation of Survey Data**

This section contains the presentation of primary data obtained by the researcher through the administration of a questionnaire. The section is divided into two parts. In the first part of this section, personal data as contained in Section A of the questionnaire are presented. It includes data on geopolitical zones, gender, highest educational qualification, professional qualification, occupation and years of working experience. The second part contains the presentation of responses on Sections B, C, D and E of the questionnaire. It includes data on compliance of listed companies with the disclosure requirement of the accounting standards, voluntary disclosures, factors influencing the extent of disclosure and consequences of non-disclosure.

**Table 4.30: Response to Questionnaire**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
|  | Retrieved | 483 | 48.3 | 48.3 |
|  | Not Retrieved | 527 | 52.7 | 100.0 |
|  | Total | 1000 | 100.0 |  |

**Source: Field Survey, 2009**

Table 4.30 highlights the response rate of the 1000 copies of the questionnaire administered in the course of this research. Out of that number, 483 are retrieved while 527 are not retrieved. This means that the analysis of primary data is based on 48.3% rate of response.

**4.3.1 Personal Biodata**

Table 4.31 above presents the data on the personal characteristics of the respondents. Responses from the six geopolitical zones in Nigeria are composed of: South-West, 50.7% (245); South-East, 12.6% (61); South-South, 9.9% (48); North-Central, 6.8% (33); North-East, 12.6% (61); and North-West, 7.2%(35). The predominant response from South-West zone is due to the fact that half (500) of the 1000 copies of the questionnaire are administered there. In particular, responses are solicited from Lagos State, the nation’s economic nerve centre that accounts for more than half of the country’s commercial activities.

**Table 4.31: Personal Biodata of Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
| Variable | Frequency | Percent | Cum |
| Geopolitical Zone:  South-West  South-East  South-South  North-Central  North-East  North-West  Total  Gender:  Male  Female  Total  Highest Academic Qualification:  HND  BSc./BA  MBA/MSc.  Ph.D  Total  Professional Qualification:  ACA/FCA  ACCA/FCCA  CNA/FCNA  ACA&ACCA  Others  Total  Occupation:  Accountant  Auditor  Stockbroker  Financial Consultant  Accounting Educator  Banker  Others  Total  Work Experience:  1-5 years  6-10years  Above 10years  Total | 245  61  48  33  61  35  483  318  165  483  83  272  117  11  483  150  24  15  4  40  233  106  134  16  40  85  73  27  483  215  121  147  483 | 50.7  12.6  9.9  6.8  12.6  7.2  100.0  65.8  34.2  100.0  17.2  56.3  24.2  2.3  100.0  64.4  10.3  6.4  1.7  17.2  21.9  27.7  3.3  8.3  17.6  15.5  5.6  100.0  44.5  25.1  30.4  100.0 | 50.7  63.4  73.3  80.1  92.8  100.0  65.8  100.0  17.2  73.5  97.7  100.0  64.4  74.7  81.1  82.8  100.0  21.9  49.7  53.0  61.3  78.9  94.4  100.0  44.5  69.6  100.0 |

**Source: Field Survey, 2009**

The breakdown of the gender reveals that 318 (65.8%) respondents constitute the male gender, while 165 (34.2%) constitute the female gender. The ratio of male to female in the zone is: South-West, 160:85; South-East, 44:17; South-South, 25:23; North-Central, 23:10; North-East, 44:17; and North-West, 22:13. The preponderance of the male gender is attributable to the fact that in the accounting profession the males outnumbered the females. The female minority status is based on gender-based differences such as ‘glass ceiling’, networking and work/life family balance.

As regards the highest educational qualifications of the respondents, the bulk of the respondents 272 (56.3%) have B.Sc/B.A degrees. Those with HND are 83 (17.2%), MBA/MSc are 117 (24.2%) and Ph.D are 11(2.3%). For the professional qualifications, only 48.2% of the respondents indicate their professional status. Out of these, 150 have ACA/FCA, 24 have ACCA/FCCA, 4 have both ACA and ACCA, 15 have CNA/FCNA while 40 are professionals in other fields. These include: members of Chartered Institute of Stockbrokers, members of Chartered Institute of Bankers, members of Nigerian Institute of Management and members of Chartered Institute of Taxation. The data on educational and professional qualifications reveal that most of the respondents have either first or both first and second degrees and are professionally competent. They are able to understand the content of the questionnaire and express unbiased opinion.

The occupation of the respondents analysed reveals that auditors are in the majority; they number 134, which is 27.7% of the total sample. Out of the remaining 349 respondents, accountants are 106 (21.9%), stockbrokers are 16 (3.3%), financial analysts/consultants are 40 (8.3%), accounting educators are 85 (17.6%), bankers are 73 (15.5%) while others are 27 (5.6%). The others include managers and supervisors at the Nigerian Stock Exchange and Securities and Exchange Commission.

The work experience data as presented in Table 4.31 above reveals that majority of the respondents are in the experience bracket of 1 to 5 years; this constitutes 44.5% of the total sample. The respondents with 6 to 10 years experience represent 25.16% while those with above ten years experience are 30.4%. The analysis reveals that the working experience of the respondents is mixed. The respondents have considerable experience in their fields that will enable them to have a good knowledge of disclosure practices of listed companies.

The next sub-sections present the data on Sections B, C, D, and E of the questionnaire. The responses are labelled: SA (Strongly Agree), A (Agree), D (Disagree), SD (Strongly Disagree). The weighted sample is the expected responses less the missing ones. The weighted average mean (M) and the standard deviation (SD) of each question are also computed.

**4.3.2 Compliance with Disclosure requirements of SASs and IFRSs**

Table 4.32 below depicts the responses to items 7 to 13 of the questionnaire arranged in a serial manner. These relate to Objectives 1 and 2 of the study and also address Research questions 1 and 2.

Responses to item 7 reveal that out of the sample of 483, 475 or 98.3% responded. The analysis shows that 99 or 20.5% of the total sample strongly agree that listed financial companies in Nigeria fully comply with the disclosure requirements of the local SASs. 266 or 55.1% agree, 77 or 15.9% disagree, while 33 or 6.8% strongly disagree with the weighted average mean of 2.91 and a standard deviation of 0.801.

Item 8 has a response rate of 97.9% out of the total sample of 483. Out of these responses, 56 (11.6%) strongly agree that listed non-financial companies in Nigeria fully comply with the disclosure requirements of the local SASs, 219 (45.3%) agree, 162 (33.5%) disagree, while 36 (7.5%) strongly disagree. The weighted arithmetic mean is 2.62 with standard deviation of 0.791. The disparity of responses to question 7 and 8 indicates that the respondents are of the opinion that the financial companies comply more than the non-financial companies with the disclosure requirements of the SASs. This further suggests that due to the reform, regulation and competition in the financial sector in Nigeria, the sector maintains a higher level of information disclosure than other sectors.

**Table 4.32: Distribution of Responses on Compliance with Disclosure requirements of Accounting Standards**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **SA** | **A** | **D** | **SD** | **Weighted**  **Sample** | **Mean** | **SDev** |
| In practice, listed financial companies in Nigeria fully comply with the disclosure requirements of the local SASs. | 99  20.5% | 266  55.1% | 77  15.9% | 33  6.8% | 475  98.3% | 2.91 | .801 |
| In practice, listed non-financial companies in Nigeria fully comply with the disclosure requirements of the local SASs. | 56  11.6% | 219  45.3% | 162  33.5% | 36  7.5% | 473  97.9% | 2.62 | .791 |
| Where there is a conflict between SAS and IAS/IFRS disclosures, listed companies usually apply SAS | 95  19.7% | 283  58.6% | 67  13.9% | 23  4.8% | 468  96.9% | 2.96 | .736 |
| Where there is a conflict between SAS and IAS/IFRS disclosures, listed companies usually apply IAS/IFRS. | 32  6.6% | 115  23.8% | 220  45.5% | 100  20.7% | 467  96.7% | 2.17 | .841 |
| In areas where there are no local accounting standards, relevant IASs/IFRSs are fully applied by listed financial companies. | 102  21.1% | 259  53.6% | 81  16.8% | 15  3.1% | 457  94.6% | 2.98 | .730 |
| In areas where there are no local accounting standards, relevant IASs/IFRSs are fully applied by listed non-financial companies. | 57  11.8% | 216  44.7% | 156  32.3% | 29  6.0% | 458  94.8% | 2.66 | .776 |
| Listed companies with multinational affiliation fully apply IASs/IFRSs. | 138  28.6% | 221  45.8% | 61  12.6% | 13  2.7% | 433  89.6% | 3.12 | .753 |

**Source: Field Study (2009)**

Regarding item 9, Table 4.32 above shows that 78.3% (58.6% agree and 19.7% strongly agree) of the respondents are affirmative that listed companies apply SAS where there are conflicts between SAS and IFRS/IAS, 18.7% (13.9% disagree, 4.8% strongly disagree) are not affirmative, while 3.1% are unsure. This is in conformity with the Law (CAMA 1990) that states that all Nigerian companies should comply with the Standards issued by the Nigerian Accounting Standard Board.

The analysis of the data generated for item 10 reveals that out of 468 (96.9%) that responded, majority 320 (66.2%) either disagree (45.5%) or strongly disagree (20.7%) to the fact that listed companies will apply the international standard in a case where there is conflict between the national and international standard. 147 (30.4%) were in agreement, while 3.3% were unsure. The weighted average mean is 2.17 and the standard deviation is .841. This buttresses the fact that the national standard is usually followed in occurrences when there is conflict between the national and international standards. This finding agrees with the finding of item 9 above.

From the analysis of item 11 above, majority of the respondents, 361 or 74.7% are affirmative that listed financial companies usually apply relevant IASs/IFRSs in areas where there are no local accounting standards. Those that disagree and strongly disagree are 16.8% and 3.1% respectively. Thus with the weighted average mean of 2.98 which can be approximated to 3 and the standard deviation of 0.730 we can confirm that the respondents agree that listed financial companies usually apply relevant IFRSs/IASs in areas where there are no local accounting standards.

Relating to item 12, analysis reveals that 56.5% are affirmative that listed non-financial companies usually apply relevant IASs/IFRSs in areas where there are no local accounting standards. 38.3% either disagree or strongly disagree, with a weighted average mean of 2.66 and a standard deviation .776. The variant between the mean of items 11 and 12 confirm the opinion that listed financial companies usually apply relevant IFRSs/IASs in areas where there are no local accounting standards than the non-financial companies. Due to the strict regulation on the financial sector and intense competition brought about by the reforms in the financial sector they incorporate relevant national and international disclosures more than other sectors.

With regards to item 13, 45.8% or 221 respondents agree to the statement that listed companies with multinational affiliation fully apply IASs/IFRSs. 138 (28.6%) strongly agree, 61 (12.6%) disagree, 13 (2.7%) strongly disagree. The weighted arithmetic mean is 3.12 and the standard deviation is .753. It is evident that multinational organizations in Nigeria do prepare financial statements with international standards for their foreign parent.

**4.3.3: Voluntary disclosure by listed companies.**

Table 4.33 presents the results for items 14 to 18 on voluntary disclosures. It provides answers to Objective 3 and Research question 3.

**Table 4.33: Distribution of Responses on Voluntary Disclosures**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **SA** | **A** | **D** | **SD** | **Weighted**  **Sample** | **Mean** | **SDev** |
| Quantitative forecast of performance for the next accounting year is voluntarily disclosed by listed companies. | 86  17.8% | 184  38.1% | 129  26.7% | 33  6.8% | 452  89.4% | 2.75 | .861 |
| Corporate social responsibility information is voluntarily disclosed by listed companies. | 99  20.5% | 218  45.1% | 99  20.5% | 15  3.1% | 431  89.2% | 2.93 | .771 |
| Corporate governance information is voluntarily disclosed by listed companies. | 65  13.5% | 241  49.9% | 107  22.2% | 18  3.7% | 431  89.2% | 2.82 | .731 |
| Environmental liabilities and cost information is voluntarily disclosed by listed companies. | 48  9.9% | 151  31.3% | 194  40.2% | 39  8.1% | 432  89.4% | 2.48 | .809 |
| Risk management information is voluntarily disclosed by listed companies. | 67  13.9% | 187  38.7% | 143  29.6% | 37  7.7% | 434  89.9% | 2.65 | .841 |

**Source: Field Study (2009)**

The responses on item 14 are varied. 184 (38.1%) respondents agree to this fact that listed companies voluntarily disclose the quantitative forecast of performance for the next accounting year. 17.8% strongly agree, 26.7% disagree while 6.8% strongly disagree. The cumulative percent of respondents that agree and strongly agree is 55.9%. The weighted average mean is 2.75 while the standard deviation is .861. This suggests that the respondents opined that on the average listed companies voluntarily disclose the quantitative forecast of performance for the next accounting year.

The result of item 15 as shown above reveals that 431 (89.2%) responded to this question. Ninety nine (20.5%) respondents strongly agree that corporate social responsibility information is voluntarily disclosed by listed companies. 218 (45.1%) agree, 99 (20.5%) disagree while 15 (3.1%) strongly disagreed. The mean is computed to be 2.93 while the standard deviation is .771. This confirms that majority of the respondents agree to the fact that information on corporate social responsibility such as donations and employee health, safety and welfare is voluntarily disclosed by listed companies.

The response to item 16 is as reported in Table 4.33 above. Of the total sample of 483, sixty five (13.5%) strongly agree that listed companies in Nigeria voluntarily disclose corporate governance information in their financial reports. The number of respondents that agree, disagree and strongly disagree are 241(49.9%), 107 (22.2%) and 18 (3.7%) respectively. The weighted arithmetic mean of 2.82 and standard deviation of 0.731confirms that the respondents moderately agree that listed companies disclose corporate governance information in their financial statements.

Responses to item 17 relating to voluntary environmental liabilities and cost information featured a contrary view from those earlier discussed. It is observed that 194 (40.2%) disagreed while 39 (8.1%) strongly disagreed. The respondents with positive view are 48 (9.9%) and 151 (31.3%). This reveals that more respondents were negative about this fact. This is also confirmed by the 2.48 mean and .809 standard deviation. The result of this analysis suggests that information on environmental liabilities and costs are hardly disclosed in the financial statements of listed companies.

The result obtained in item 18 shows that 434 out of 483 responded to this question. Their responses are varied. 67 (13.9%) strongly agree, 187 (38.7%) agree, 143 (29.6%) and 37 (7.7%) disagree. Cumulatively 52.6% are affirmative. With the arithmetic mean of 2.65 and standard deviation of .841, it can be suggested that the respondents moderately agree to the fact that risk management information is voluntarily disclosed by listed companies.

**4.3.4 Factors Influencing the Extent of Disclosure by Listed Companies.**

Table 4.34 captures items 19 to 30 of the questionnaire on the financial and non-financial factors influencing the extent of disclosure by listed companies.

**Table 4.34: Distribution of Responses on Factors Influencing the Extent of Disclosure by Listed Companies.**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **SA** | **A** | **D** | **SD** | **Weighted**  **Sample** | **M** | **SDev** |
| Company Size | 133  27.5% | 239  49.5% | 73  15.1% | 20  4.1% | 465  96.3% | 3.04 | .784 |
| Profitability | 114  23.6% | 255  52.8% | 86  17.8% | 13  2.7% | 468  96.9% | 3.00 | .785 |
| Leverage | 65  13.5% | 250  51.8% | 126  26.1% | 11  2.3% | 452  93.6% | 2.82 | .698 |
| Company Age. | 70  14.5% | 190  39.3% | 148  30.6% | 19  3.9% | 427  88.4% | 2.73 | .785 |
| Industry Type | 110  22.8% | 243  50.3% | 90  18.6% | 18  3.7% | 461  95.4% | 2.97 | .768 |
| Size of Audit firm | 94  19.5% | 204  42.2% | 137  28.4% | 28  5.8% | 463  95.9% | 2.79 | .835 |
| Multinational Affiliation | 123  25.5% | 224  46.4% | 97  20.1% | 22  4.65% | 466  96.5% | 2.96 | .813 |
| Inadequate training of preparers | 77  15.9% | 181  37.5% | 130  26.9% | 37  7.7% | 425  88.0% | 2.70 | .865 |
| Poor audit quality by external auditors | 66  13.7% | 196  40.6% | 128  26.5% | 41  8.5% | 431  89.2% | 2.67 | .849 |
| Ineffective and inefficient monitoring mechanisms | 75  15.5% | 212  43.9% | 102  21.1% | 41  8.5% | 430  89.0% | 2.75 | .855 |
| Inadequate sanctions to deter non-compliance | 95  19.7% | 196  40.6% | 107  22.2% | 35  7.2% | 433  89.6% | 2.81 | .869 |
| Cumbersome accounting standards | 55  11.4% | 197  40.8% | 126  26.1% | 53  11.0% | 431  89.2% | 2.59 | .863 |

**Source: Field Study (2009)**

This provides answers to Research question 4 and Objective 4.

Item 19 addresses the Company Size (Table 4.34). Three hundred and seventy two respondents (77%) were affirmative that company size influences the extent of disclosure by listed companies which far supersedes the combined percentage of those that disagree and strongly disagree (19.2%).The weighted arithmetic mean is observed to be 3.04, while the standard deviation is 0.784.This shows that company size is highly considered by majority of the respondents to influence the extent of information disclosure by listed companies.

Profitability is considered in item 20 (Table 4.34). There is a considerable agreement to the fact that it influences the extent of disclosure by listed companies. 255 or 52.8% agrees, 114 or 23.6% strongly agree, 86 or 17.8% disagree while 13 or 2.7% strongly disagrees. The arithmetic mean is observed to be 3 while the standard deviation is .785. This result confirms that profitability is agreed to be a factor that is responsible for the extent of disclosure in listed Nigerian companies.

Responses on Leverage (item 21) as shown on the above table reveal that 93.6% responded to this question. The responses are: strongly agree 65( 13.5%), agree 250 (51.8%), disagree 126 (26.1%) and strongly disagree 11 (2.3%). The weighted arithmetic mean is 2.82 with a standard deviation of .698. This result confirms that the respondents moderately agree that leverage is a factor that influences the extent of disclosure in listed companies.

Item 22 addresses company age (Table 4.34). Although the results are varied, it can be seen that only 88.4% respond to this question. 39.3% of the respondents agree to the fact that company age is a determining factor for compliance, almost the same percentage 30.6% disagreed to this fact. 14.5% and 3.9% strongly agree and disagree to this fact. The arithmetic mean is 2.73 while the standard deviation is .785. With this result, it is suggested that there is a mixed opinion about company age having to influence the level of disclosure of listed companies.

The results from Table 4.34 above show that 50.3% of the respondents agree that industry type influences the extent of information disclosure by listed companies, 22.8% strongly agree, 18.6% disagree, 3.7% strongly disagree and 4.6% give no response. With a weighted arithmetic mean of 2.97 and a standard deviation of .768, it confirms the agreement that industry type is an influencing factor.

The size of audit firm is addressed by item 24 (Table 4.34). The analysis of the result as stated on the table above indicates that out of the total sample of 483, 95.9% responded to the question while 4.1% did not signify their opinion. The results show that 42.26.3% of the respondents agree with the notion that size of audit firm influences the extent of information disclosed by Nigerian listed companies, 19.5% strongly agree with this, 28.4% disagree with this , and 5.8% strongly disagree. This emphasises that a cumulative percentage of those that concur is higher, that is 61.7%. With a computed arithmetic mean of 2.79 and standard deviation of 0.835, the result further suggests that there is a moderate agreement to the opinion that size of audit firm is an influencing factor.

Item 25 addresses multinational affiliation (Table 4.34). The data presented above shows that response rate is 96.5%. 71.9% assent to the fact that multinational affiliation influences the extent of disclosure by listed companies, while 24.75% do not. The distribution is strongly agree 25.5%, agree 46.4%, disagree 20.1% and strongly disagree is 4.65%. The arithmetic mean is computed to be 2.96 while the standard deviation is .813. This result shows that majority of the respondents agree that multinational affiliation influences the extent of disclosure by listed companies.

Distribution of responses on training of preparers as observed above indicate that 37.5% of the respondents agree that inadequate training of preparers influences the extent of information disclosure by listed Nigerian companies, 15.9% (77) strongly agree, 26.9% (130) disagree while 7.7% (37) strongly disagree. Those that are affirmative outweigh others that are not affirmative. With weighted arithmetic mean of 2.70 and standard deviation of .865, the result suggests that there is a modest agreement by respondents that inadequate training of preparers influences the extent of information disclosure by listed Nigerian companies.

The results from Table 4.34 relating to item 27 show that 46.3% of the respondents agree that poor audit quality by external auditors by influences the extent of information by disclosure by Nigerian listed companies, 13.7% strongly agree, disagree, 26.5% disagree, 8.5% strongly disagree and 10.8% did not signify their response. The arithmetic mean is 2.67 and standard deviation is .849. This shows that poor audit quality is a moderate contributory factor to inadequate disclosure by listed companies.

With the data presented above, it is observed that 89% (430) responded to item 28. 15.5% strongly agree to the opinion that ineffective and inefficient monitoring mechanisms influences the extent of disclosure by listed Nigerian companies, 43.9% agree, 21.1% disagree, 8.5% strongly disagree and 11% did not signify any answer. More than half of the respondents constituting 59.4% are affirmative. This concurs with the weighted average mean of 2.75. This shows that there is moderate agreement to the fact that ineffective and inefficient monitoring mechanisms influence the extent of disclosure by listed Nigerian companies.

The results as presented in Table 4.34 above relating to item 29, show that a greater proportion of the respondents (60.3%), agree (40.6%) and strongly agree (19.7%) to the fact that inadequate sanctions to deter non-compliance is a factor that influences the extent of disclosure. Others (39.7%) are not convinced. 22.2% disagree, 7.2% strongly disagree and 10.3% are undecided. It is evident from this that majority of the respondents consider that inadequate sanctions to deter non-compliance is a factor that influences the extent of disclosure. This is also confirmed by the arithmetic mean of 2.81 and standard deviation of .869.

Item 30 as analysed on the above table reveals that 40.8% (197) of the respondents agree that cumbersome accounting standards influence the extent of disclosure by Nigerian listed companies. 11.4% (55)of the respondents strongly agree to this fact, but the others which constitute (47.8%) disagree or are unsure about this fact. A mean of 2.59 shows a slight agreement. The result suggests that cumbersome accounting standards might not be an influencing factor.

**4.3.5** **Consequences of Non-compliance with Disclosure Requirements of the Accounting Standards**

Table 4.35 features the distribution of responses to items 31 to 35 in a serial manner. This provides answers to Research question 5 and Objective 5.

**Table 4.35: Distribution of Responses on Consequences of Non-compliance with Disclosure Requirements of the Accounting Standards**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **SA** | **A** | **D** | **SD** | **Weighted**  **Sample** | **Mean** | **SD** |
| Failure of some Nigerian listed companies is due to partial or non-disclosure of relevant accounting information. | 118  24.4% | 205  42.4% | 80  16.6% | 33  6.8% | 436  90.3% | 2.94 | .869 |
| Partial or non-disclosure of relevant accounting information impedes investors’ decisions. | 175  36.2% | 206  42.7% | 34  7.0% | 21  4.3% | 436  90.3% | 3.23 | .789 |
| Ensuring full disclosure of relevant accounting standards circumvents fraud. | 120  24.8% | 187  38.7% | 87  18.0% | 41  8.5% | 435  90.1% | 2.89 | .918 |
| Partial or non-disclosure of relevant accounting information limits prudent allocation of resources. | 101  20.9% | 199  41.2% | 102  21.1% | 34  7.0% | 436  90.3% | 2.84 | .868 |
| Partial or non-disclosure of relevant accounting information erodes investors' confidence. | 200  41.4% | 171  35.4% | 39  8.1% | 25  5.2% | 435  90.1% | 3.26 | .846 |

Source: Field Study (2009)

The data collected in respect of item 31 as narrated in Table 4.35 above depicts that 66.8% of the respondents are affirmative that the failure of some Nigerian listed companies is due to partial or non-disclosure of relevant accounting information. The remaining respondents are of a contrary view, 16.6% disagree, 6.8% strongly disagree while 9.8% are adamant. With a standard deviation of 2.94 and a standard deviation of 0.869, it confirms that there is a general agreement that failure of some Nigerian listed companies in the time past is due to partial or non-disclosure of relevant accounting information.

Item 32 as analysed in the table above confirms that a predominant percentage (78.9%) strongly agree and agree with the fact that partial or non-disclosure of relevant accounting information impedes investors’ decisions. 7.0% disagree while 4.3% strongly disagree. The weighted arithmetic mean is 3.23 and the standard deviation is 0.789. These confirm that partial or non-disclosure of relevant accounting information impedes investors’ decisions.

The result from Table 4.35 on item 33 shows that 24.8% strongly agree that ensuring full disclosure of relevant accounting standards circumvents fraud, 38.7% agree, 18.0% disagree and 8.5% strongly disagree. With a mean of 2.89 and a standard deviation of .91, the result reveals that ensuring full disclosure of relevant accounting standards circumvents fraud.

The distribution of responses on item 34 as shown in Table 4.35 above is: 20.9% ( 101) for strongly agree, 41.2% ( 199) for agree, 21.1% (102) for disagree, and 7.0% ( 34) for strongly disagree. This result shows that a vast number of the respondents agree that partial or non-disclosure of relevant accounting information limits prudent allocation of resources. This is also confirmed with the weighted arithmetic mean of 2.84 and standard deviation of .868.

The analysis of item 35 as presented in Table 4.35 above reveals that a vast number of respondents accede to the fact that partial or non-disclosure of relevant accounting information erodes investors' confidence. 200 representing 41.4% strongly agree while 35.4% agree. A small number of the respondents disagree (8.1%) and strongly disagree (5.2%) to this fact. The weighted mean of 3.26 and standard deviation of .846 make it evident that partial or non-disclosure of relevant accounting information erodes investors' confidence.

**4.3.6 Hypotheses Testing – Survey Data**

Hypothesis 5

Ho: There are no consequences to non-compliance with the disclosure requirements of the accounting standards.

H1: There are consequences to non-compliance with the disclosure requirements of the accounting standards.

**Table 4.36 :Descriptive Statistics on Consequences of Non compliance with Accounting Standards (Hypothesis 5)**

|  | | | | |
| --- | --- | --- | --- | --- |
|  | Occupation | Mean | Std. Deviation | N |
| Failure of some Nigerian listed companies is due to partial or non-disclosure of relevant accounting information. | Preparers | 3.03 | .837 | 105 |
| Auditors | 2.88 | .832 | 107 |
| Accounting information users | 2.91 | .901 | 222 |
| Total | 2.93 | .869 | 434 |
| Partial or non-disclosure of relevant accounting information impedes investors’ decisions. | Preparers | 3.26 | .785 | 105 |
| Auditors | 3.30 | .690 | 107 |
| Accounting information users | 3.18 | .837 | 222 |
| Total | 3.23 | .790 | 434 |
| Ensuring full disclosure of relevant accounting standards circumvents fraud. | Preparers | 2.90 | .929 | 105 |
| Auditors | 3.01 | .818 | 107 |
| Accoun  ting information users | 2.82 | .956 | 222 |
| Total | 2.89 | .919 | 434 |
| Partial or non-disclosure of relevant accounting information limits prudent allocation of resources. | Preparers | 2.73 | .902 | 105 |
| Auditors | 2.95 | .745 | 107 |
| Accounting information users | 2.84 | .908 | 222 |
| Total | 2.84 | .870 | 434 |
| Partial or non-disclosure of relevant accounting information erodes investors' confidence. | Preparers | 3.26 | .821 | 105 |
| Auditors | 3.35 | .802 | 107 |
| Accounting information users | 3.21 | .880 | 222 |
| Total | 3.26 | .847 | 434 |

**Source: Field Study (2009)**

A one-way between-groups multivariate analysis of variance (MANOVA) is performed to test Hypothesis 5. The descriptive statistics of the respondents classified as preparers, auditors and users is as shown in Table 4.36 above. The sample size of valid respondents is 434, preparers (accountants) are 103, auditors are 107 and accounting information users (stock brokers, financial analyst, bankers, educators, regulators) are 222. The large number of cases makes it ideal to use MANOVA in testing the hypothesis. Items 31 to 35 of the questionnaire were utilized as dependent variables, while occupation stands as the independent variable. The mean and standard deviation of each item is as indicated in Table 4.36 above.

**Box Test of Equality of Covariance Matrices**

| **Table 4.37: Box's Test of Equality of Covariance Matrices (Hypothesis 5)** | |
| --- | --- |
| Box's M | 55.345 |
| F | 1.810 |
| df1 | 30 |
| df2 | 3.147E5 |
| Sig. | .004 |

**Source: Field Study (2009)**

The Box’s test of equality of covariance matrices as indicated in Table 4.37 above gives us a significant value of .004. Thus, with a significant value of 0.004 which is larger than 0.001, it cannot be said that the assumption of homogeneity of variance is violated (Pallant, 2004:228).

**Levene’s Test of Equality of Error Variances for Hypothesis 5**

Levene’s test of equality of error variances for Hypothesis 5 as indicated in Table 4.38 below reveals a significance (p) of .345, .512, .013, 0.007 and .827, for item 31, item 32, item 33, item 34 and item 35 respectively. A significant value less than .05 indicates a violation to the assumption of equality of variance. Table 4.38 indicates that items 33 and 34 violate this assumption. As a remedy, a conservative alpha level of 0.01 will be used in determining the significance for that variable in the univariate F-test (Pallant, 2004:229).

| **Table 4.38: Levene's Test of Equality of Error Variances (Hypothesis 5)** | | | | |
| --- | --- | --- | --- | --- |
|  | F | df1 | df2 | Sig. |
| Failure of some Nigerian listed companies is due to partial or non-disclosure of relevant accounting information. | 1.068 | 2 | 431 | .345 |
| Partial or non-disclosure of relevant accounting information impedes investors’ decisions. | .671 | 2 | 431 | .512 |
| Ensuring full disclosure of relevant accounting standards circumvents fraud. | 4.406 | 2 | 431 | .013 |
| Partial or non-disclosure of relevant accounting information limits prudent allocation of resources. | 5.094 | 2 | 431 | .007 |
| Partial or non-disclosure of relevant accounting information erodes investors' confidence. | .190 | 2 | 431 | .827 |
| Tests the null hypothesis that the error variance of the dependent variable is equal across groups. | | | | |
| a. Design: Intercept + item5 | |  |  |  |

**Source: Field Study (2009)**

**Multivatriate Test for Hypothesis 5**

The multivariate tests of significance is conducted using Wilks’ Lamda. The Wilks’ Lamda value is 1.047 with a significant value of .401. This is higher than .05 (Pallant, 2004:229), therefore there is no statistically significant difference in the perception of preparers, auditors and users of accounting information on consequences of non-disclosure by listed Nigerian companies, when the results for the dependent variables are considered together: F(10,854) = 1.047, p=.401; Wilks’ Lamda =.976; partial eta squared =.012.

When the results for the dependent variables are considered separately, using the test of between-subjects effects, it is seen above that there is no significant difference for each dependent variable: For Item 31, F(2,431) = 0.896, p=.409, partial eta squared =.004; For Item 32, F(2,431) = .910, p=.403, partial eta squared =.004; For Item 33 F(2,431) = 1.473, p=.230, partial eta squared =.007; For Item 34, F(2,431) = 1.7000, p=.184, partial eta squared =.008. For Item 35, F(2,431) = 0.905, p=.405, partial eta squared =.004. All the partial eta squared is of small effect.

Thus, for Hypothesis 5, Ho is retained and H1 is rejected.

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**CHAPTER FIVE**

**SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

**5.0 Introduction**

Chapter five proceeds as follows: Chapter 5.1 summarises the theoretical findings; Chapter 5.2 presents the empirical findings; Chapter 5.3 provides the conclusions; Chapter 5.4 presents the recommendations; Chapter 5.5 highlights the contribution to knowledge; while Chapter 5.6 provides suggestions for further study.

**5.1 Summary of Theoretical Findings**

Company size is the most consistently reported significant corporate attribute in previous empirical studies (Street and Bryant, 2000:309; Meek et al, 1995: 558). According to Watts and Zimmerman (1990:140), larger companies are likely to show more information in order to improve the confidence of stakeholders and to reduce political costs. They argue that in order to curb political interference and the associated costs, large organizations will attempt to disclose more information to somehow fool those involved in the political process. Generally, large firms disclose more information than smaller ones (Meek et al, 1995, 558).

Profitable organizations will want to distinguish themselves by disclosing more information so as to enable them to obtain capital on the best available terms (Meek et al, 1995:559). Whereas non-profitable firms may disclose less information in order to cover up losses and declining profits (Singhvi and Desai, 1971:135). Corporate managers are usually reluctant to give detailed information about a non-profitable outlet or product, hence they might decide to disclose only a lump profit attributable to the whole company. Inchausti (1997:49) employing signaling theory, states that due to better performance of companies, management is more likely to disclose detailed information to the public than management with poor performance in order to avoid undervaluation of company’s shares.

According to Iatridis (2008:236) firms that provide extensive accounting disclosures tend to use more debt than equity to finance their operations. It appears, therefore, that firms are inclined to disclose information about sensitive accounting issues, such as gearing and risk profile in order to reassure investors and lenders that abide with the disclosure practices as enumerated by the accounting regulation. Provision of accounting disclosures reduces overall level of risk and allows for fund raising in the debts market. Jenson and Meckling (1976:350) admit that agency costs are higher for companies with more debt in their capital structure and disclosures are expected to increase with leverage. Myers (1977) as cited in Ahmed (2004:188) states that firms with high debt tend to disclose more information to assure creditors that shareholders and management are less likely to bypass their covenant claims.

The older, well-established companies with more experience are likely to include more information in their annual reports in order to enhance their reputation and image in the market (Akhtaruddin,2005:405). Owusu-Ansah(1998:614) argues that newly-established companies may suffer competitive disadvantage if they disclose certain information items such as product development, which can be used to their detriment by the other competitors. In other words they hoard information in order not to suffer from competitive disadvantage. Contrary to this opinion, Haniffa and Cooke (2002:330) believe that younger companies disclose more information to boost investors’ confidence and reduce skepticism.

Watts and Zimmerman (1990:14) explain the relationship between industry and disclosure using political costs theory. They argue that political costs vary according to industry. Disclosure differential may be associated with the type of product line, nature of production and nature of service provided. Ahmed (2005:73) finds industry-type to be a significant factor accounting for the differences in the disclosure levels of the companies in their sample.

Although company management is primarily responsible for preparing the financial report, the company external auditors play a major role in the disclosure policies and practices of their clients (Ahmed, 2004:189). Jenson and Meckling (1976:305) argue that auditing is a way of reducing agency costs. Companies that incur high agency costs tend to engage high profile ‘big’ auditing firms. This is also related to the fact that these big auditing firms have a good knowledge of local and international standards and the costs of implementing the standards are lower than for the smaller firms (Lopes and Rodrigues, 2007:33)

According to Owusu- Ansah(1998:615), the extent of a company’s mandatory disclosure is influenced by its affiliation with a recognized MNC. This is because the MNC’s demand a greater amount of information than is required by local regulations from their affiliates. Also, the political costs of affiliates of MNCs are relatively high. Operations of MNCs and their local affiliates are frequently evaluated and monitored by international governmental agencies such as the United Nations. With these factors, MNCs are more likely to insist on full compliance with all statutory and regulatory requirements of the host countries by their affiliates. Moreover, it enhances their bargaining powers with their host countries (Owusu-Ansah, 1998:615). According to Owusu-Ansah, (1998:615) most multinationals use sophisticated accounting systems that are usually transplanted in their affiliates. So by adoption, these affiliates are likely to operate a similar sophisticated accounting and reporting system like their multinational parent. This means the cost of producing information will be lesser than information costs incurred by local firms with no multinational parent. This will enable them to disclose detailed information at minimal costs.

**5.2 Summary of Empirical Findings**

**Research Question 1: What is the extent of compliance of listed financial and non-financial Nigerian companies with the required disclosures of the National Accounting Standard Board (NASB)?**

Empirical findings from the content analysis of the annual reports reveal that the mean disclosure levels were 0.8970 and 0.8770 for financial and non-financial companies respectively. This is in line with the primary data analysis in which respondents are of the opinion that the financial companies comply more than the non-financial companies with the disclosure requirements of the SASs. The independent samples t-test conducted to compare the SAS disclosure level for financial and non-financial listed companies reveal that there is no significant difference in disclosure levels for financial and non-financial listed companies. t (88) = 1.236, p=.22 and eta squared = 0.017. This shows that the magnitude of the differences in the mean is very small. The result confirms that both the financial and non-financial companies are not fully complying with the disclosure requirements of the NASB. This is in congruence with the studies of Wallace (1988:362), World Bank (2004:12) and Adeyemi (2006).

**Research Question 2: What is the extent of compliance of listed financial and non-financial Nigerian companies with the required disclosures of IAS/IFRSs that are not contained in the SASs?**

The content analysis of the annual report reported a mean value of 0.6032 for the financial companies and 0.5256 for the non-financial companies for required disclosures of IASs/IFRSs that are not contained in the SASs. The disparity between the mean is 0.0776. The analysis of the primary data is in line with the secondary data. The primary data reveal that 74.7% and 56.5% of the respondents are affirmative that listed financial and non-financial companies respectively usually apply relevant IASs/IFRSs in areas where there are no local accounting standards. The result of the independent samples t-test conducted reveals there is a significant difference in disclosure levels for financial (M=0.6032, SD=.1647), and non-financial listed companies (M= .5256, SD= .1280); t (88) = 2.445, p=.016. The magnitude of the differences in the mean is moderate (eta squared = 0.064). The compliance of the banks can be attributed to the capitalization of the banking sector. The growth in the capital base and global competition had encouraged their compliance with relevant IASs/IFRSs. For example, IFRS 3 (Business Combinations) was predominantly disclosed by most banks due to their involvement in mergers and acquisitions.

**Research Question 3: Do Nigerian financial and non-financial listed companies disclose discretionary information more than the minimum required by accounting standards?**

The empirical result shows that the level of voluntary disclosure is quite low for both financial (M=0.3776, SD=.1362) and non-financial (M= .3723, SD= .1618) listed companies. The result of the independent samples t-test conducted shows there is no significant difference in disclosure levels for financial, and non-financial listed companies. This finding is further examined by using Cluster analysis. The clusters identified in the dendrogram are classified into five groups: group one, twenty nine companies; group two, thirty one companies; group three, three companies; group four, twelve companies; and group five, fifteen companies. The result reveals that in Group 3 (Dunlop Nigeria Plc., First Bank of Nigeria Plc. Zenith Bank Plc.) disclosed the highest quantity of voluntary information. The average disclosure for this group is 63.34%; this is followed by group 1 (55.85), group 2 (43.3%), group 4 (20%) and group 5 (2.67%). The level of voluntary disclosure by listed companies is generally low.

**Research Question 4: What are the primary factors attributable to the overall levels of disclosure?**

The company analysis on overall disclosure level features three banks topping the list, they were: First Bank of Nigeria Plc (0.7878), Ecobank Transnational Inc (0.7532) and United Bank of Africa Plc (0.7520). At the bottom of the list are Afprint Nigeria Plc.(0.4132), Starco Insurance Plc. (0.4056) and lastly SCOA Nigeria Plc.(0.3732). This implies that the banking sector in Nigeria has maintained a high standard of information disclosure which could be attributed to the reform, regulation and competition in the banking sector in Nigeria.

In the standard-by-standard breakdown, study finds that the compliance level is relatively high for SAS 2, 4, 7, 9, 13, 18, and 19 with an average above 90%. The lowest level of compliance is found for SAS 21 with a mean of 0.52. The compliance level of SAS 1, 3, and 8 ranges between 0.70 and 0.89. The number of companies that actually disclosed information on SAS 22 and SAS 23 are 5 and 37 respectively out of 90 with a compliance level ranging between 0.90 and 0.98. For IFRSs, more than half of the companies i.e. between 54 and 87 companies report partly on IAS 10, IAS 16, IAS 18 and IAS 24. A few companies comply partially with IAS 14, IAS 21, IAS23, IAS27, IAS28, IAS32, IAS 36, IAS 38, IAS 40 and IFRS 3 while IAS 2, IAS 12, IAS 20, IAS 31 and IFRS 2 are hardly disclosed by the companies. Of all these companies, the banking industry witnesses the highest disclosure on seventeen standards.

Our core equation A13, uses ranked overall disclosure index as dependent variable. In the estimation result, the F-Statistics value is 18.144 at p < 0.001 indicating the model as a whole is well specified. The t-statistics is positive for size, profitability, auditor type, sector and multinational parent and negative for leverage and productivity. Company size and auditor type are the only two variables that are significantly and positively associated with accounting disclosures at p < 0.01. The other five variables, profitability, leverage, productivity, sector and multinationality are not found to have explanatory power.

While classifying the disclosures indices into three sub indices -DISAS,DIFRS, and DIVol, and using them as dependent variables, it is still observed that the result insists on the influence of company size and auditor type. These are the only two company attributes that explain accounting disclosures. In addition, leverage and multinational parent are found significant at 10% level for SAS and voluntary disclosures respectively. Other variables are found to be insignificant.

The company size is found to be significantly associated with disclosure compliance, suggesting that large companies comply more strongly with national accounting standard disclosure requirements in these countries. The positive and significant association between company size and disclosure is consistent with prior findings (see, Wallace et al., 1994:50; Ali et al., 2004:188; Al-Shammari, 2005:140 and Barako, 2007:124). However, the result contradicts Glaum and Street (2003:86), who find a negative association that is not significantly related to disclosure. On the positive, it can be argued that since large companies usually operate over wide geographical area and deal with several branches and multiple products, they are likely to have a well built information system that can enable them track all necessary and essential accounting information for internal and external purposes. This will enable them disclose more accounting information than their smaller counterparts.

Profitability is not found to be significant. This indicates that profitability has no impact on disclosure compliance. This result contradicts the prior empirical studies (see e.g Owusu-Ansah,1998:620; Ali et al, 2004:190) and signaling theory which assert that companies use financial statement as a signaling tool to express their expectations and intentions. According to Singhvi and Desai (1971: 135), the corporation may disclose more information when its profitability is above industry average in order to inform the shareholders and other stakeholders about the corporation’s strong position to survive. Contrary to this, profitability of Nigerian listed firms does not depict disclosure. Results suggest that informed expert managers in Nigeria whose compensation is likely linked to the profit of the business, have an incentive to inflate the reported earnings. That is probably why profitability does not have any bearing with either mandatory or voluntary disclosure.

Leverage is not statistically associated with the overall disclosure level but found to be significant at 10% level for only SAS disclosure level. The non significance of this result is related to the works of Chau and Gray (2002:260) and Ali et al (2004:188). Contrary to this, leverage was found to be significance in the works of Prencipe (2004:334) and Al-Shammari (2005:131). Our result contradicts agency theory in which Jenson and Meckling (1976:305), propound that agency costs are higher for companies with more debt and disclosures are expected to increase with leverage.

The results reveal that the company listing age is not a significant variable for both mandatory and voluntary disclosures. This finding is in congruence with the findings of Akhtarudin (2005: 413) for mandatory disclosures and Glaum and Street (2003:340) for voluntary disclosures. This is not in line with the findings of Owusu Ansah (1998: 619) and Prencipe (2004:333). The result confirms that there is no significant relationship between company listing age and accounting disclosures.

The results show that industry type is insignificant in explaining disclosures, indicating that industry has no consequence on the mandatory and voluntary disclosure practices of the sample companies This result somewhat contradicts the result of Al-Shammari (2005:131), where industries are classified into four groups, namely, banking and investment, insurance, manufacturing and service. Al-Shammari finds that disclosure compliance is positively related to industry type. The work of Naser et al (2002:147) is consistent with our findings that industry type is an insignificant factor.

In agreement with prior studies by Glaum and Street(2003:86) and Barako (2007:124) a positive and significant association between auditor size and extent of disclosure is recognised. It has been found that financial statements audited by any Big Four firm carry more information than those audited by non-Big Four firms. From the analysis, out of the 90 sample companies, 66 (73.3%) are audited by the Big Four audit firms with international affliation and 24 (26.7%) are audited by other firms. Of the 66 audited by the Big Four 36 (54%) are audited by Akintola Williams Deloite, Ernst and Young 5 (8%), KPMG 6(9%), and PricewaterhouseCoopers 19 (29%). This implies that audit quality of the listed companies is influenced by the auditor size. The quality of audit can be attributable to the modern information system audit currently adopted by these Big audit firms in Nigeria.

The results of this study confirm that for both mandatory and voluntary disclosure, multinationalilty is an insignificant factor, but when considering the voluntary items alone, multinationality emerged as marginally significant at a 10% level. This is quite unlike the result from Chau and Gray (2002:256), that finds multinational factor to be insignificant for voluntary disclosures of Singapore and Hong Kong.

In summary, the estimation results obtained through the ranked regression analysis suggest that company size and auditor type, both related to positive accounting theory, provide a satisfactory basis for explaining the attitude of listed Nigerian companies regarding disclosure of accounting information (mandatory and voluntary). The remaining variables (profitability, leverage, company listing age, industry type and multinational parent) made no significant contribution.

**Research Question 5: Are there differences in the perception of preparers, auditors and users of accounting information on disclosure practices of listed Nigerian companies?**

The multivariate test of significance is conducted using Wilks’ Lamda. A significant value of 0.374 shows there is no statistically significant difference in the perception of preparers, auditors and users of accounting information on disclosure practices relating to extent of disclosure by listed Nigerian companies. The questionnaire survey reveals the mean score of prepares auditors and users to be 2.98. 2.95 and 2.84 respectively, for compliance of financial companies with SASs. A mean score of 2.56, 2.69 and 2.59 is reported for the three groups respectively for compliance of non-financial companies with SASs. For compliance with IASs/IFRSs the mean scores of 3.04, 3.05 and 2.92 are reported for the financial companies while scores of 2.70, 2.76 and 2.59 are reported for non-financial companies. This result is quite in line with the findings of Research questions 1 and 2 which find that listed companies do not fully comply with the disclosure requirements of the SASs and IASs/IFRSs and that accounting disclosures of financial companies is higher than the non-financial companies.

For voluntary disclosure practices and factors influencing disclosures, there is no statistically significant difference in the perception of preparers, auditors and users of accounting information. More than half of the respondents asserted that, inadequate training of preparers, poor audit quality by external auditors, ineffective and inefficient monitoring mechanisms, inadequate sanctions to deter non-compliance, and cumbersome accounting standards, are also factors influencing compliance.

**Research Question 6: What are the consequences of non-compliance with the disclosure requirements of accounting standards?**

About sixty seven percent of the respondents are affirmative that the failure of some Nigerian listed companies is due to partial or non-disclosure of relevant accounting information. Not less than 78.9% are affirmative that partial or non-disclosure of relevant accounting information impedes investors’ decisions. About sixty four percent of the respondents are of the view that non disclosure of relevant accounting standards encourages fraud, 62.1% of the respondents agree that partial or non-disclosure of relevant accounting information limits prudent allocation of resources, and 76.8% accedes to the fact that partial or non-disclosure of relevant accounting information erodes investors' confidence. No statistically significant difference is found in the perception of preparers, auditors and users of accounting information. These findings reveal that all the respondents are convinced of the adverse effect of not disclosing adequate and relevant accounting information. Disclosing relevant accounting information cannot be over emphasised, it circumvents fraud, serves as an early warning tool and is useful in making vital and prudent decisions.

**5.3 Recommendations**

The following recommendations are outlined, this will be useful to stakeholders such as accountants, auditors, company managers, investors, financial analysts, stock brokers and the regulatory bodies responsible for accounting standard setting and stock market regulations.

1. Adequate steps should be taken by the Nigerian Accounting Standards Board (NASB), Securities Exchange Commission (SEC), Nigerian Stock Exchange (NSE) and other regulatory bodies to ensure full compliance with relevant national accounting disclosure requirements. An increase in the quality of information disclosure will help the users make informed predictions and aid the evaluation of the company’s progress which invariably would reinforce the stock market development. Effective enforcement programmes should be put in place to protect the interest of the diverse user groups. Stringent reward/punishment programme should be introduced in order to ensure that all listed companies comply with the mandatory accounting standards in Nigeria.
2. The high compliance of large listed companies can be related to low information costs which could have resulted from the use of modern information technology (IT). The government should encourage smaller companies by promoting the development of IT in Nigeria. Every organization should be able to afford state-of-the-art IT tools. This will reduce information cost and encourage the disclosure of adequate accounting information.
3. The Big four audited 73.4% of the sampled listed companies and auditor type is quite crucial in explaining disclosure practices. Therefore small audit firms should be encouraged to grow up, through merger or acquisition. With consolidation audit firms can be equipped with the necessary skilled staff, software and hardware that will enable them to compete with the Big four firms. Information cost can be reduced, and moreover the audit firms would not have to compromise the level of disclosure out of fear.
4. NASB should improve its standards to gain relevance and enhance the acceptance of financial statements prepared using the SASs by diverse users. There are many accounting issues covered by IFRSs which are omitted in SASs. Therefore all SASs should be overhauled by incorporating all relevant sections and paragraphs in IFRSs not yet addressed by it. Alternatively, the NASB should seriously consider adopting the IFRSs in order for Nigeria to keep up with the global trend.
5. All Nigerian listed companies should consider maintaining two sets of report in the annual report document. The first set should be a report using SASs which is the national requirement while the second set of report should use IFRSs, in particular for international audience. This will make the financial statements comparable and will therefore enhance global competition, inflow of foreign direct investment, and international listings.

**5.4 Conclusions**

Findings of empirical studies on disclosure practices are varied and conflicting. Variations have emerged in the compliance levels of companies, the myriad factors influencing disclosure, the overall fit of the model, the coefficient of determination, the t- statistics of each independent variable, the significance or non-significance of the model. The results also vary from country to country. It is obvious that studies on disclosure practices are more prevalent in developed countries than developing ones. In Nigeria, relatively few attempts have been made to investigate the extent of information disclosure and the factors influencing disclosures. In this study, the result of the traditional multivariate regression analysis suggests, that the listed companies with huge assets are the trendsetters in providing mandatory and voluntary disclosures while the big audit firms are the trailblazers in ensuring that the disclosures are in accordance with accounting standards and other relevant requirements.

**5.5 Contribution to Knowledge**

This research makes theoretical and practical contributions to the field of accounting. It will enhance the quality of literature on accounting disclosures and the factors influencing them. This study throws more light and adds to understanding on the corporate disclosure practices of listed companies in Nigeria. This investigation will facilitate the improvement of disclosure practices in Nigerian companies and also serves as bench mark for future researches on corporate disclosures. This study has the following implications:

1. This study has implications for the regulators and enforcement agencies such as Nigerian Accounting Standards Board (NASB), the Securities Exchange Commission (SEC), the Nigerian Stock Exchange (NSE). It provides evidence for compliance levels of listed companies and factors associated with different levels of compliance. It will enable the regulatory agencies to aim at greater compliance with the local and international standards and will also enable them to enforce penalties for non-compliance. Efforts can particularly focus on smaller companies audited by non-big auditing firms.
2. The disclosure index developed for this study can be utilised by preparers and auditors in assessing the extent of compliance by their companies.
3. The findings offer current and prospective, local and foreign investors an objective assessment of the degree of compliance with SASs and IFRSs by listed companies in Nigeria.
4. This study also provides useful information to international organizations interested in spreading of IFRSs in developing countries.

**5.6 Suggestions for further Study**

In view of the limitations of this research, the following suggestions are recommended for further study:

1. The opinion survey of 1000 accountants, creditors, stockbrokers, auditors and regulators is used for the study. Future research can consider increasing the scope to include investors, financial analysts and other related parties. This will provide additional evidence on accounting disclosure practices in Nigeria.
2. This study explores only 48% of the companies listed on the first tier Nigerian Stock Exchange market as at December 2006. Future research could investigate the extent of compliance for all the listed companies and also unlisted companies.
3. The period of the study for this research is a single period. Future studies can consider a longitudinal study of annual reports. This could be used to assess the trends of disclosure in order to confirm if there had been any improvement with time.
4. The coefficient of determination (R2) for all the sixteen models estimated ranges between 0.161 to 0.647. This implies that there are still some other factors influencing disclosure which are not considered. The study explores only seven independent corporate variables, other factors influencing disclosure such as number of foreign shareholders, company age, and auditors’ opinion could be explored in further studies.
5. Auditor type is found to be significantly related to the extent of disclosure. Further studies could be done to examine the factors influencing the quality of audit and the auditor’s role in promoting the quality of accounting disclosure in Nigeria.
6. The use of cluster analysis in disclosure studies is just emerging. Researchers should consider exploring the cluster analysis method in disclosure studies to enrich the literature. Various disclosure patterns and structures as well as the financial characteristics influencing them can be discovered.

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International Accounting Standard (IAS 18) :Revenue.

International Accounting Standard (IAS 20) :Accounting for Government Grants and

Disclosure of Government Assistance.

International Accounting Standard (IAS 21) :The Effects of Changes in Foreign

Exchange Rates.

International Accounting Standard (IAS 23) :Borrowing Costs.

International Accounting Standard (IAS 24) :Related Party Disclosures.

International Accounting Standard (IAS 27) :Consolidated and Separate Financial

Statements.

International Accounting Standard (IAS 28) :Investment In Associates.

International Accounting Standard (IAS 31) : Interest in Joint Venture.

International Accounting Standard (IAS 32) : Financial Instruments Presentation.

International Accounting Standard (IAS 36) : Impairment of Assets.

International Accounting Standard (IAS 37) : Provisions, Contingent Liabilities, and

Contingent Assets.

International Accounting Standard (IAS 38) : Intangible Assets.

International Accounting Standard (IAS 40) : Investment Property.

International Financial Reporting Standard (IFRS 2) : Share Based Payment.

International Financial Reporting Standard (IFRS 3) : Business Combinations.

Statement of Accounting Standard (SAS 1) : Disclosure of Accounting Policies.

Statement of Accounting Standard (SAS 2) : Information to be disclosed in the

Financial Statements.

Statement of Accounting Standard (SAS 3) : Accounting for Property, Plant and

Equipment.

Statement of Accounting Standard (SAS 4) : On Stocks.

Statement of Accounting Standard (SAS 7) : On Foreign Currency Conversions and

Translations.

Statement of Accounting Standard (SAS 8) : Accounting for Employees’ Retirement

Benefits.

Statement of Accounting Standard (SAS 9) :Accounting for Depreciation.

Statement of Accounting Standard (SAS 13) : Accounting for Investments.

Statement of Accounting Standard (SAS 18) : Statement of Cash Flows.

Statement of Accounting Standard (SAS 19) : Accounting for Taxes

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**APPENDIX I**

**The Companies and Industries Sampled**

|  |  |  |
| --- | --- | --- |
| **No** | **Industry** | **Company** |
| 1 | Agriculture | Livestock Feeds Plc. |
| 2 | Agriculture | Okomu Oil Palm Plc. |
| 3 | Agriculture | Presco Plc. |
| 4 | Automobile and Tyre | Dunlop Nigeria Plc. |
| 5 | Automobile and Tyre | RT Briscoe (Nigeria) Plc. |
| 6 | Aviation | Nigerian Aviation Handling Company Plc. |
| 7 | Banking | Access Bank Plc. |
| 8 | Banking | Afribank Nigeria Plc. |
| 9 | Banking | Diamond Bank Plc. |
| 10 | Banking | Ecobank Nigeria Plc. |
| 11 | Banking | Fidelity Bank Plc. |
| 12 | Banking | First Bank of Nigeria Plc. |
| 13 | Banking | GTBank Plc. |
| 14 | Banking | IBTC Charterd Bank Plc. |
| 15 | Banking | Intercontinental Bank Plc. |
| 16 | Banking | Oceanic Bank International Plc. |
| 17 | Banking | PlatinumHabib Bank Plc. |
| 18 | Banking | SKPE Bank Plc. |
| 19 | Banking | Sterling Bank Plc. |
| 20 | Banking | United Bank of Africa Plc. |
| 21 | Banking | Union Bank of Nigeria Plc. |
| 22 | Banking | Zenith Bank Plc. |
| 23 | Breweries | Guniness Nigeria Plc. |
| 24 | Breweries | Nigerian Breweries Plc. |
| 25 | Building Materials | Ashaka Cement Plc. |
| 26 | Building Materials | Cement Co. of Northern Nigeria Plc. |
| 27 | Building Materials | Nigerian Wire Plc. |
| 28 | Building Materials | WAPCO Plc. |
| 29 | Chemical and Paints | DN Meyer Plc. |
| 30 | Chemical and Paints | CAP Plc |
| 31 | Commercial services | Trans-Nationwide Express Plc. |
| 32 | Computer and office equipment | Thomas Wyatt Plc. |
| 33 | Computer and office equipment | Tripple Gee and Company Plc. |
| 34 | Conglomerate | A.G. Leventis ( Nigeria) Plc |
| 35 | Conglomerate | Chellarams. |
| 36 | Conglomerate | John Holt Plc. |
| 37 | Conglomerate | P Z industries Plc. |
| 38 | Conglomerate | SCOA Nigeria Plc. |
| 39 | Conglomerate | UAC of Nigeria Plc. |
| 40 | Conglomerate | Unilever Nigeria |
| 41 | Construction | Cappa and D'alberto Plc |
| 42 | Construction | Costain (WA) Plc |
| 43 | Engineering | Linterlinked Plc |
| 44 | Food/Beverages & Tobacco | 7up Bottling Co Plc |
| 45 | Food/Beverages & Tobacco | Dangote Flour Mills Plc |
| 46 | Food/Beverages & Tobacco | Flour Mills Nigeria Plc |
| 47 | Food/Beverages & Tobacco | Nestle Nigeria Plc |
| 48 | Food/Beverages & Tobacco | Nigerian Bottling Company Plc |
| 49 | Food/Beverages & Tobacco | UTC Nigeria Plc |
| 50 | Health care | Ekocorp Nigeria Plc |
| 51 | Health care | GlaxoSmithKline Consumer Nigeria Plc |
| 52 | Health care | May&Baker Nigeria Plc |
| 53 | Health care | Morison Industries Plc |
| 54 | Health care | Neimeth International Pharm |
| 55 | Hotel and Tourism | Ikeja Hotels Plc |
| 56 | Indusrial/Domestic Products | Aluminium Extrusion Industries Plc. |
| 57 | Indusrial/Domestic Products | BOC Gases Nigeria Plc. |
| 58 | Indusrial/Domestic Products | First Aluminium Nigeria Plc. |
| 59 | Indusrial/Domestic Products | Nigerian Enamel Plc. |
| 60 | Indusrial/Domestic Products | Vono Products Plc. |
| 61 | Insurance | AIICO Insurance Plc |
| 62 | Insurance | Cornerstone Insurance Co. Plc. |
| 63 | Insurance | Lasaco Assurance Plc. |
| 64 | Insurance | Law Union and Rock Insurance Plc. |
| 65 | Insurance | Mutual Benefits Assurance Plc. |
| 66 | Insurance | NEM Insurance Company (Nig.) Plc. |
| 67 | Insurance | Niger Insurance Company Plc. |
| 68 | Insurance | Prestige Assurance Plc. |
| 69 | Insurance | Starco Insurance Plc. |
| 70 | Insurance | Standard Alliance Insurance Plc. |
| 71 | Insurance | WAPIC insurance Plc. |
| 72 | Maritime | Japaul Oil and Maritime Services Plc. |
| 73 | Mortgage | Union Homes Savings and Loan Plc |
| 74 | Packaging | Avon Crowncaps and Containers Plc. |
| 75 | Packaging | Beta Glass Company Plc. |
| 76 | Packaging | Greif Nigeria Plc. |
| 77 | Packaging | Nampak Nigeria Plc. |
| 78 | Packaging | Poly Products Nigeria Plc. |
| 79 | Petroleum | African Petroleum Plc. |
| 80 | Petroleum | Chevron Oil Nigeria Plc. |
| 81 | Petroleum | ConOil Nigeria Plc. |
| 82 | Petroleum | Eterna Oil and Gas Plc. |
| 83 | Petroleum | Mobil Oil Nigeria Plc. |
| 84 | Petroleum | Oando Plc. |
| 85 | Petroleum | Total Nigeria Plc. |
| 86 | Printing and Publishing | Academy Press Nigeria Plc. |
| 87 | Real Estate | UACN Property Development Co. Plc. |
| 88 | Textile | Afprint Nigeria Plc. |
| 89 | Textile | United Nigerian Textiles Plc. |
| 90 | The Foreign | Ecobank Transnational Incorporated |

**APPENDIX II**

**Statements of Accounting Standards and whether they are included in the Compliance Index or not**

**SAS Title In Compliance**

**index?**

**(Yes or No)**

SAS 1 Disclosure of Accounting Policies Yes

SAS 2 Information to be disclosed in the Financial Yes

Statements

SAS 3 Accounting for Property, Plant and Equipment Yes

SAS 4 On Stocks Yes

SAS 5 On Construction Contracts No

SAS 6 On Extraordinary items and Prior Year No

Adjustments.

SAS 7 On Foreign Currency Conversions and Translations Yes

SAS 8 Accounting for Employees’ Retirement Benefits Yes

SAS 9 Accounting for Depreciation Yes

SAS 10 Accounting for Banks and Non-Bank Financial No

Institutions (Part 1)

SAS 11 On Leases No

SAS 12 Accounting for Deferred Taxes No

SAS 13 Accounting for Investments Yes

SAS 14 Accounting for Petroleum Industry : Upstream No

Activities

SAS 15 Accounting for banks and Non- Bank Financial No

Institutions (Part 2)

SAS 16 Accounting for Insurance Business No

SAS 17 Accounting for Petroleum Industry : No

Downstream Activities

SAS 18 Statement of Cash Flows Yes

SAS 19 Accounting for Taxes Yes

SAS 20 On Abridged Financial Statements No

SAS 21 On Earnings Per Share Yes

SAS 22 On Research and Development Costs Yes

SAS 23 On Provisions, Contingent liabilities and Yes

Contingent Assets

SAS 24 On Segment Reporting No

SAS 25 Telecommunication Activities No

SAS 26 Business Combinations No

SAS 27 Consolidated and Separate Financial Statements No

SAS 28 Investment in Associates No

SAS 29 Interests in Joint Ventures No

SAS 30 Interim Financial Reporting No

**APPENDIX III**

**International Financial Reporting Standards and whether they are included in the Compliance Index or not**

**IFRS Title Compliance**

**Index**

IAS 1 Accounting Policies Yes

IAS 2 Inventories Yes

IAS 7 Cash Flow Statement No

IAS 8 Accounting Policies, Changes in

Accounting Estimates and Errors No

IAS 9 Research and Development No

IAS 10 Subsequent Events Yes

IAS 11 Construction Contract No

IAS 12 Income Taxes Yes

IAS 14a Segment Reporting (Geographic) Yes

IAS 14b Segment Reporting (Line of Business) Yes

IAS 16 Property, Plant and Equipment Yes

IAS 17 Leases No

IAS 18 Revenue Yes

IAS 19 Employment Benefits No

IAS 20 Government Grants and Government Yes

Assistance.

IAS 21 Foreign Exchange Rates Yes

IAS 23 Borrowing Costs Yes

IAS 24 Related Party Disclosures Yes

IAS 26 Accounting and Reporting by Retirement No

Benefit Plans

IAS 27 Consolidated Financial and Investment in Yes

Subsidiaries

IAS 28 Investment in Associates Yes

IAS 29 Hyperinflationary Economies No

IAS 30 Disclosure in the Financial Statement of

Banks and similar financial institutions No

IAS 31 Interests in Joint Ventures Yes

IAS 32 Financial Instruments : Disclosure and Yes

Presentation

IAS 33 Earnings per Share No

IAS 34 Interim Financial Reporting No

IAS 36 Impairment of Assets Yes

IAS 37 Provisions, Contingent Liabilities and Yes

Assets

IAS 38 Intangible Assets Yes

IAS 39 Financial Instruments- Recognition and

Measurement No

IAS 40 Investment Property Yes

IAS 41 Agriculture No

IFRS 1 First Time Adoption of International No

Reporting Standards

IFRS 2 Share Based Payment Yes

IFRS 3 Business Combinations Yes

IFRS 4 Insurance Contracts No

IFRS 5 Non Current Assets No

IFRS 6 Exploration for and Evaluation of Mineral No

Assets.

**APPENDIX IV**

**Sample of Research Questionnaire**

**Department of Accounting,**

**College of Business and Social Sciences,**

**Covenant University,**

**Ota, Ogun State,**

**Nigeria**

Dear Respondent,

This questionnaire aims at assessing the extent of **Accounting Disclosures and Corporate Attributes in Nigerian Listed Companies**. This study is undertaken in partial fulfilment of the requirements for the award of a Ph.D. degree in Accounting.

Please complete this questionnaire as honestly as you can. All information supplied will be used solely for the purpose of this study and will be treated with utmost confidentiality. Your co-operation will be highly appreciated. Thank you in advance.

Yours sincerely,

Adebimpe Otu Umoren

**Section A: Personal Data**

**Instruction: Please tick or fill where necessary.**

1. Name of Organization: ( Optional) ...................................................................Location (State)....................................

2. Sex: Male Female

3. Highest Academic Qualification: HND B.Sc/B.A. MBA/MSc PhD

4. Professional Qualifications: (Please.specify) ......................................................

5. Occupation: Accountant Auditor Stock broker Financial Consultant

Accounting educator Banker Others (Please.specify)..............................................................

6. Years of working experience 1-5yrs 5- 10yrs Above 10 yrs

**Section B: Extent of compliance with Statement of Accounting Standards (SASs) and International Financial Reporting Standards (IASs/IFRSs).**

**Instruction: Kindly indicate your choice for each statement from the list of options provided: SA = Strongly Agree, A = Agree, D = Disagree and SD = Strongly Disagree.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S/No |  |  |  |  |  |
| 7 | In practice, listed financial companies in Nigeria fully comply with the disclosure requirements of the local SASs. | SD | D | A | SA |
| 8 | In practice, listed non-financial companies in Nigeria fully comply with the disclosure requirements of the local SASs. | SD | D | A | SA |
| 9 | Where there is a conflict between SAS and IAS/IFRS disclosures, listed companies usually apply SAS. | SD | D | A | SA |
| 10 | Where there is a conflict between SAS and IAS/IFRS disclosures, listed companies usually apply IAS/IFRS. | SD | D | A | SA |
| 11 | In areas where there are no local accounting standards, relevant IASs/IFRSs are fully applied by listed financial companies. | SD | D | A | SA |
| 12 | In areas where there are no local accounting standards, relevant IASs/IFRSs are fully applied by listed non-financial companies. | SD | D | A | SA |
| 13 | Listed companies with multinational affiliation fully apply IASs/IFRSs. | SD | D | A | SA |

**Section C: Voluntary disclosure by listed companies.**

Listed companies in Nigeria voluntarily disclose the following information.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 14 | Quantitative forecast of performance for the next accounting year |  | SD | D | A | SA |
| 15 | Corporate social responsibility information |  | SD | D | A | SA |
| 16 | Corporate governance information |  | SD | D | A | SA |
| 17 | Environmental liabilities and cost information |  | SD | D | A | SA |
| 18 | Risk management information |  | SD | D | A | SA |

**Section D: Factors influencing the extent of disclosure by listed companies.**

The following factors are responsible for the extent of disclosure by listed companies.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 19 | Company size |  | SD | D | A | SA |
| 20 | Profitabililty |  | SD | D | A | SA |
| 21 | Leverage |  | SD | D | A | SA |
| 22 | Company age |  | SD | D | A | SA |
| 23 | Industry type |  | SD | D | A | SA |
| 24 | Size of external audit firm |  | SD | D | A | SA |
| 25 | Multinational affiliation |  | SD | D | A | SA |
| 26 | Inadequate training of preparers |  | SD | D | A | SA |
| 27 | Poor audit quality by external auditors |  | SD | D | A | SA |
| 28 | Ineffective and inefficient monitoring mechanisms |  | SD | D | A | SA |
| 29 | Inadequate sanctions to deter non-compliance |  | SD | D | A | SA |
| 30 | Cumbersome accounting standards |  | SD | D | A | SA |

**Section E: Consequences of non-compliance with disclosure requirements of the accounting standards.**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31 | Failure of some Nigerian listed companies is due to partial or non-disclosure of relevant accounting information. | SD | | | SD | D | A | SA |
| 32 | Partial or non-disclosure of relevant accounting information impedes investors’ decisions. |  |  | SD | | D | A | SA |
| 33 | Ensuring full disclosure of relevant accounting standards circumvents fraud. |  |  | SD | | D | A | SA |
| 34 | Partial or non-disclosure of relevant accounting information limits prudent allocation of resources. |  |  | SD | | D | A | SA |
| 35 | Partial or non-disclosure of relevant accounting information erodes investors' confidence. |  |  | SD | | D | A | SA |

**APPENDIX V**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DISCLOSURE CHECKLIST QUESTIONNAIRE** | | | | |
| **Name of Company :** | | | | |
| **Year end:** | | | | |
|  | **SAS DISCLOSURE TEMPLATE** |  |  |  |
|  | **SAS 1- Disclosure of Accounting Policies** | Y | N | NA |
| 1 | Have the accounting policies been prominently disclosed as an integral part of the financial statements under one caption, rather than notes to individual items in financial statements? (SAS 1.22) |  |  |  |
| 2 | Has the information about the basis of preparation of the financial statement been disclosed by way of notes to the financial statements? (SAS 1.21) |  |  |  |
| 3-14 | Does the accounting policies presented under a caption include:  a) consolidation principles, including subsidiaries and associates;  b) intangible assets- goodwill;  c)investments;  d) fixed Assets;  e) depreciation;  f) stock and work in progress;  g) turnover;  h)foreign currencies conversion;  j) taxes, including deferred taxes;  k) employee retirement benefits.  l) research and development costs(yr end 31 Dec);  m) provisions( Yr end 31 Dec)? |  |  |  |
| 15-17 | Has the company disclosed:   1. the description of the nature of changes in accounting policies; 2. its effect on the current year’s profit or loss; and 3. the cumulative effect of such a change? (SAS 1.23) |  |  |  |
|  | **SAS 2 – Information to be disclosed in financial statements** |  |  |  |
| 18 | Is the name of the enterprise disclosed? (SAS 2. 11) |  |  |  |
| 19 | Is period of time covered disclosed? (SAS 2.11) |  |  |  |
| 20 | Has the company made a brief description of activities? (SAS 2.11) |  |  |  |
| 21 | Is the legal form of the company disclosed? (SAS 2.11) |  |  |  |
| 22-23 | Has the entity described  a the relationship with its significant local and overseas suppliers including the immediate and ultimate parent, associated or affiliated company? (SAS 2. 11)  b. financial implication of inter-company transfer and technical/management agreements between the enterprise and its significant local and overseas suppliers including immediate and/or ultimate, associated affiliated company? (SAS 2. 13) |  |  |  |
| 24 | Does the financial statement include balance sheet? (SAS 2.12) |  |  |  |
| 25 | Does the financial statement include profit & loss account or income statement? (SAS 2.12) |  |  |  |
| 26 | Does the financial statement include notes to the account? (SAS 2.12) |  |  |  |
| 27 | Does the financial statement include statement of cash flow? (SAS 2.12) |  |  |  |
| 28 | Does the financial statement contain five year financial summary?(SAS 2.12) |  |  |  |
| 29 | Does the financial statement show corresponding figures for the preceding period? (SAS 2. 14) |  |  |  |
| 30 | In the value added statement, are purchases distinguished between imported and local items? (SAS 2.24) |  |  |  |
|  | **SAS 3- Accounting for Property, Plant and Equipment (PPE)** |  |  |  |
| 31 | Does the financial statement disclose the bases for determining the book value of PPE? (SAS 3.45a) |  |  |  |
| 32 | When more than one basis has been used, does the entity disclose the book value determined under each basis in each category of PPE? (SAS 3.45b) |  |  |  |
| 33-35 | Where PPE are stated at revalued amounts, does the entity disclose   1. the methods adopted to compute these amounts, 2. the policy with regards to the frequency of revaluations, 3. whether external valuers are involved? (SAS 3.45c) |  |  |  |
| 36 | Have the movements in each category of PPE ( i.e additions and disposals) during the year been disclosed? (SAS 3.45d) |  |  |  |
| M1 | The gross book value of an item of Property, Plant and Equipment (PPE) is determined using: (SAS 3.30)  i. Historical cost  ii Revalued Amount  iii Cost and Valuation |  |  |  |
| M2 | On revaluation of PPE, the increase/decrease in the net book value is credited to: (SAS 3.42)  i. Revaluation surplus account  ii Income statement  iii others |  |  |  |
| M3 | Gains or losses arising from the retirement or disposal of an item of PPE is: (SAS 3.43)  i recognised in the income statement.  ii taken to the revaluation surplus account.  iii others |  |  |  |
|  | **SAS 4 – On Stocks** |  |  |  |
| 37-38 | Where differing methods of valuation have been adopted for different types of stock, does the financial statements state   1. the amount, and 2. methods used in respect of each type? (SAS 4.57) |  |  |  |
| 39 | Does the entity state the classification of stock in a manner appropriate to its business, in order to indicate the amounts held in each category? (SAS 4.58) |  |  |  |
| 40 | Does the entity disclose any changes in the basis of valuation from that used in the previous period? (SAS 4.59) |  |  |  |
| M4 | Which of the following valuation methods is used in determining the cost of stock? (SAS 4.46)  i. First in, First out  ii Average Cost  iii Specific identification  iv Standard Cost  v Adjusted Selling Price  vi others |  |  |  |
| M5 | Which measurement basis is used in valuing stocks? (SAS 4.44)  i. Cost  ii Lower of cost and net realizable value  iii Market value  iv others |  |  |  |
|  | **SAS 7 – On Foreign Currency Conversions and Translations** |  |  |  |
| 41 | Is the treatment given to foreign exchange gains and losses disclosed? (SAS 7.47b) |  |  |  |
| 42 | Has the net total gains or losses arising from changes in foreign exchange rates taken to the Profit and Loss Account been disclosed?. (SAS 7.47c) |  |  |  |
| 43 | Is post balance sheet rate movement on transactions that have significant impact on the Profit and Loss Account and Balance Sheet items disclosed in notes to the accounts? (SAS 7.47e) |  |  |  |
| 44 | Is the amount of Gains and Losses deferred disclosed? (SAS 7.47f) |  |  |  |
| M6 | Income statements of foreign operations are translated using: (SAS 7.41c)  i. closing rates  ii. exchange rates at the day of transactions  iii average rates  iv others |  |  |  |
| M7 | Assets and Liabilities of foreign operations are translated using: (SAS 7.41a)  i. closing rates  ii. exchange rates at the day of transactions  iii average rates  iv others |  |  |  |
| M8 | Transactions in foreign currencies are converted into Naira at (SAS 7. 38):   1. rates of the exchange ruling at the dates of such transactions 2. average exchange rate for the financial year 3. closing exchange rate 4. others |  |  |  |
| M9 | At balance sheet date, balances in foreign currencies are converted into Naira using (SAS 7. 39) :  i. closing rates  ii. exchange rates at the day of transactions  iii average rates  iv others |  |  |  |
| M10 | Exchange differences resulting from conversion of foreign currencies are taken to (SAS 7.38):   1. Profit and Loss account 2. Reserves 3. Others |  |  |  |
| M11 | Exchange differences resulting from translation of foreign entities financial statements are taken to (SAS 7.41):   1. Profit and Loss account 2. Reserves 3. Others |  |  |  |
|  | **SAS 8 – On Accounting For Employees’ Retirement Benefits** |  |  |  |
| 45 | Has the reporting entity disclosed in the notes to the accounts the categories of employees covered for the retirement, provident or pension plan? (SAS 8. 76a) |  |  |  |
| 46 | Has the company disclosed in the notes to the accounts the accounting, actuarial and funding methods used, and changes thereto, where a defined contribution or benefit plan exists? (SAS 8. 76b) |  |  |  |
| 47 | Has the company disclosed in the notes to the accounts the provisions made for retirement, provident or pension costs for the year? (SAS 8. 76c) |  |  |  |
| M12 | Retirement benefits are determined using (SAS 8.13):   1. Benefit-based plan- 2. Contribution-based plan-*defined contribution* 3. Others – unfunded |  |  |  |
| M13 | For contributory pension scheme:   1. What is the percentage contribution of the employer?   ii What is the percentage contribution of the employee? |  |  |  |
|  | **SAS 9 – Accounting For Depreciation** |  |  |  |
| M14 | The depreciable value of an item of property, plant and equipment is (SAS 9.35):   1. historical costs 2. revalued amount 3. cost and valuation |  |  |  |
| M15 | What method of depreciation is used( SAS 9. 37)?   1. Straight line method 2. Reducing balance method 3. Both (i) and (ii) 4. Others |  |  |  |
| M16 | Average depreciation period for:   1. Land and buildings is …………. 2. Plant and Machinery is ……………. 3. Motor vehicles are ……………. 4. Furniture and fittings..................... 5. Computer Equipment is ……………….  * Other Equipment is ………………….. |  |  |  |
| 48 | Is the amount charged as depreciation during the period disclosed in the Notes to the Accounts? (SAS 9. 46a) |  |  |  |
| 49 | Is the effect of changes in depreciation rate on the operating results of the period disclosed by way of Notes to the Account? (SAS 9. 46b) |  |  |  |
| 50 | Are the methods used in computing depreciation in the period disclosed in the Notes to the Account? (SAS 9. 46c) |  |  |  |
| 51 | Is the accumulated depreciation for each category or group of assets disclosed in the Note to the Account?(SAS 9.46d) |  |  |  |
|  | **SAS 13 – On Accounting for Investments** |  |  |  |
| 52 | Does the entity disclose the aggregate quoted market value of securities of quoted companies as well as their corresponding carrying amounts? (SAS 13. 55) |  |  |  |
| 53 | Has the company disclosed significant amounts included in income in respect of interest, dividends and rentals on short-term investments, and investment properties?(SAS 13.56) |  |  |  |
| 54 | Has the company disclosed significant amounts included in income in respect of profits and losses on disposal of short and long term investments?(SAS 13.56) |  |  |  |
| 55 | Has the company disclosed significant amounts included in income in respect of the amount by which aggregate cost exceeds market value? SAS 13.56) |  |  |  |
| 56 | Has the reporting enterprise disclosed the names of the persons making the valuation of its investment properties or other long-term investments for which an active market does not exist, their professional qualifications, the dates and bases of valuation, or whether they are employees or officers of the company or group which owns the property? (SAS 13.59) |  |  |  |
|  | **SAS 18 – On Statement of Cash Flows** |  |  |  |
| 57 | Does the cash flow statement disclose cash flows during the period classified by operating, investing and financing activities? (SAS 18.66) |  |  |  |
| M17 | Does the Company disclose cash flows from operating activities using either: (SAS 18.67)  i) the direct method? or  ii) the indirect method? |  |  |  |
| 58 | Does the cash flows disclosed separately, interest received, dividends received, interest paid, dividends paid and income taxes paid in the Statement of Cash Flows? (SAS 18.80) |  |  |  |
| 59 | Does the reporting enterprise prepare a Statement of Cash Flows as an integral part of its financial statement, prepared on a net basis? (SAS 18.81). |  |  |  |
| 60 | Does the enterprise disclose by way of note a reconciliation of the amounts in its Statement of Cash Flows with equivalent items reported in the profit and loss account and the balance sheet? (SAS 18. 82) |  |  |  |
| 61 | Does the Statement of Cash Flows include separately a reconciliation of the increase and decrease in cash and cash equivalents during the reporting period with opening and closing balances? (SAS 18.82) |  |  |  |
|  | **SAS 19- Accounting For Taxes** |  |  |  |
| M18 | Deferred tax is computed using the following method (SAS 12. 32)   1. liability method- 2. nil prov 3. deferral method 4. others |  |  |  |
| 62 | Does the enterprise recognize tax as an expense ((income) in the profit and loss account as a separate line item? (SAS 19. 65) |  |  |  |
| 63 | Is Company Income Tax disclosed by way of notes? (SAS 19.65) |  |  |  |
| 64 | Is Petroleum Profit Tax disclosed by way of notes? (SAS 19.65). |  |  |  |
| 65 | Is Capital Gains Tax disclosed by way of notes? (SAS 19.65). |  |  |  |
| 66 | Is Education Tax disclosed by way of notes? (SAS 19.65). |  |  |  |
| 67 | Is Deferred Tax disclosed by way of notes? (SAS 19.65). |  |  |  |
| 68-69 | Are tax assets and liabilities disclosed separately in the balance sheet with movements shown by way of notes? (SAS 19.69)   1. Current Taxes 2. Deferred Taxes |  |  |  |
|  | **SAS 21- Earnings Per Share** |  |  |  |
| 70 | Does the enterprise disclose basic earnings per share on the face of the income statement, and the historical financial summary with equal prominence? (SAS 21. 53). |  |  |  |
| 71 | Does the enterprise disclose diluted earnings per share on the face of the income statement, and the historical financial summary with equal prominence? (SAS 21. 53). |  |  |  |
| 72 | Does the enterprise disclose the amounts used as numerators in calculating basic earnings per share, and a reconciliation of those amounts to the net profit and loss for the period? (SAS 21.56a) |  |  |  |
| 73 | Does the enterprise disclose the amounts used as numerators in calculating diluted earnings per share, and a reconciliation of those amounts to the net profit and loss for the period? (SAS 21.56a) |  |  |  |
| 74 | Does the enterprise disclose any changes in the number of shares used to compute earnings per share? (SAS 21.56b) |  |  |  |
|  | **SAS 22: On Research and Development Costs ( for accounts ending on 31/12/06)** |  |  |  |
| 75 | Is the amount of research costs and development recognized for the period disclosed as expense? |  |  |  |
| M19 | What is the method used in treating research and development?   1. write-off method 2. deferral method |  |  |  |
| 76 | Are the amortization methods disclosed for development costs? |  |  |  |
| 77 | Is there a reconciliation of the balance of unamortized development costs at the beginning and end of the period? |  |  |  |
| 78 | Is the grant received disclosed showing the amount received, receivable and source? |  |  |  |
|  | **SAS 23 : On Provisions, Contingent liabilities and Contingent Assets ( For accounts ending on 31/12/06)** |  |  |  |
| 79 | For each class of provision, did the entity disclose the carrying amounts at the beginning and end of the period, additional provision made in the period, including increases to existing provisions, amounts used during the period and unused amounts reversed during the period? |  |  |  |
| 80 | Does the entity disclose the following for each class of provision, a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits, an indication of the uncertainties about the amount or timing of those outflows and the amount of any expected reimbursement? |  |  |  |
| 81 | Does the company disclose for the contingent liabilities the nature of the contingent liabilities, estimate of its financial effects and possibility of reimbursement? |  |  |  |
| 82 | Does the entity disclose information on the nature of contingent assets and its financial effects, where an inflow of economic benefit is probable? |  |  |  |
|  | **IFRS DISCLOSURE TEMPLATE** |  |  |  |
|  | **IAS 1- Presentation of Financial Statement** |  |  |  |
| 1 (1) | Does the entity disclose that the financial statements comply with IFRSs? ( IAS 1. 14) |  |  |  |
| 2 (2) | Do the financial statements include a statement showing all changes in equity? (IAS 1.8) |  |  |  |
| 3 (3) | Does the entity disclose that the financial statements comply with any approved accounting standards? |  |  |  |
| 4-5  (4-5) | Are the following information displayed prominently for a proper understanding of the information presented:  (a) the presentation currency; and  (b) level of precision used in the presentation of figures in the  financial statements *(for example, thousands or millions of units*  *of the presentation currency)?* |  |  |  |
| 6 (6) | Does the company disclose in the summary of accounting policies or other notes, the judgments made by the management in the process of applying accounting principles? (IAS 1.113)? |  |  |  |
| 7 (7) | Does the company disclose either the number of employees at the end of the period or the average for the period (IAS 1.102)? |  |  |  |
| 8 (8) | Does the company disclose the amount of dividends recognised as distributions to equity holders during the period and related amount per share? |  |  |  |
| 9 (9) | Does the company disclose the dividends proposed or declared before financial statements were authorised for issue but not recognised as distributions to equity holders during the period? |  |  |  |
|  | **IAS 2 – Inventories** |  |  |  |
| 10 | Has the company disclosed the amount of inventories write-down that is recognized as expenses during the period? ( IAS 2.36d,e) |  |  |  |
| 11 | Has the company disclosed the amount of, and circumstances or events leading to, the reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period? ( IAS 2.36f,g) |  |  |  |
| 12 | Has the organization disclosed the carrying amount of inventories pledged as security for liabilities?( IAS 2.36h) |  |  |  |
|  | **IAS 10: Events after the balance sheet date** |  |  |  |
| 13 (10) | Does the company disclose non-adjusting events and adjusting events, stating its nature and financial effects?(IAS 10.21) |  |  |  |
| 14 (11) | Does the company disclose the date when the financial statements were authorised for issue? (IAS 10.17 |  |  |  |
| 15 (12) | Did the company disclose the body who gave the authorisation? (IAS 10.17) |  |  |  |
| 16 (13) | Does the enterprise disclose the fact that whether the shareholders or others have the power to amend the financial statements after issuance? (IAS 10.17) |  |  |  |
|  | **IAS 12 – Income Taxes** |  |  |  |
| 17 | Did the enterprise provide an explanation of the relationship between tax expense (income) and accounting profit in either of the following forms:  (a) numerical reconciliation between tax expense (income) and product of accounting profit, multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed (refer to IAS 12 para 85)? or  (b) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed (refer to IAS 12 para 85).[IAS 12.81c] |  |  |  |
| 18 | Are amounts and other details of deductible temporary differences, unused tax losses, and unused tax credits disclosed? [IAS 12.81e] |  |  |  |
| 19 | Are temporary differences associated with investments in subsidiaries, associates, branches, and joint ventures disclosed?[IAS 12.81f] |  |  |  |
|  | **IAS 14 : Segment Reporting** |  |  |  |
| 20 (14) | Does the entity disclose the composition of each reported segment?(IAS 14.81) |  |  |  |
| 21 (15) | Has the Company disclosed for each reportable segment in the entity’s primary segment reporting format, segment revenue , result, assets, liabilities and non cash expenses? (IAS 14.51,52,56,57,58,61) |  |  |  |
| 22 (16) | For secondary segments do the entity disclose revenue, assets, capital addition?(IAS 14.69-72) |  |  |  |
| 23 (17) | Has the Company presented a reconciliation between the information disclosed for reportable segments and the aggregate information in the consolidated or entity financial statements? As a minimum, the segment revenue, segment result, segment assets and segment liabilities.(IAS 14.67) |  |  |  |
| 24 (18) | For inter-segment transfers, did the entity disclose the basis of pricing; and any changes in the basis of pricing inter-segment transfers?(IAS 14.75). |  |  |  |
|  | **IAS 16 Property, Plant and Equipment** |  |  |  |
| 25-26  (19-20) | Does the entity disclose  a the existence of PPE whose title is restricted and pledged as security for liabilities? IAS16p74(a)  b the amounts of PPE whose title is restricted and pledged as security for liabilities? IAS16p74(a) |  |  |  |
| 27 (21) | Does the entity disclose the amount of expenditure recognized in the carrying amount of PPE in the course of its construction? IAS16p74(b) |  |  |  |
| 28 (22) | Does the entity disclose the amount of contractual commitments for the acquisition of PPE? IAS16p74(c) |  |  |  |
|  | **IAS 18 Revenue** |  |  |  |
| 29 (23) | Disclose the amount of each significant category of revenue recognised during the period, including revenue arising from the sale of goods, the rendering of services, interest, royalties; and dividends.(IAS 18.35b) |  |  |  |
|  | **IAS 20- Accounting for Government Grants and Disclosure of Government Assistance** |  |  |  |
| 30 | Does the company disclose the accounting policy adopted for grants, including method of balance sheet presentation? (IAS 20.39) |  |  |  |
| 31 | Is the nature and extent of grants recognised in the financial statements disclosed?( IAS 20.39) |  |  |  |
| 32 | Is the unfulfilled conditions and contingencies attaching to recognised grants disclosed? (IAS 20.39) |  |  |  |
| 33 | Does the company disclose any form of government assistance such as technical and marketing advice? (IAS 20.39b) |  |  |  |
|  | **IAS 21 The Effects of Changes in Foreign Exchange Rates** |  |  |  |
| 34 | Does the enterprise disclose net exchange differences classified in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period. [IAS 21.52] |  |  |  |
| 35 | When the presentation currency is different from the functional currency, did the company disclose that fact together with the functional currency and the reason for using a different presentation currency. [IAS 21.53] |  |  |  |
| 36 | Does the enterprise disclose a change in the functional currency of either the reporting entity or a significant foreign operation and the reason for the change in the functional currency? [IAS 21.54] |  |  |  |
|  | **IAS 23: Borrowing Costs** |  |  |  |
| 37 (24) | Does the enterprise disclose the accounting policy adopted for borrowing costs? (IAS 23.29) |  |  |  |
| 38 (25) | Is the amount of borrowing cost capitalised during the period disclosed? (IAS 23.29) |  |  |  |
| 39 (26) | Does the enterprise disclose the capitalisation rate used to determine the amount of borrowing costs eligible for the capitalization? (IAS 23.29) |  |  |  |
|  | **IAS 24: Related Party Disclosures** |  |  |  |
| 40 (27) | Are relationships between parents and subsidiaries disclosed irrespective of whether there have been transactions between those related parties? (IAS 24.12) |  |  |  |
| 41 (28) | Does the entity disclose key management personnel compensation in total for short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits and share-based payments? (IAS 24.16) |  |  |  |
| 42-44  (29-31) | Where there have been transactions between related parties, did the entity disclose:  (i) types of transactions between related parties ;  (ii) the amount of transactions;  (iii) the amount of outstanding balances? |  |  |  |
|  | **IAS 27: Consolidated and Separate Financial Statements** |  |  |  |
| 45 (32) | Does the parent enterprise disclose in the consolidated financial statements the names of significant subsidiaries? (IAS 27.32a) |  |  |  |
| 46 (33) | Does the parent enterprise disclose in the consolidated financial statements the country of incorporation or residence of significant subsidiaries? (IAS 27.32a) |  |  |  |
| 47 (34) | Does (IAS 27.32a) |  |  |  |
| 48 (35) | Does the parent enterprise disclose in the consolidated financial statements the reasons for not consolidating a subsidiary? (IAS 27.32b) |  |  |  |
| 49-51  (36-38) | When separate financial statements are prepared for a parent that, in accordance with para 10, elects not to prepare consolidated financial statements, those separate financial statements should disclose:   1. The fact that the financial statements are separate? 2. A list of significant investments in subsidiaries, jointly controlled entities and associates? 3. Proportion of ownership interest and if different, proportion of voting power held? (IAS 27.42) |  |  |  |
|  | **IAS 28 – Investment In Associates** |  |  |  |
| 52 (39) | Does the enterprise disclose the listings of significant associates?(IAS 28.27a) |  |  |  |
| 53 (40) | Does the enterprise disclose the method used in accounting for the associates?(IAS 28.27b) |  |  |  |
| 54-56  (41-43) | Are the following disclosures made?(IAS 28.37)  (i) the fair value of investments in associates (individually) for which there are published price quotations;  (ii) summarised financial information of associates (individually for each significant associate), including the aggregated amounts of assets, liabilities, revenues and profit or loss;  (iii) the reporting date of an associate’s financial statements, when it is different from that of the investor, and the reason for using a different reporting date? |  |  |  |
|  | **IAS 31- Interests in Joint Venture** |  |  |  |
| 57 | Does the venturer disclose information about contingent liabilities relating to its interest in a joint venture? [IAS 31.54] |  |  |  |
| 58 | Is information about commitments relating to its interests in joint ventures disclosed? [IAS 31.55] |  |  |  |
| 59 | Is a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities disclosed? (IAS 31.56) |  |  |  |
| 60 | Is the method used by the venturer to recognise its interests in jointly controlled entities disclosed?. [IAS 31.57] |  |  |  |
|  | **IAS 32- Financial Instruments Presentation** |  |  |  |
| 61 (44) | For each class of financial asset, financial liability, and equity instrument, did the entity disclose the accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied? [IAS 32.60] |  |  |  |
| 62 (45) | For each class of financial assets and financial liabilities, did the entity disclose information about exposure to interest rate risk, including contractual repricing or maturity dates and effective interest rates, when applicable? [IAS 32.67] |  |  |  |
| 63 (46) | For each class of financial assets and other credit exposures, did the entity disclose information about exposure to credit risk, including: the amount that best represents its maximum credit risk exposure at the balance sheet date and significant concentrations of credit risk? [IAS 32.76] |  |  |  |
| 64 (47) | Does the entity disclose the carrying amount of financial assets pledged as collateral and any material terms and conditions relating to assets pledged as collateral? (IAS 32.94) |  |  |  |
|  |  |  |  |  |
|  | **IAS 36 – Impairment of Assets** |  |  |  |
| 65 (48) | Does the entity disclose the policies adopted for impairment losses and impairment losses (reversed) in the income statement for classes of assets? ( IAS 36.126) |  |  |  |
| 66 (49) | Does the entity disclose for primary segments impairment losses and reversals?(IAS 36.126) |  |  |  |
| 67 (50) | If an individual impairment loss (reversal) recognised is material, did the entity disclose the main events and circumstances resulting in the impairment loss? (IAS 36. 130) |  |  |  |
| 68 (51) | If an individual impairment loss (reversal) recognised is material, did the entity disclose the amount? (IAS 36. 130) |  |  |  |
|  | **IAS 37 : Provisions, Contingent Liabilities, and Contingent Assets for financial year end before December 2006)** |  |  |  |
| 69 (52) | Does the company disclose the accounting policy for provisions, contingent liability and contingent assets? |  |  |  |
| 70 (53) | For each class of provision, did the entity disclose, the carrying amount at the beginning of the period, provisions acquired through business combinations, additional provisions, amounts used, amounts reversed unused, increase during the period and the carrying amount at the end of the period?[IAS 37.84] |  |  |  |
| 71 (54) | For each class of provision, did the company provide a brief description of the nature of the obligation and of the expected timing of any resulting outflows of economic benefit, and amount of any expected reimbursement?[IAS 37.85] |  |  |  |
| 72 (55) | Does the entity disclose for each class of contingent liability, a brief description of the nature of the contingent liability, its financial effect, and possibility of any reimbursement?(IAS 37.86,91) |  |  |  |
| 73 (56) | Does the enterprise disclose for contingent assets, a brief description of the nature of the contingent asset and where practicable, an estimate of their financial effect? (IAS 37.89,91). |  |  |  |
|  | **IAS 38 – Intangible Assets** |  |  |  |
| 74-78  (57-61) | Does the entity disclose the following for each class of intangible assets:   1. Useful life or armortisation rate? 2. Armortisation method? 3. Gross carrying amount? 4. Accumulated armortisation and impairment loss? 5. Reconciliation of the carrying amount at the beginning and the end of the period showing additions, assets held for sale, retirements, revaluations, impairments, amortisation and foreign exchange differences?   (IAS 38.112, 38.122 and IAS 38.124) |  |  |  |
| 79 (62) | Does the company disclose information about intangible assets where title is restricted? |  |  |  |
| 80 (63) | Does the company disclose intangible assets carried at revalued amounts? |  |  |  |
|  | **IAS 40- Investment Property** |  |  |  |
| 81 (64) | Is there a disclosure on whether the fair value or the cost model is used? (IAS 40.75a) |  |  |  |
| 82 (65) | Are the methods and significant assumptions applied in determining the fair value of investment property disclosed? (IAS 40.75d) |  |  |  |
| 83 (66) | For Cost model, is the depreciation method, useful lives and carrying amount disclosed? (IAS 40.79) |  |  |  |
| 84 (67) | The extent to which the fair value of investment property is based on a valuation by a qualified independent valuer; if there has been no such valuation, has that fact must be disclosed? (IAS 40.75) |  |  |  |
| 85 (68) | Are the amounts disclosed in profit or loss for direct operating expenses that did or did not generate rental income during the period? (IAS 40.75f) |  |  |  |
|  | **IFRS 2- Share-based Payment** |  |  |  |
| 86 | Does the entity disclose the nature and extent of share-based payment arrangements that existed during the period? (IFRS 2) |  |  |  |
| 87 | Does the company disclose how the fair value was determined?(IFRS 2) |  |  |  |
| 88 | Does the company disclose the effect of share-based payment transactions on the financial position(IFRS 2) |  |  |  |
|  | **IFRS 3- Business Combinations** |  |  |  |
| 89 (69) | For each business combination did the acquirer disclose names and descriptions of the combining entities or businesses? [IFRS 3.67] |  |  |  |
| 90 (70) | Does the acquirer disclose acquisition date? (IFRS 3.67) |  |  |  |
| 91 (71) | Is the percentage of voting equity instruments acquired disclosed?(IFRS 3.67) |  |  |  |
| 92 (72) | Is the cost of the combination (with separate disclosure of the number and fair values of equity instruments issued and how fair values were determined) disclosed? (IFRS 3.67) |  |  |  |
| 93 (73) | Are details about the factors that contributed to recognition of goodwill disclosed? (IFRS 3.67) |  |  |  |
|  | **OTHER VOLUNTARY ITEMS DISCLOSURE TEMPLATE** |  |  |  |
| 1 | Financial highlights |  |  |  |
| 2 | Quantitative forecast of performance for the next year |  |  |  |
| 3 | Share price at accounting year end |  |  |  |
| 4 | Corporate social responsibility report |  |  |  |
| 5 | Corporate governance report |  |  |  |
| 6 | Performance trend for the past five years using graphs |  |  |  |
| 7 | Environmental liabilities and Cost |  |  |  |
| 8 | Donations – analysis |  |  |  |
| 9 | Risk Management issues associated with the organization |  |  |  |
| 10 | Unclaimed dividend- analysis |  |  |  |

**APPENDIX VI**

**Normal Plots of the Dependent Variables**

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**APPENDIX VII**

**Agglomeration Schedule of other Voluntary Items**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Stage | Cluster Combined | | Coefficients | Stage Cluster First Appears | | Next Stage |
| Cluster 1 | Cluster 2 | Cluster 1 | Cluster 2 |
| 1  2  3  4  5  6  7  8  9  10  11  12  13  14  15  16  17  18  19  20  21  22  23  24  25  26  27  28  29  30  31  32  33  34  35  36  37  38  39  40  41  42  43  44 | 77  70  66  17  78  56  74  5  40  69  58  68  64  50  38  37  45  49  48  18  6  27  21  26  16  6  19  9  55  6  44  32  33  1  16  57  7  15  27  5  30  3  37  26 | 89  88  87  81  79  78  76  75  74  72  71  70  67  65  63  59  54  53  51  50  45  43  42  34  25  21  84  82  80  77 73  69  68  66  62  61  60  58  56  49  48  46  39  29 | .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  .000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000  1.000 | 0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  0  21  0  0  0  26  0  0  0  0  25  0  0  0  22  8  0  0  16  24 | 0  0  0  0  0  5  0  0  7  0  0  2  0  0  0  0  0  0  0  14  17  0  0  0  0  23  0  0  0  10  10  12  3  0  0  0  11  6  18  19  0  0  0 | 30  12  34  68  6  39  9  40  54  32  38  33  53  20  54  43  21  40  41  45  26  39  26  44  35  30  60  61  70  46  63  48  51  57  68  51  65  58  48  66  50  59  55  47 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Stage | Cluster Combined | | Coefficients | Stage Cluster First Appears | | Next Stage |
| Cluster 1 | Cluster 2 | Cluster 1 | Cluster 2 |
| 45  46  47  48  49  50  51  52  53  54  55  56  57  58  59  60  61  62  63  64  65  66  67  68  69  70  71  72  73  74  75  76  77  78  79  80  81  82  83  84  85  86  87  88  89 | 8  6  26  27  10  24  33  6  64  38  24  8  1  15  3  19  2  8  27  6  7  3  20  16  1  55  11  27  2  14  12  7  6  11  15  1  7  2  7  7  2  1  4  1  1 | 18  47  28  32  26  30  57  52  83  40  37  13  41  35  85  36  9  10  44  24  19  5  23  17  3  64  33  31  27  90  22  8  20  38  55  6  15  86  16  14  11  7  12  4  2 | 1.000  1.286  1.333  1.467  1.500  1.667  1.750  1.875  2.000  2.000  2.083  2.250  2.333  2.333  2.500  2.500  2.500  2.520  2.625  2.810  2.833  2.833  3.000  3.000  3.750  3.833  4.000  4.100  4.424  5.000  5.000  5.020  5.188  5.371  5.850  6.232  7.00  7.286  7.883  8.948  9.167  9.713  11.500  12.244  15.608 | 0  30  44  39  0  0  33  46  13  15  50  45  34  38  42  27  0  56  48  52  37  59  0  35  57  29  0  63  61  0  0  65  64  71  58  6976  73  81  83  82  80  0  86  88 | 20  0  0  32  47  41  36  0  0  9  43  0  0  0  0  0  28  49  31  55  60  40  0  4  66  53  51  0  72  0  0  62  67  54  70  77  79  0  68  74  78  84  75  87  85 | 56  52  49  63  62  55  71  64  70  78  64  62  69  79  66  65  73  76  72  77  76  69  77  83  80  79  78  73  82  84  87  81  80  85  81  8683  85  84  86  89  88  88  89  0 |

**APPENDIX VIII**

**Distribution of Voluntary Cluster into Groups**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Group 1** | **Group 2** | **Group 3** | **Group 4** | **Group 5** |
| Nampak Nigeria Plc.  7up Bottling Co Plc  Beta Glass Company Plc.  CAP Plc  Cappa and D'alberto Plc  Dangote Flour Mills Plc  Flour Mills Nigeria Plc  GlaxoSmithKline Consumer Nigeria Plc  Guniness Nigeria Plc.  Livestock Feeds Plc.  May&Baker Nigeria Plc  Morison Industries Plc  Neimeth International Pharm  NEM Insurance Company (Nig.) Plc.  Nestle Nigeria Plc  Nigerian Aviation Handling Company Plc.  Nigerian Bottling Company Plc  Nigerian Breweries Plc.  Nigerian Enamel Plc.  P Z industries Plc.  Presco Plc.  RT Briscoe (Nigeria) Plc.  Total Nigeria Plc.  UAC of Nigeria Plc.  UACN Property Development Co. Plc.  Unilever Nigeria  Union Bank of Nigeria Plc.  United Bank of Africa Plc.  United Nigerian Textiles Plc. | A.G. Leventis ( Nigeria) Plc  Access Bank Plc.  Afribank Nigeria Plc.  Ashaka Cement Plc.  Cement Co. of Northern Nigeria Plc.  Chellarams.  Chevron Oil Nigeria Plc.  ConOil Nigeria Plc.  Cornerstone Insurance Co. Plc.  DN Meyer Plc.  Ecobank Nigeria Plc.  Ecobank Transnational Incorporated  Ekocorp Nigeria Plc  First Aluminium Nigeria Plc.  GTBank Plc.  IBTC Charterd Bank Plc.  Ikeja Hotels Plc  Intercontinental Bank Plc.  John Holt Plc.  Law Union and Rock Insurance Plc.  Mobil Oil Nigeria Plc.  Mutual Benefits Assurance Plc.  Niger Insurance Company Plc.  Oando Plc.  Oceanic Bank International Plc.  PlatinumHabib Bank Plc.  SKPE Bank Plc.  Sterling Bank Plc.  Vono Products Plc.  WAPCO Plc.  WAPIC insurance Plc. | Dunlop Nigeria Plc.  First Bank of Nigeria Plc.  Zenith Bank Plc. | Afprint Nigeria Plc.  AIICO Insurance Plc  Avon Crowncaps and Containers Plc.  BOC Gases Nigeria Plc.  Fidelity Bank Plc.  Greif Nigeria Plc.  Lasaco Assurance Plc.  Prestige Assurance Plc.  SCOA Nigeria Plc.  Standard Alliance Insurance Plc.  Tripple Gee and Company Plc.  UTC Nigeria Plc | Academy Press Nigeria Plc.  African Petroleum Plc.  Aluminium Extrusion Industries Plc.  Costain (WA) Plc  Diamond Bank Plc.  Eterna Oil and Gas Plc.  Japaul Oil and Maritime Services Plc.  Linterlinked Plc  Nigerian Wire Plc.  Okomu Oil Palm Plc.  Poly Products Nigeria Plc.  Starco Insurance Plc.  Thomas Wyatt Plc.  Trans-Nationwide Express Plc.  Union Homes Savings and Loan Plc |