European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.6, No.3, 2014

The Level of Financial Information Disclosure and Corporate Attributes In Developing Economy

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Abstract
The attempts at improving the accounting systems and standards in developing countries are inadequate. Thus the purpose of this study is to measure the level of disclosure of accounting information in developing countries, with special reference to Nigeria and to determine whether some important corporate characteristics have any impact on the quality of disclosure in Nigeria. Approaches adopted for this study are: using structured questionnaire to obtain selected information items considered important and equally using Disclosure Index to define the level of disclosure on corporate annual reports of Nigerian companies. Then the association between the extent of disclosure and various corporate characteristics are examined using a multi-linear regression model. The study revealed that in disclosing mandatory items, the average score is high, whilst the average score for voluntary disclosure is unbelievably low. The findings also indicate that size, profitability, board composition, and market discipline variables are significant, and other variables such as age, complexity of business and asset-in-place are insignificant in explaining the level of disclosure. This study will contribute to the academic literature, showing that the existence of a close monitoring system by regulatory authorities brings the potential for high compliance regarding disclosure and transparency, at least in mandatory cases. This study would be a good example for other developing countries, wanting to learn how Nigerian companies achieved this high level of compliance in mandatory disclosure.
Key Words: Developing countries, Disclosure Index, Profitability, Transparency

Introduction

Accounting information is the most basic input into any informed economic decision making. Yet we are not aware of any structured research into whether this primary input possesses the attributes required to enable it play creditably its assigned or presumed role in such decision tasks. The amount of information disclosed by organisations in corporate reports has considerably expanded in recent times, although reliability on same has proven little to be desired with the recent increase in collapse of world class financial institutions among others which necessitated the increased pressure for optimal disclosures in corporate reports. The major source of pressure for increased disclosures has been the financial and investment communities.

The pace and level of national development depend to a large extent on the level of national savings and consequently, investment. This informs the urge for the mobilization of long-term funds for sustainable development. However, such investments are normally undertaken under condition of uncertainty. Hence, one of the incentives required is a mechanism to help reduce the level of uncertainty to which a potential investor could be exposed (Ariyo, 2007). Consequently, the crucial importance of accounting information, whose ultimate goal, is to help a potential investor make an informed judgement on whether to invest or otherwise. Similar information is also needed to help current investors monitor adequately what has happened or is happening to their investments especially in terms of the extent to which their aspirations on the investment has been or are being realized.

One of the many strategies often employed to attract investors is the publication of accounting projections of corporate performance over a defined time horizon. However, the extent of realization of these projections depends on the reliability of the underlying accounting information. Specifically, to enable it play credibly its "fiduciary" role accounting information must accurately capture the current and future economic status of the investment.

Thus, the objectives of this paper 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;

The above objectives are guided by the following 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?

With the outcome of this paper, 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.

2. LITERATURE REVIEW

2.1 The Importance of Disclosure in Economic and Accounting Research

The disclosure-related literature has developed into a distinct branch of economic and accounting research (Frolov, 2004). Following the taxonomy suggested by Verrecchia (2001), it is easy to distinguish three major research problems confronted by the literature:1) whether information disclosure is economically efficient in general; 2) the effect of information disclosure on the aggregate behaviour of economic agents; 3) the circumstances surrounding the decision to make private information public.

Firstly, researchers have sought answers to the general question about whether information disclosure is economically efficient in general. In this respect, two theorists suggest differing explanations for the per-se desirability of information disclosure. On the one hand, Kunkel (1982) shows that in an economy including both production and exchange, information disclosure may by preferred because altered production plans lead to more efficient allocation of resources across time and firms. On the other hand, Diamond (1985) also suggests that in a pure exchange setting with costly acquisition of private information, the (costless) information disclosure is desirable because it will allow investors to economise on the acquisition of private information and make them better off, despite adverse risk-sharing effects. Secondly, the literature on disclosure-related research focuses on the effect of information disclosure on the aggregate behaviour of economic agents, and in particular on the behaviour of financial market aggregates like stock prices and trading volume. The literature attempts to explain empirically observed phenomena in the association between information disclosure and market responses, using plausible assumptions about diversity among market participants. Finally, the disclosure literature devotes much attention to the circumstances surrounding the decision to make private information public. It is a standard argument here that management's decision about whether to disclose information or not is based on weighing expected costs and benefits of making the information public (Frolov, 2004). The available literature has suggested many ways that a firm or its management can benefit from improved disclosure. For example, direct evidence that firms increase the intensity of their disclosure efforts before offering public debt and equity has been obtained by Lang and Lundholm (1993, 1996), Frankel et al. (1995), Healy et al. (1999), etc. The list of other suggested explanations of voluntary information disclosure includes motives related to institutional factors and signalling to the market.

The above discussion shows that while information disclosure is socially desirable (Frolov, 2004; Diamond, 1985), the interplay between its benefits and costs may lead to partial or no disclosure, and one therefore should ask whether the disclosure should be voluntary or mandatory. Indeed, the extent of Disclosure in Annual Reports of Banking Companies: The Case of Nigeria economic and accounting literature has asserted that in the view of informational asymmetry, (costless) disclosure of private information brings general gains in economic efficiency. However, the size of the gains and the ultimate effect on financial prices may vary considerably depending on the 'informativeness' of disclosed information and on the ways the information is disseminated and used.

2.2 Environments of Financial Reporting in Nigeria

The Central Bank of Nigeria (CBN) - is the apex bank that regulates the activities of all banks and financial institutions in Nigeria. In 2006, the CBN issued the Corporate Governance Code for Banks among the key issues addressed included: strict disciplinary action and sanctions for making false returns in order to improve industry transparency, due process, data integrity and information disclosure;

Nigerian Accounting Standards Board (NASB) - The Nigerian Accounting Standards Board Act (2003) charges the Nigerian Accounting Standards Board (NASB) with the primary function of developing, publishing, updating, promoting and enforcing Statements of Accounting Standards (SAS) to be followed by all Nigerian companies when preparing financial statements.

Corporate Affairs Commission -The Companies & Allied Matters Act (CAMA) Cap C20 Laws of the Federation of Nigeria (2004) (as amended) mandates all companies to provide financial disclosures to members in general meetings, debt-holders and the regulator which is the Corporate Affairs Commission. Pursuant to section 335 of CAMA, all companies in Nigeria are required to comply with accounting standards issued by NASB provided that these standards do not conflict with the provisions of CAMA. There is, however, no specific provision in CAMA for monitoring and enforcement of financial disclosures other than the penalty stipulations for general non-compliance.

The Financial Reporting Council of Nigeria (FRCN) - is the first unified independent regulatory body in Nigeria to oversee corporate reporting, actuarial practice, monitoring of accounting and auditing standards, valuation and corporate governance. Thus, compliance monitoring in these areas will be addressed from the platform of professionalism and legislation. The passage of the FRCN Act enables the Council to undertake responsibilities which were previously unavailable to other regulators. The Council is expected to act through its eight directorates, that is, directorates for accounting standards (private sector), accounting standards (public sector), audit practices standards, inspection and monitoring, auditing practices standards, actuarial standards, valuation standards and corporate governance. The Council's Committee on Corporate Governance is expected to issue a Code of Corporate Governance and some guidelines.

2.3 Earlier Studies on Financial disclosure in Nigeria and corporate attributes

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.

2.4 Earlier Global Studies on Financial disclosure and corporate attributes

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), Ofoegbu and Okoye (2006:45-53) and Akintoye (2008). Each of these studies has been distinguished by differences in research setting, differences in definition of the explansatory 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 (McNally 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);Akintoye (2008), 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;WaresulKarim and Ahmed (2006:1).

The researchers examine corporate characteristics that are used as predictors of the quality of disclosure. This ranges from two (Buzby, 1975:16) to eleven (McNally et al , 1982). The most popular characteristics are corporate size, profitability, liquidity, gearing, audit size, listing status, multinational parent, age, and ownership structure. The quality of disclosure in corporate annual reports and accounts has been represented in theliterature 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 unweight 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 unweight. 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 unweight 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 (OwusuAnsah, 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.

2.5 Summary

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 non-compliance 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. 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.

3. RESEARCH METHODOLOGY

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 2011 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 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 2011. As at December 2011, a total number of two hundred and two companies (NSE, 2011: 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.

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 2011. 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, 2011 and December 31, 2011. The single period 2011 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 2012. In line with this period, accounting standards in force at the end of 2011 is implemented. Secondly, a single period eliminates the challenges of economic fluctuations.

4 DATA COLLECTION AND ANALYSIS

Descriptive statistics of the disclosure indices is reported in below. The mean of the Disclosure Index for Statement of Accounting Standards (DISAS) is 0.883511, with a minimum index of 0.5000 and a maximum of 0.9796. The mean of the Disclosure Index for International Financial Reporting Standards (DIFRS) is 0.550631, with a minimum index of 0.2308 and a maximum of 0.9800. The Disclosure Index for Voluntary Disclosure (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).

Descriptive Statistics of Compliance Indexes

	N	Minimum	Maximum	Mean
DISAS	90	.5000	.9796	.883511
DIIFRS	90	.2308	.9800	.550631
DIVol	90	.0500	.7000	.374013
ODI	90	.3732	.7878	.602714
Valid N (listwise)	90			

Source: Field Study (2011)

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 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 has started embracing global best practices in financial reporting to meet market expectations and to attract foreign investors.

Mean Comparison of Disclosure Indexes by Industry

SECTOR		DISAS	DIIFRS	DIVOL	ODI
AGRICULTURE	Mean N	.876900 3	.510000 3	.305567 3	.564167 3
MANUFACTURING	Mean N	.873400 15	.455167 15	.375927 15	.568160 15
BANKING	Mean N	.921406 17	.722024 17	.417647 17	.687018 17
FOOD & HEALTH	Mean N	.894723 13	545269 13	.475215 13	.638415 13
BUILDING AND CONSTRUCTION	Mean N	.886450 10	.550510 10	.338340 10	.591750 10
SERVICE	Mean N	.817500 6	.460367 6	.215733 6	.497867 6
CONGLOMERATE	Mean N	..845100 7	.525586 7	.419843 7	.596843 7
PETROLEUM MARKETING	Mean N	.921914 7	.667171 7	.337300 7	.642100 7
INSURANCE AND MORTGAGE	Mean N	.862533 12	.434983 12	.320833 12	.539450 12
TOTAL	Mean N	.883511 90	.550631 90	.374013 90	.602714 90

Source: Field Study (2011)

Descriptive Statistics of Compliance with SAS

	N	Minimum	Maximum	Mean
SAS Index	90	.5000	.9796	.883511
SAS 1	90	.5833	1.0000	.892656
SAS 2	90	.7692	1.0000	.958230
SAS 3	90	.0000	1.0000	.827029
SAS 4	59	.3333	1.0000	977400
SAS 7	56	.0000	1.0000	.973214
SAS 8	86	.3333	1.0000	.705444
SAS 9	90	.0000	1.0000	.988889
SAS 13	75	.5000	1.0000	.935557
SAS 18	90	.6000	1.0000	.986667
SAS 19	87	.1667	1.0000	.988779
SAS 21	85	.2500	1.0000	.519608
SAS 22	5	.50	1.00	.9000
SAS 23	37	.50000	1.0000	.986486

Source: Field Study (2011)

The table above 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.

Descriptive Statistics of Compliance with IAS/IFRS

	N	Minimum	Maximum	Mean
IFRS Index	90	.2143	.9811	.512946
IAS 1	90	.4286	1.0000	.641014
IAS 2	3	.5000	1.0000	.833333
IAS 10	87	.3333	.7500	.651367
IAS 12	3	.5000	1.0000	.833333
IAS 14	10	.3333	1.0000	.733330
IAS 16	54	.3333	1.0000	.918209
IAS 18	75	1.0000	1.0000	1.000000
IAS 20	0			
IAS 21	8	1.0000	1.0000	1.000000
IAS 23	12	.3333	1.0000	.486092
IAS 24	64	.2000	1.0000	.723438
IAS 27	40	.3333	1.0000	.771435
IAS 28	12	.2000	1.0000	.709725
IAS 31	1	1.0000	1.0000	1.000000
IAS 32	17	.6667	1.0000	.882365
IAS 36	18	.5000	1.0000	.916667
IAS 37	23	.5000	1.0000	.608696
IAS 38	12	.8000	1.0000	.966667
IAS 40	10	.3333	1.0000	.908330
IFRS 2	0			
IFRS 3	14	.5000	1.0000	.832143

Source: Field Study (2011)

Since IFRSs are not yet mandatory in Nigeria as at this time, companies generally disclose part of the disclosure requirements of the various IAS and IFRS standards. 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.

Descriptive Statistics of Voluntary Disclosures: The table above also indicates the index of other voluntary disclosures. The minimum index is quite low at 0.050 while the maximum is 0.70 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.

5 SUMMARY, CONCLUSION AND RECOMMENDATION

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 scepticism.

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.

On this note therefore, the understated recommendation are pertinent:

1) Strict compliance with prescribed accounting information disclosure requirements. This could be achieved if the relevant regulatory agencies effectively pursue the disclosure requirements recognized by laws, while making sure that corporate entities who default are made to face the due penalties, thus protecting innocent investors from undue heartaches.

2) Transparency in accounting related forecast. In most of the financial reports most forecasts have been discovered to suffer from actual realization, we hereby suggest that relevant regulatory agencies hold managers of corporate bodies responsible for any significant variance between projected and realised performance of entities concerned.

3) Ensuring adequate disclosure of RELEVANT accounting information. Disclosure of a long list of irrelevant accounting information is tantamount to outright non-disclosure, all those concerned with setting standards are enjoined to ensure proper standards on disclosure.

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