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Risk Disclosure In The Published Financial Statements And Firm Performance: Evidence From The Nigeria Listed Companies

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Abstract
The purpose of this study was to investigate the effect of risk disclosure in the published financial statement on the performance of listed companies in Nigeria. Specifically the study investigated on the effects of operational risk disclosure, financial risks disclosure and strategic risks disclosure on the performance of listed companies in Nigeria. This study adopted a descriptive design which is described as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The instrument of data collection for this research was a questionnaire as the study used primary data. The study targeted all the 258 listed companies in Nigeria. The sample of this study was 258 risk managers as the researcher issued one questionnaire per company. Descriptive statistics such as mode, median, mean, standard deviation, etc were used to perform data analysis. These measures were calculated using Statistical Package for the Social Sciences (SPPS 20) software. SPSS tool (Statistical Package for the Social Sciences) was used to organize and analyze data. The study findings indicated that there was increase in performance of listed firms due to risk disclosure in the financial statement. The results indicate that the variables; operational risk disclosure, financial risks disclosure and strategic risks disclosure were satisfactory in explaining performance of listed companies. This conclusion is supported by the R square of 0.655. This means that the combined effect of the predictor variables (operational risk disclosure, financial risks disclosure and strategic risks disclosure) explains 65.5% of the variations in performance of listed companies in Nigeria. The results reveal that operational risk disclosure, financial risks disclosure and strategic risks disclosure are statistically significant in explaining performance of listed companies.
Key Words: Risk Disclosure, Performance, Financial Statement, Accounting Information, Operational Risk, Financial Risk, Strategic Risk

1. Background and Research Problem

Corporate organizations owe a duty to fully disclose matters concerning their operations so as to aid investors in making investment decisions. Both large and small organizations in addition to satisfying the legislating requirement tend to retain existing investors and to attract potential ones through the publication of their financial statements where the capital stock of a corporation is widely held and its affairs are of interest to general public relations. The discussions and illustrations of the study will be centered on the financial statement presented to shareholders and also available for potential investors, bond holders and trade creditors as a tool of information for investment decision. Financial statement based on result on past activities are analyzed and interpreted as a basis for predicting future rate of returns and assessment of risk (Adebiyi, 2006).

Financial statement provides important information for a wide variety of decision, investors draw information from the statement of the firm in whose security they contemplate investing. Decision makers who contemplate acquiring total or partial ownership of an enterprise expect to secure returns on their investment such as dividends and increase in the value of their investment (capital gain). Both dividends and increase in the value of shares of company depends on the future profitability of the enterprise. So investors are interested in future profitability. Past income dividend data are used to forecast returns from dividend and increase in share prices (Ezeamama, 2005).

Financial reporting by companies is effected via the preparation and publication of financial statements. These financial statements are required to exhibit certain degree of quality in terms of their information contents. Belkaoui (2002) opined that information contained in the financial reports should possess certain qualities as relevance, verifiability, understandability, neutrality, timeliness, comparability, and completeness. When the financial reports disclose quality information, the decision of the users (investors, management, government, employees, creditors, analysts) of the reports could as well be qualitative and informed. The users of the financial reports use the reports frequently in passing judgments on the viability of a company. According to Ghofar and Saraswati (2008), investors in many cases are too dependent on the quality of financial statements disclosure. However, the quality of disclosure in the financial reports of companies has been an area of debate by both accounting theoreticians and those in practice (Higson, 2003). Disclosure and transparency principles demand that companies report their financial facts which can affect the judgment of the users (Kieso, Weygandt &Warfield, 2004). The Financial Accounting Standard Board (FASB) states that disclosure refers to the process of providing information about items in the financial statements, via footnotes, supplementary schedules, or other means (Shaw, 2003). Disclosure is expected to reduce asymmetric information between management and stakeholders especially investors and lenders (Verrecchia, 1999). Asymmetric information occurs because management has more information and more authority to choose accounting procedures (Milne, 2002). It means that disclosure is expected to improve the effectiveness of communication between companies and their stakeholders (Archambault & Archambault, 2003)

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). 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).

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).

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). Apart from the studies conducted by the World Bank, disclosure practices by Nigerian companies have been empirically investigated by Wallace (1988), Okike (2000), Adeyemi (2006) and Ofoegbu and Okoye (2006). 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 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). The above mentioned studies provide no significant validity of existing empirical evidence of risk disclosure in the published financial statements from Nigeria listed companies. As a result, the study attempts to fill the gap in literature by investigating the effect of risk disclosure in the published financial statements in Nigeria listed companies

1.1 Objectives

The purpose of this study was to investigate the effect of risk disclosure in the published financial statements on the performance of the Nigeria listed companies. The specific objectives that guided the study are:

i. To investigate the effect of operational risks disclosure on performance of listed firms in Nigeria.
ii. To find out the influence of financial risks disclosure on performance of listed firms in Nigeria.
iii. To determine the extent to which strategic risks disclosure affects performance of listed firms in Nigeria.
iv. To what extent have companies in Nigeria complied with the risk disclossure requirement

2. Theoretical Framework

2.1 Stakeholder Theory

Stakeholder theory, developed originally by Freeman (1984) as a managerial instrument, has since evolved into a theory of the firm with high explanatory potential. Stakeholder theory focuses explicitly on equilibrium of stakeholder interests as the main determinant of corporate policy. The most promising contribution to risk management is the extension of implicit contracts theory from employment to other contracts, including sales and financing (Cornell and Shapiro, 1987). In certain industries, particularly high-tech and services, consumer trust in the company being able to continue offering its services in the future can substantially contribute to company value. However, the value of these implicit claims is highly sensitive to expected costs of financial distress and bankruptcy. Since corporate risk management practices lead to a decrease in these expected costs, company value rises (Klimczak, 2005). Therefore stakeholder theory provides a new insight into possible rationale for risk management with a particular focus on operational risks. Some of stakeholders who are a source of risk include; customers, suppliers, employees, management, government and civil society. If contracts are made between the firm and any of these stakeholders, the breach of contract by either party may constitute to a strategic and operational risk to the firm. Stakeholder theory is also important in explaining regulatory risk e.g a ban on the activities of the firm and regulations that impact negatively to the firm.

2.2 Finance Theory

Finance theory is the field that deals with investment making decisions and the concept of the time value of money. The concept of finance theory involves studying the various ways by which businesses and individuals raise money, as well as how money is allocated to projects while considering the risk factors associated with them (Fama and Miller, 1971). There are a number of finance theories that offer separate approaches to the finance hypotheses. Some of the major popular finance theories of the world are: Arbitrage Pricing Theory, Rational Choice Theory, Prospect Theory, Cumulative Prospect Theory, Monte Carlo Option Model, Binomial Options Pricing Model, Gordon Model, International Fisher Effect, Black Model, Legal Origins Theory and Modern Portfolio Theory. However, despite the fact that these theories are applicable to enterprise risk managements (specifically, financial risks management), a deeper analysis of these theories is beyond the scope of the current study.

The financial theory is crucial in understanding finance risk management strategies. For instance, companies need to put into consideration the risks arising when raising money inform of leverage or equity. Debt capital is risky in terms of ensuring that the covenants between lender and borrower are observed. Equity capital is also risky in terms of the volatility of earnings. The allocation of finance to projects such as loan portfolio has the inherent credit risk (borrowers may default). Furthermore, investments in physical assets have associated risks such as the risk of wear and tear. It is therefore important for the management of companies to put in place financial risk management strategies in order to minimize the risk inherent in the activity of financing the business objectives. Investment in stock market shares, options and futures require the risk manager in a company to consider the effect of volatility in their cash flow and market value. In order to safeguard against the probable risk on assets due to volatility in cash flow or market value, it may be wise to consider hedging as a risk management tool. In a nutshell, finance theory offers a wide approach of looking at risk and the financial risk management strategies to be adopted.

Iatridis (2008) 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.

Ferguson et al. (2002) examined 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). 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.

Nigerian financial reporting environment was empirically investigated by Wallace (1988), Okike (2000), Adeyemi (2006) and Ofoegbu and Okoye (2006). 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), McNally et al (1982) and Chow and Wong-Boren (1987). 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). 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), Okike (2000) 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) 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.

A detailed analysis of the disclosures of the financial statements of listed companies in the Egyptian Stock is conducted by Dahawy and Conover (2007). 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.

3. Methodology

This study adopted a descriptive design which is described as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. This research design was appropriate for this study as it answers research questions who, what, where, when and how is the problem. This study used mixed sampling techniques, specifically both stratified random sampling and simple random sampling. Stratified random sampling was preferred because; the population to be sampled was divided into homogenous groups based on characteristics considered important to the indicators being measured. This method also helped to achieve gain in precision, flexible in the choice of the sample design for different strata and finally one is able to get estimates of each stratum in addition to the population estimate (Kothari, 2004).

The instrument of data collection for this research was a questionnaire as the study used primary data. The study targeted all the listed companies in Nigeria. There are approximately 258 listed companies in Nigeria. In each company one questionnaire was issued to the finance or risk manager. Therefore the sample size for this study was 258 managers of listed companies.

Descriptive statistics such as mode, median, mean, standard deviation, etc were used to perform data analysis. These measures were calculated using Statistical Package for the Social Sciences (SPSS 20) software. SPSS tool (Statistical Package for the Social Sciences) was used to organize and analyze data. This is because it is user friendly and gives all the possible analysis. The data was presented in form of tables, pie charts, column and bar graphs.

The relationships in the research questions were determined using the following Ordinary Least Squares (OLS) regression model prescribed by Faraway (2002), Cohen, West & Aiken, (2003). The use of ordinary Least Squares Regression is preferred due to its ability to show whether there is appositive or a negative relationship between independent and dependent variables (Castillo, 2009). In addition, OLS is useful in showing linear elasticity/sensitivity between independent and dependent variables (Cohen, West & Aiken, (2003). For instance, the current study would like to know the percentage by which responses on accounting information increases or decreases when responses on profitability, gearing ratios and growth opportunities change by 1 percent. Furthermore, OLS was useful in showing whether the identified linear relationship is significant or not.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

Where:

i. Y = the value of the dependent variable
ii. $\{\beta_i; i=1,2,3\}$ = The coefficients representing the various independent variables.
iii. $\{X_i; i=1,2,3\}$ = Values of the various independent (covariates) variables.
iv. e is the error term which is assumed to be normally distributed with mean zero and constant variance.

Y = Performance
X_1 = Operational Risks Disclosure
X_2 = Financial Risks Disclosure

X_3 = Strategic Risks Disclosure

4. Results and Findings

The study sought to find out the performance of listed companies in Nigeria with refrence to disclossure of risk in the financial statements. Results revealed that 89% of the respondents agreed that the company's profitability has increased over the last three years, 93% agreed that there was increased number of investors over the last three years and 97% agreed that the company had a large market share. Eighty one percent of the respondents agreed that the company have increased number of employees over the last three years and 79% agreed that the company has experienced a significant increase in capital base. The mean score for this section was 4.21 which indicate that listed companies performance has increased due to risk disclosure in the published financial statement.

The findings agree with those in Adebiyi (2006) who argued that corporate organizations owe a duty to fully disclose matters concerning their operations so as to aid investors in making investment decisions. Both large and small organizations in addition to satisfying the legislating requirement tend to retain existing investors and to attract potential ones through the publication of their financial statements where the capital stock of a corporation is widely held and its affairs are of interest to general public relations. He further argued that financial statement based on result on past activities are analyzed and interpreted as a basis for predicting future rate of returns and assessment of risk.

Table 1: Performance

Statement	Strongly Disagree	Disagr ee	Not Sure	Agree	Strongly Agree	Mean
The company's profitability has increased over the last three years	0.6%	6.2%	4.5%	38.4%	50.3%	4.32
There is increased number of investors over the last three years	0.0%	5.1%	2.3%	38.4%	54.2%	4.42
The company has a large market share	0.0%	0.6%	2.8%	52.5%	44.1%	4.4
The company has increased number of employees over the last three years	5.1%	6.2%	7.9%	41.8%	39.0%	4.03
The company has experienced a significant increase in capital base	6.2%	7.3%	7.9%	49.2%	29.4%	3.88
Mean						**4.21**

The study sought to investigate the effect of operational risks disclosure on performance of listed firms in Nigeria. Table 2 indicates that 88% of the respondents agreed that the company discloses human resource risks such as incompetent staff, employment practices and workplace safety, 83% agreed that the company discloses policies and procedures to manage its operational risks and 86% agreed that the company discloses risk management issues associated with the organization. In addition, 94% agreed that the company discloses Cyber Security risk such as business disruption and system failures and external fraud risk events and 87% agreed that the company discloses the operational risks such as lack of internal control systems. A mean score of 4.24 implies that the companies disclose operational risks in the financial statements which enable the investors to made concrete decisions. The findings agree with those in Ferguson et al. (2002) who examined 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 and found that overall disclosure scores are highly variable ranging from 0.03 to 0.44. Disclosure by type of information varies considerably.

Table 2: Operational Risks Disclosure

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean
The company discloses human resource risks such as incompetent staff, employment practices and workplace safety	1.7%	4.5%	5.6%	45.8%	42.4%	4.23
The company discloses policies and procedures to manage its operational risks	3.4%	10.7%	3.4%	53.1%	29.4%	3.94
The company discloses risk management issues associated with the organization	3.4%	3.4%	6.8%	31.6%	54.8%	4.31
The company discloses Cyber Security risk such as business disruption and system failures and external fraud risk events.	0.0%	3.4%	2.8%	41.2%	52.5%	4.43
The company discloses the operational risks such as lack of internal control systems	2.8%	3.4%	7.3%	34.5%	52.0%	4.29
Mean						**4.24**

The study sought to find out the influence of financial risks disclosure on performance of listed firms in Nigeria. Results in Table 3 indicate that 71% of the respondents agreed that the company discloses the financial management risks such as budget control safeguards, 77% agreed that the company discloses statement of Directors responsibilities towards preparation and presentation of financial statements and 70% agreed that the company discloses the treatment given to foreign exchange gains and losses. Eighty one percent of the respondents agreed that the company discloses the credit risk such as collateral issues and improved disaggregation of maximum credit exposure and 945 agreed that the company discloses market risks such as interest rate; foreign currency; and commodity price risk. This section attracted a mean score of 4.32 which indicates that majority of the respondents agreed that financial risks are disclosed in the financial statement.
The study findings are consistent with those in Iatridis (2008) who examined the disclosure of accounting information in the financial statements of UK firms. The study also examined 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 revealed that firms that provide informative accounting disclosures appear to display higher size, growth, profitability and leverage measures.

Table 3: Financial Risk Disclosure

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean
The company discloses the financial management risks such as budget control safeguards	4.0%	7.9%	16.9%	26.6%	44.6%	4.16
The company discloses statement of Directors responsibilities towards preparation and presentation of financial statements	2.3%	8.5%	11.9%	23.2%	54.2%	4.33
The company discloses the treatment given to foreign exchange gains and losses	3.4%	11.3%	15.8%	20.9%	48.6%	4.2
The company discloses the credit risk such as collateral issues and improved disaggregation of maximum credit exposure	3.4%	11.3%	4.0%	16.4%	65.0%	4.48
The company discloses market risks such as interest rate; foreign currency; and commodity price risk	2.8%	3.4%	0.0%	46.3%	47.5%	4.42
Mean						**4.32**

The study sought to investigate the extent to which strategic risks disclose affects performance of listed firms in Nigeria**.** Table 4 indicate that 93% of the respondents agreed that the company disclosures the number of board members, 90% agreed that the company disclosures the number of independent board members and 89% agreed that the company discloses the number of various committees. Eighty seven percent of the respondents agreed that the company discloses the number of times the board holds meetings and 89% agreed that the company discloses the composition of the board. A mean score of 4.30 implies that the companies disclose strategic risks in their published financial statements. The findings agree with those in Iatridis (2008) who examined the disclosure of accounting information in the financial statements of UK firms and concluded 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.

Table 4: Strategic Risk Disclosure

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean
The company disclosures the number of board members	1.1%	5.1%	1.1%	43.5%	49.2%	4.34
The company disclosures the number of independent board members	1.1%	5.6%	2.8%	42.9%	47.5%	4.3
The company discloses the number of various committees	1.1%	6.8%	3.4%	42.9%	45.8%	4.25
The company discloses the number of times the board holds meetings	0.0%	9.6%	2.8%	35.6%	52.0%	4.3
The company discloses the composition of the board.	1.1%	7.3%	2.8%	38.4%	50.3%	4.29
Mean						**4.30**

In order to establish the statistical significance of the independent variables on the dependent variable (performance) regression analysis was employed. The results indicate that the variables; operational risks disclosure, financial risk disclosure and strategic risk disclosure were satisfactory in explaining performance. This conclusion is supported by the R square of 0.655. This means that the combined effect of the predictor variables (operational risks disclosure, financial risk disclosure and strategic risk disclosure) explains 65.5% of the variations in performance of listed companies.

Table 5: Model Summary

Indicator	Coefficient
R	0.809
R Square	0.655
Std. Error of the Estimate	0.34924

Analysis of variance (ANOVA) on Table 6 shows that the combined effect of operational risks disclosure, financial risk disclosure and strategic risk disclosure was statistically significant in explaining changes in performance of listed companies in Nigeria. This is demonstrated by a p value of 0.000 which is less that the acceptance critical value of 0.05.

Table 6: ANOVA

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	40.041	3	13.347	109.431	0.000
Residual	21.1	173	0.122		
Total	61.142	176			

Table 7 displays the regression coefficients of the independent variables. The results reveal that operational risks disclosure, financial risk disclosure and strategic risk disclosure are statistically significant in explaining performance of listed companies in Nigeria. This implies that any positive change in the drivers of performance leads to a positive change in company's performance.

Table 7: Regression Coefficient

Variable	Beta	Std. Error	t	Sig.
Constant	0.243	0.233	1.043	0.298
Operation Risk Disclosure	0.463	0.046	10.085	0.000
Financial Risk Disclosure	0.143	0.043	3.365	0.001
Strategic Risk Disclosure	0.323	0.038	8.467	0.000

5. Conclusion and Recommendations

Listed companies exhibited high levels of power distance and uncertainty avoidance but low levels of masculinity and individualism as reflected from their risk management disclosures in their published annual reports. The listed companies have adopted low levels of risk management disclosure intensities. They have provided less quality information about their risk management policies, management are not doing enough to improve their risk management disclosure strategies and are less willing to enhance the transparency of risk management policies due to the influence of their organization culture.

The study concludes that most of the companies have adhered to disclosure requirements but each and every company has its own principles hence uninformative disclosures. The review of these financial risk disclosures shows that there remains a need for financial statement preparers to shift away from tick-box mere compliance with disclosure requirements. Preparers should adopt a meaningful communication mindset aiming to convey risk exposures and risk management policy effectiveness, as well as to foster a dialogue with investors. Such a paradigm shift is necessary before a principles-based disclosure approach can result in substantially useful information.

The study recommends that all listed companies should have standard disclosure requirements approved by the government and regulators. This is to ensure that all companies disclosure adequate information about different issues which may guide the investors in decision making. The overarching focus of improving disclosures should be on enhancing the following desirable attributes of disclosures: a) adequate information content (i.e. relevant and complete information); b) ease of access and parsimonious presentation; c) understandability; and d) comparability. Risk disclosure information with these desired attributes will not be burdensome for investors.

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.

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