Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.4, No.16, 2013

Risk Reporting: A Study of Risk Disclosures in the Annual Reports of Listed Companies in Nigeria.

Musa Uba Adamu (B. Sc. M. Sc. PGDE)
Department of Management Science, Kano State College of Arts and Sciences
P.M.B. 3145, KANO STATE. Nigeria
* E-mail of the corresponding author: musaubaadamu@yahoo.com

Abstract
This study assesses the effect of company leverage on corporate risk disclosure in Nigeria. The population of the study comprises four sectors quoted in the Nigerian Stock Exchange. These sectors contained 24 companies on which stratified sampling technique is used in the selection of 12 companies for the study. The data for the study have been drawn from year 2010 annual reports of the sample companies. The study employs regression tools of analysis in the course of the study. The result shows that corporate risk disclosure is not significantly related to company leverage. It is concluded that company size is not influencing corporate risk disclosure in Nigeria. It is recommended that, the CBN and other regulators responsible for term loan should come up with a comprehensive guidelines and policies on corporate risk disclosure, because a lot of companies complaint on their inability to access loan facilities from the financial institutions and resulted their operation to carry on below normal capacity, this is very dangerous and is at detriment of the Nigerian economy. This move can help financial institutions to assess company risks and give them loan facility on demand; this is good and can facilitate Nigerian economy.
Keywords*:* Corporate Risk Disclosure and Leverage Nigeria.

INTRODUCTION

Annual report can be described as a main disclosure vehicle that conveys corporate information to a wider community. Investors, providers of short and medium term loan, government agencies and the general public were the main users of the information contained in that report. Beretta and Bozzolan (2004) opine that annual report serves as the influential sources of information because of their wide coverage and availability. Nevertheless, later empirical studies such as Francis & Schipper (1999), Lev & Zarowin (1994) contend that, there is a decline in the relevance of financial statements to investors and other stakeholders. Nevertheless, the annual report still offers, through narratives information in addition to financial statements that explains accounting figures; sketches and presents perspectives (Beattie et al., 2002). Despite these arguments about the relevance of financial statements to stakeholders, but Adamu (2012) concludes that, it is the only medium by which corporate activities are communicated to investors and other stakeholders. Therefore, all the necessary information needs to be disclosed are passes via annual reports and account. Subsequently, there were several events that have had happened in a business and investment environment, hence, have outdated the existing disclosure requirements in the world. Consequently, scholars and other stakeholders have been motivated to advocate for enhanced current disclosures requirements by incorporating corporate risk disclosures.

The occurrence of these kinds of events (corporate failure, business and investment risks) in the world has attracted almost all the stakeholders globally to demand for the corporate risk disclosure. Several countries had responded to this demand. In the advanced world a lot of researches have been conducted in the subject matter. For a review (see Deumes, 1999; Solomon et al., 2000; Wood and Reber, 2003; Beattie et al., 2004; Beretta and Bozzolan, 2004; Lajili and Zeghal, 2005; linsley and Shrives, 2006; Linsley and Lawrence, 2007; etc) but all of the studies are limited to developed and semi developed countries. Nonetheless, some of these studies identified that, regulation is the most powerful driver of corporate risk disclosure. In Nigeria, the regulators remain silence, but still some companies usually report corporate risk disclosure voluntarily. The question here is that, what is determining the extent of that corporate risk disclosure. Even though, the agency theory predicts that corporate disclosures are expected to increase with leverage. Hence, this study is aimed to examine the effect of company leverage on Corporate Risk Disclosure in Nigeria. The paper is structured as follows; the introduction constitutes the first section; relevant literature are reviewed in the second section, methodology used covers the third section and result will be presented and discussed in the fourth section of the paper. Conclusion and possible recommendation will come up in the last section.

LITERATURE REVIEW

This section reviews the relevant literatures on corporate risk disclosure. The chapter is divided into various sections and subsections.

Corporate Risk Disclosure and Leverage

It is hardly for companies to concentrate hundred percent on their paid up capital without considering other sources of financing company operation. Debt is one of the sources of financing corporate activities. The entity would be safer if considered less proportion of debt in their capital structure. It has been proposed that capital structure of a firm is related to agency cost (Jensen and Meckling, 1976). Agency cost is greater in highly leveraged company (i.e., more debt in the capital structures) because a large percentage of debt allows higher potential wealth transfers from debt holders to shareholders (Jensen and Meckling, 1976). Thus, agency theory predicts that corporate disclosures are expected to increase with leverage. However, the empirical evidence on this hypothesis is contradictory. For example, studies of Oliveira et al., (2006); Meek et al. (1995); Raffournier (1995); Hossain et al. (1995) find no significant relation with disclosure whilst others as Malone et al., (1993); Deumes and Knechel (2008) find a positive relationship between the extent of disclosure and financial leverage. Previous studies testing for a relationship between leverage, which is a possible measure of risk, and the number of disclosures, have not been decisive (Ahmed and Courtis, 1999; Linsley and Shrives 2006). This study shares the same view as above. Therefore, the following hypothesis is developed:

There is no significant relationship between corporate risk disclosure and company leverage

Motivation and benefits of Corporate Risk Reporting

There are a lot of benefits that can be derived from corporate risk reporting as pointed out by Deumes (1999); Hutton (2004); Skinner (1994&1997); Turnbull Report (1999); Fuller & Jensen (2002); Abrahamson and Amir (1996); Li (2006); Linsley, Shrives and Crumpton (2006); FSD (2011); Rajab and Schachler (2009); Thornton & Welker (2004) and Akerlof (1970). Others include, Murugesu and Santhapparaj (2010); Nier and Baumann (2004); Sensarma and Jayadev (2009); Oliveira et al (2011); Bliss and Flannery (2002); Barron, Kile, & Keefe (1999); Schleicher & Walker (1999); Beretta and. Bozzolan (2004); Barry and Brown (1985 & 1986); Lang and Lundholm (1996); Lajili and Zeghal (2005); Hill and short (2007); Downes and Heinkel (1982); Healy and Palepu (2001) etc.

For instance, corporate risk disclosure is very important because it can improve corporate transparency; consequently the activities of the capital market can be boosted (Deumes, 1999) and increase the shareholders value. In addition to the above, if transparency is achieved by way of conveying adequate information to stakeholders, the relevance and reliability of accounting information in the part of stakeholder's decision will be enhanced. Corporate Transparency can increase and maintain investors' confidence; hence accurate stocks valuation can be achieved. Transparency can eliminate the disparities between what investors perceive and expect from what the corporate management can deliver (Deumes, 1999).

Providing inadequate disclosure means that managers have superior information to investors, who may not fully understand the accompanying risks and rewards of a firm's business (Hutton, 2004). Additionally, Skinner (1994&1997) suggests that, companies might appreciate the benefit associated with corporate risk reporting and understand that markets will penalize all companies that provide insufficient information relative to their peers. In a further remark, he posited that corporate risk disclosure ensuring corporate competitive advantage in attracting capital. However, corporate managers may fear litigation and reputation costs as a result of providing voluntary risk information to investors; there is the need for rules/regulation that can protect managers from unnecessary litigation due to corporate risk disclosure.

Nonetheless, Hutton (2004) posits that, provision of adequate corporate risk disclosure will enable investors to incorporate such risk especially in course of valuing their investments; thereby reducing excess demand that can cause stock price to be critically higher than they would be especially in the event market had the information that is available to managers. However, communicating risk related information will improve corporate transparency; hence, the problem of information asymmetry can be resolved.

In views of Akerlof (1970); Murugesu and Santhapparaj (2010) state that if the problem of information asymmetry is not fully resolved between management and investors, consequently, capital markets could undervalue some good companies and overvalue some bad companies relative to the information made available to investors and other stakeholders. Moreover, accurate disclosure on corporate risks and uncertainties can prevent severe damage to the long-term health and reputation of a company that may otherwise result from overvalued corporate equities (Fuller & Jensen, 2002; Deumes, 1999).

In addition, less information asymmetry however, lowers the risk of investors in forecasting future payoffs from their investment (Barry and Brown 1985, 1986; Deumes and Knechel, 2008; Abrahamson and Amir, 1996; Li, 2006). It can also reduce the firm's cost of capital and increase company value (Healy and Palepu, 2001; Barry and Brown, 1985 &1986; Lang and Lundholm, 1996; Hill and short, 2007). There would be a beneficial positive impact upon the cost of capital arising from enhancing the confidence of the providers of capital who would be reassured through the conveying of such risk information.

Nevertheless, if company is known to have disclosed corporate risk, there is tendency to come up with strong measures in managing the risk (Solomon, 2000). High quality corporate risk disclosures contribute to financial stability by providing investors and other stakeholders with a better understanding of company's risk exposures and risk management practices (FSD, 2011). It can be evident that various risk management approaches have evolved over time and corporate entities have learnt to use sophisticated techniques to quantify and manage risk effectively, consequently reducing the gap in internal risk management systems(Rajab and Schachler, 2009).

The need to report on risks and risk control measures can lead to the improvement of internal information being collected on the risks that the company faces. And indeed, the need to assure that the risks identified are being managed, as shareholders hold directors to account for their risk management. Murugesu and Santhapparaj(2010) argue that, from shareholder's perspective, the corporate risk disclosure practices of a company must be able to relate the effectiveness of its risk management and control systems due to improve shareholder value.

In supplementary, Oliveira et al (2011) note that, proving adequate corporate risk disclosure could enhance corporate stability. The role of forward-looking information in voluntary corporate disclosure has been associated with more accurate analysts' earnings forecasts (Barron, Kile, & Keefe, 1999) and with more accurate share-price anticipation (Schleicher & Walker, 1999; Beretta and Bozzolan, 2004). This is in line with signaling literature, which posits that if no information is released to the market, investors' uncertainties increases and hence the market value of companies decreases (Downes and Heinkel, 1982).

Shortcoming of Corporate Risk Reporting

Corporate risk reporting is not completely advantageous as risk disclosures can create negative effects to the companies in different ways. There are shortcomings associated with corporate risk reporting as observed by several scholars as, Fuller & Jensen (2002); Edwards and Smith (1996); Botosan (1997); Linsley and Shrives (2005); Tsakumis et al. (2006); Rajab and Schachler (2009); Hutton (2004)etc. For instance, directors of the corporate entities are often reluctant to convey supplementary disclosure in their annual report, because competitors may opportune to use strategic information disclosed to their advantage (Edwards and Smith, 1996; Linsley and Shrives, 2005; Tsakumis et al., 2006; Rajab and Schachler, 2009); Linsley**,** Shrives and Crumpton, 2006; Hill and Short, 2007). This can cause the imposition of a proprietary cost, consequently putting a company at a competitive disadvantage and impacted upon the company negatively. Therefore, a company has to trade off the positive and negative effects of corporate voluntary disclosure. This can only be relevant whereby the disclosure is on voluntary ground not mandated by any authority or regulation.

Moreover, the truth about corporate risk reporting can cause the stock price to crash seriously especially in the short run. Long horizon managers prefer current pain associated with short run price declining because is very slightly compared to that arising from colluding in myth telling (Fuller & Jensen, 2002). Additionally, corporate risk disclosure is not a costless undertaking (Botosan, 1997) because, identifying and reporting timely and accurate corporate risk information consumes valuable management time. Secondly, managers may perceive that there is a serious cost imposed on the company from the part of competitors who exploit the information to the detriment of the risk-disclosing company. Thirdly, there is the possibility of litigation in connection with a corporate risk-disclosure that is why directors are often reluctant to report such kind of risks information as it is inherently unreliable and could leave them open to potential claims from investors and other stakeholders who have acted upon this information (Linsley**,** Shrives and Crumpton**,** 2006). Finally, companies may be afraid to set a corporate risk disclosures precedent they cannot stick to (Hutton, 2004;

Arguments on the Relevance of Corporate Risk Reporting

There are several arguments on the relevance of corporate risk reporting in the content of annual report. For instance, Hodder, Koonce, and McAnally (2001); Deumes (1999) pinpoint some arguments, that narrative risk reporting do not compensate for the absent of quantitative risk information because even if corporate entities disclosed this risk information, it is not easy, otherwise impossible, for individual investors and other stakeholders to transform corporate qualitative risk information to generate their own quantitative risk assessments. Fuller and Jensen (2002) argue that trying to mask corporate risk and uncertainty that is inherent in all businesses is just like pushing on a balloon today that will pop up somewhere else tomorrow, often with catastrophic outcome.

Deumes and Knechel (2008) argue that transparency among the sampled companies was impaired by comparability difficulties, inability to appreciate narratives, failure of narratives to explain more on numerical disclosures and absence of adequate disclosure about all mandated risk-relevant matters in annual reports. Moreover, numerical risk disclosures are very important, but are not fully transparent. Many lacked reliability (for instance, VAR statistics) because no stress tests or back tests can assure those statistics under different scenarios. There is lack of comparability across companies, because of different reporting practices, and were unlikely to be appreciated fully because of non-alignment with relevant narrative explanations. Users can not understand whether the information is either bad news or good news, because no additional information is usually given. Where given, it is dispersed throughout the content of company's annual report (Oliveira et al, 2011).

Oliveira et al (2011) also note that, IAS/IFRS focus only on corporate financial risk disclosure, and ignoring other kinds of risks such as strategic and operational risks reporting. This misalignment can render corporate risk reporting practices incomparable, and imprecise. But if better risk reporting is regulated, this problem will be resolved.

3. METHODOLOGY

This section considers the methods used in course of this study. It includes the population of the study on which sample sizes have been drawn from. The tools for data collection and method of analysis have been discussed. Finally, the measure of variable has also been considered in this section.

3.1 Population and Sample Size

The population of the study comprises four first tier sectors of the Nigerian Stock Exchange. These include Food Product; Household durables; Health and Building material. The sectors contained 24 companies on which stratified sampling technique is used in the selection of 12 companies for the study. Moreover, the study is not intended to measure any trend, but rather to explore risk disclosure information, as a result of that, only one year annual reports have been considered. The period selected for this study is year 2010. The selection of one year financial report is in line with Oliveira, et al. (2011); Linsley et al. (2006); and Linsley & Shrives (2006). The study used only secondary source data. All the data analyzed have been drawn from sample companies' annual reports. The study focused more specifically on the risk section (if available), Chairman's statement, MD's statement and directors' report. Subsequently, regression technique used to find the extent on which company leverage influences the level of Corporate Risk Disclosure. This is consistent with Ismail and Abdul Rahman (2011). The Statistical Package for the Social Sciences (SPSS) version 16.00 used in computing of the regression.

3.2 Measurement of Variables

To test the hypotheses, both variables need to be measured. These are company leverage and corporate risk disclosure. As for the company leverage, the measure used in this study is the ratio of team loan to total assets. This is consistent with Ismail and Abdulrahman (2011). Nevertheless, in measuring risk disclosures, this study had adapted the previous studies (e.g., Linsley and Shrives, 2006; Woods and Reber, 2003 & Rajab Handley-Schachler, 2009) analysis instrument. A checklist had been used on which risk disclosures were classified according to four different quality variables. These variables include risk disclosure categories (Environmental risk, Operational risk and Strategic risk) (see appendix A); the nature of evidence (i.e., quantitative and qualitative); the type of news (good, bad, neutral) and news time-frame (past, future, non-time). Based on the coding scheme, each company's annual reports for the fiscal years 2010 were examined and risk disclosure texts (containing risk relevant information) that helps the reader to be better informed about past and potential threats or opportunities arising from external or internal variables. And also the risk management designed by entities were detected and analyzed manually. This is consistent with previous studies of Linsley and Shrives (2006) & Rajab Handley-Schachler (2009). The texts were measured by the number of sentences and matched to the relevant risk disclosure categories.

RESULTS AND DISCUSSION

This section presents the analysis and interpretation of the data obtained from the annual reports of the companies under discussion. Descriptive statistics have been used in analyzing the content analysis result. However, the study uses simple regression in the analysis of variables.

Voluntary Corporate Risk Disclosure results

Recently, there has been an increase in users' demands for corporate information. The literature shows that companies across the globe were put under pressure to make even greater disclosure of corporate information especially those related to risks and uncertainties. In this subsection, the result of voluntary corporate risk disclosure by firms in Nigeria is presented. Table 4.1 displays the results of content analysis of annual reports and the accounts on the sampled firms. The table shows that all companies in the sample disclosed risk-related information. It shows that the average (mean) number of risk disclosure sentences that have been disclosed by firms.

The quantity content in table 4.1 comprises environmental, operational and strategic risk disclosure. For instance, environmental risk arises from factors essentially beyond the organization's control. As for the operational risk, it is the probability of losses arising from the essential operation side of the firm. While strategic risks arise from operating in a particular industry and are associated with the company's future business plans and strategies. Therefore any disclosure that has been made in respect of the above will be categorized accordingly. However, in the form of disclosure as shown in the table 4.1 comprise qualitative and quantitative disclosures. Any disclosure that involved monetary will be considered as quantitative, otherwise qualitative. Moreover, past, future and non- time information are included under time scales. Finally, good, bad and neutral news were considered in the type of news as depicted in table 4.1. To analyze the date accordingly, the following is the summary of overall result of content analysis.

Table 4.1: The Overall Risk Disclosures

Disclosure characteristics	Code	N	Average disclosure
Quantity content:	Total risk disclosure	12	96.42
	Environmental	12	13.75
	Operational	12	56.08
	Strategic	12	26.58
Forms of disclosure:	Qualitative	12	85.08
	Quantitative	12	11.33
Time-scale:	Past news	12	37.33
	Non-time	12	38.33
	Future	12	17.42
Type of news	Good news	12	43.17
	Bad news	12	9.8
	Neutral news	12	43.42

Source: Annual Reports (2010).

Corporate Risk Disclosure and Company leverage

In this subsection, the results obtained from the regression tool of analysis have been presented. The relationship between two variables has been tested; this is company leverage and corporate risk disclosure.

Table 4.5: Model Summary of the Company Leverage

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.284[a]	.081	-.011	41.66622

Source: Annual Reports (2010).

The R value of approximately 28% (table 4.5) indicates an insignificant linear relationship between Corporate Risk Disclosure (CRD) and leverage (LVR). This prediction by the regression model implies that any positive or negative change that affects the leverage of a company in Nigeria could not necessarily affect the extent of corporate risk disclosure, as the case may be.

The value of R squire (Table 4.5) of approximately 8% indicates that the extent of corporate risk disclosure of companies in Nigeria is not predicted by their leverage as relationship of only 8% out of 100% is highly insignificant to express the direct relationship. The remaining 92 % is explained by other factors such as regulation, industry, dual listing etc.

Table 4.6: ANOVA of the Company Leverage

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1526.181	1	1526.181	.879	.371[a]
Residual	17360.735	10	1736.074		
Total	18886.917	11			

Source: Annual Reports (2010).

The estimate of the variability (Table 4.6) for the mean squire given by the regression model is 1526 for LEV and the mean of 1736 for other variables other than the independent variable. The ratio of this mean squire F1 is 0.879 and is too low to reject the formulated null hypothesis. The criterion for rejecting a null hypothesis is the situation whereby the F calculated is greater than (>) the F (F value table) at a 0.05 level of significance. The calculated F is 0.879 which is lower than F value (table value) of 4.96. This signifies the acceptance of the null hypothesis. Thus; there is no significant relationship between Corporate Risk Disclosure and Company Leverage.

Table 4.7: Coefficient of the Company Leverage

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1(Constant)	99.875	12.581	
LVR	-.743	.792	-.284

Source: Annual Reports (2010).

However the observed coefficient of the leverage is -7.43 (Table 4.7) the leverage coefficients of -7.43 do not necessitate expectation on the increase/decrease in CRD. The CRD function in respect to leverage in Nigeria can be stated as; Y= 99.875 + (-7.43) X

Discussion

Nevertheless, presently obtaining term loan in Nigeria is one of the worrisome obstacles to companies. Billions of Naira loan given to corporate entities by banks have turned to be bad and non performing loan. Consequently, financial institutions are now demanding adequate risk disclosure for informed decision. A lot of capital providers required companies to fulfill certain level of corporate risk disclosure before given loan facilities to corporate entities. This is one of the reasons prior studies relate corporate risk disclosure with leverage. The main objective of this study is to assess that relationship (corporate risk disclosure and leverage). In testing the hypothesis on how leverage influences corporate risk disclosure, it is found that, there is no significant relationship between corporate risk disclosure and company leverage. This finding supports the findings of Rajab and Handley-Schachler, (2009) that state, risk disclosure is not related to size or leverage.

CONCLUSION

As for the company leverage, the table F value stands to out weight calculated F value, hence, the study concludes the acceptance of null hypothesis, there is no significant relationship between company leverage and corporate risk disclosures. It is recommended that, the CBN and other regulators responsible for term loan should come up with a comprehensive guidelines and policies on corporate risk disclosure, because a lot of companies complaint on their inability to access loan facilities from the financial institutions and resulted their operation to carry on below normal capacity, this is very dangerous and is at detriment of the Nigerian economy. This move can help financial institutions to assess company risks and give them loan facility on demand; this is good and can facilitate Nigerian economy.

References

Abrahamson, E. and Amir, E. (1996). The information content of the president's letter to shareholders. Journal of Business Finance and Accounting, /8, 1157-1182.

Ahmed, K. and Courtis, J.K., (1999). Associations between corporate characteristics and disclosure levels in annual reports. British Accounting Review. 31/1, 35–61.

Akerlof, G. A. (1970). The Market for 'Lemons': Quality, Uncertainty and the Market Mechanism, Quarterly Journal of Economics. 84/3, 488-500.

Barron, O. E., Kile, C. O., and Keefe, T. B. (1999). MD&A quality as a measure by the SEC and analysts' earnings forecasts. Contemporary Accounting Research, 1/1, 75– 109.

Barry, C. B., and Brown, S. J. (1985). Differential information and security market equilibrium. Journal of Financial and Quantitative Analysis, 20/4, 407–422.

Beretta, S. and Bozzolan, S. (2004). A framework for the analysis of firm risk communication, International Journal of Accounting, 39/. 265–288.

Bliss, R. R. and Flannery, M. J. (2002). Market discipline in the government of US bank holding companies: Monitoring versus influencing. European Finance Review, 6/3, 361–395.

Deumes, R. (2008). Corporate risk reporting: A content analysis of narrative risk disclosures in prospectuses. The Journal of Business Communication, 45/2, 120-157.

Deumes, R. and Knechel, W. R. (2008). Economic Incentives for Voluntary Reporting on Internal Risk Management and Control Systems. Auditing: A journal of practice & theory 27/1, 35–66

Downes, D. H. and Heinkel, R. (1982). Signaling and the Valuation of Unseasoned New Issues. Journal of Finance, 37/1, 1-10.

Edwards, P. and Smith, R. A. (1996). Competitive disadvantage and voluntary disclosures: the case of segmental reporting. British Accounting Review, 28/2,155–172.

FSB (2011). Thematic Review on Risk Disclosure Practices Peer Review Report http://www.financialstabilityboard.org/publications/r_100109a.pdf .

Fuller, J. and Jensen, M. C. (2002). Just say no to Wall Street. Journal of Applied Corporate Finance,14/4, 41-46.
Hill, P. and Short, H. (2009). Risk disclosures on the second tier markets of the London Stock Exchange. Journal of Accounting and Finance, 49/, 753–780.
Healy, P. A., and Palepu, K. (2001). Information asymmetry, corporate disclosure, and the capital markets: a review of the empirical disclosure literature. Journal of Accounting and Economics, 31/, 405–440.
Hodder, L.; Koonce, L.; and McAnally, M.L., (2001). SEC market risk implications for judgement and decision making. Accounting Horizons,15/1, 49–70.
Hossain, M (2008). The Extent of Disclosure in Annual Reports of Banking Companies: The Case of India. European Journal of Scientific Research, 23/4, 659-680. http://www.eurojournals.com/ejsr.htm
Jensen, M. and Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3/4, 305-360.
Lajili, K. and Zeghal, D. (2005). A Content Analysis of Risk Management Disclosures in Canadian Annual Reports. The Canadian Journal of Administrative Sciences, 22/2, 125-142
Linsley, P. M., and Shrives, P. J. (2006). Risk reporting: a study of risk disclosures in the annual reports of UK companies. British Accounting Review, 38/, 387–404.
Linsley, P. M., Shrives, P. J. and Crumpton, I. (2006). Risk disclosure: An exploratory study of UK and Canadian banks. Journal of Banking Regulation, Vol. 7/¾, 268-282.
Murugesu, J. and Santhapparaj, A. S (2010). Impact of Risk Disclosure in the Prospectus on Valuation and Initial Returns of Initial Public Offerings in Malaysia. The IUP Journal of Applied Finance,16/6. 30-53
Nier, E. and Baumann, U. (2004). Disclosure, volatility, and transparency: An empirical investigation into the value of bank disclosure. Federal Reserve Bank of New York. Economic Policy Review, 10/2, 31–45.
Oliveira, J. Rodrigues, L. M. and Craig, R. (2011). Risk-related disclosure practices in the annual reports of Portuguese credit institutions: An exploratory study. Journal of Banking Regulation,12/2, 100–118
Raffournier, B. (1995). The determinants of voluntary financial disclosure by Swiss listed companies. The European Accounting Review, 4/2, 261– 280.
Rajab, B. and Handley-Schachler, M. (2009). Corporate risk disclosure by UK firms: Trends and determinants. World Review of Entrepreneurship Management and Sustainable Development, 5/3, 224-243.
Schleicher, T., and Walker, M. (1999). Share price anticipation of earnings and management's discussion of operations and financing. Accounting and Business Research, 29/4, 321– 335.
Sensarma, R. and Jayadev, M. (2009). Are bank stocks sensitive to Risk Management? The Journal of Risk Finance, 10/1, 7–22.
Skinner, D. (1994). Why firms voluntarily disclose bad news. Journal of Accounting Research, 32/1, 245–250.
Skinner, D. J. (1997). Earnings disclosures and stockholder lawsuits. Journal of Accounting and Economics, 23/3, 249-282.
Thornton, D. B., & Welker, M. (2004). The effect of oil and gas producers' FRR No. 48 disclosures on investors' risk assessments. Journal of Accounting, Auditing and Finance,19/1, 85-114.
Tsakumis, G.T., Doupnik, T.S. and Seese, L.P. (2006). Competitive harm and geographic area disclosure under SFAS 131. Journal of International Accounting, Auditing and Taxation, 15/1, 32–47.
Turnbull Report, (1999). Internal control: Guidance for directors on the combined code, The Institute of Chartered Accountants in England & Wales, London.

APPENDIX A

RISK DISCLOSURE CATEGORIES CHECKLIST

Risk category		
1	**Environmental Risk**: Environmental risk arises from factors essentially beyond the organization's control and comprises disclosure relating to:	• Economic risk (e.g., interest rate, currency risk, price and commodity, inflation, taxation, credit risk). • Political risk • Social risk • Regulation and Legislation • Industry sources (e.g., competition, potential entrants, suppliers, substitutes, strategic partners, customers (e.g., changes in demand, changes in clients requirements and customers preferences). • Climate and catastrophic.
2	**Operational Risk:** Operational risk is the probability of losses arising from the essential operation side of the firm. Operational risk covers such issues as:	• Internal control and risk management policies • Infrastructure risk • Liquidity and cash flow • Project failure • Product failure • Operational disruption • Operational problem • Employment practices and workplace safety (H&S). • Environment risk (risks arising from the impact of companies' operations on the natural environment) • Compliance and reputation • Legal risk.
3	**Strategic Risk:** Strategic risks arise from operating in a particular industry and are associated with the company's future business plans and strategies. Strategic risks encompass:	• Research and Development • Product market • Intellectual property right • Acquisitions, alliances, joint ventures • Management of growth • Derivatives • Investment • Technology.

APPENDIX B

Decision rules for risk disclosures

1. To identify risk disclosures a broad definition of risk is to be adopted as explained below.
2. Sentences are to be coded as risk disclosures if the reader is informed of any opportunity or prospect, or of any hazard, danger, harm, threat or exposure, that has already impacted upon the company or may impact upon the company in the future or of the management of any such opportunity, prospect, hazard, harm, threat or exposure.
3. The risk definition just stated shall be interpreted such that 'good' and 'bad' 'risks' and 'uncertainties' will be deemed to be contained within the definition.
4. Although the definition of risk is broad, disclosures must be specifically stated; they cannot be implied.
5. The risk disclosures shall be classified according to the grid in Table 1, and by reference to the Appendix A risk categories.
6. Sentences of general policy concerning internal control and risk management systems, corporate governance, employee health and safety shall be classified as 'non-monetary/neutral/non-time specific statements of risk management policy.
7. Sentences of general policy concerning financial risk management shall be classified 'non-monetary/ neutral/non-time specific statements of risk management policy.
8. Monetary risk disclosures are those risk disclosures that either disclose directly the financial impact of a risk or disclose sufficient information to enable the reader to calculate the financial impact of a risk.
9. If a sentence has more than one possible classification, the information will be classified into the category that is most emphasized within the sentence.
10. Tables (quantitative and qualitative) that provide risk information should be interpreted as one line equals one sentence and classified accordingly.
11. Any disclosure that is repeated shall be recorded as a risk disclosure sentence each time it is discussed.
12. If a disclosure is too vague in its reference to risk, then it shall not be recorded as a risk disclosure.