CORPORATE COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS: A CASE STUDY OF LISTED COMPANIES IN GHANA

by

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CERTIFICATION

I hereby declare that this submission is my own work towards the MBA and that to the best of my knowledge, it entails no material previously published by another person nor material which has been accepted for the award of any other degree of the University except where due acknowledgement has been made in the text.

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ABSTRACT

Ghana adopted International Financial Reporting Standards (IFRS), in place of Ghana National Accounting Standards, with effect from 1 January 2007, for all listed companies, government business enterprises, banks, insurance companies, security brokers, pension funds, and public utilities.

This thesis, examines the extent of compliance with IFRS disclosure requirements, by analysing 2008 annual reports of 16 listed companies' on the Ghana Stock Exchange. The study also investigates factors associated with the level of compliance.

Findings reveal a high level of 83% compliance with IFRS disclosure requirements by listed companies in Ghana, with leverage and multiple listing statistically associated with the level of compliance. Although, the listed companies complied with more than 60% of the IFRS disclosure requirements, regulatory intervention appears needed to ensure full compliance.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

According to (Emerging Market Weekly, 2008), there is a change that has been taking place around the world in recent years that few outside of the finance and accounting professions are aware of. It is a trend that has been swiftly gathering pace and which will have a significant impact on the development of capital markets worldwide.

The adoption of International Financial Reporting Standards (IFRS) by most economies in the world is well under way. More than 100 countries including Ghana have adopted IFRS or otherwise have adapted their local accounting standards to conform to IFRS.

Ghana joined this bandwagon two years ago following an assessment of the accounting and auditing environment in Ghana conducted by the World Bank. According to (Report on the Observance of Standards and Codes, 2004), the regulation of accounting practices was somewhat weak and recommended strengthening the statutory framework, enforcement mechanisms, and professional education. It also recommended adoption of International Financial Reporting Standards (IFRSs) without modifications, in place of the existing Ghana National Accounting Standards (GASs).

The report pointed out that the GASs were based on a mid-1990s version of IFRSs (then International accounting Standards, or IASs) and hence are outdated and differ significantly from their international counterparts. Other major recommendations

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included the creation of an independent oversight body responsible for the process of adoption and enforcement of accounting and auditing standards based on international equivalents for public interest entities, and developing simplified reporting requirements for the small and medium sized enterprises (SMEs).

In line with the World Bank recommendations, in January 2007, Mr. Kwadwo Baah Wiredu, the then acting Minister of Finance and Economic Planning of Ghana, formally announced the launching of Ghana's adoption of IFRS and the subsequent replacement of the local GASs. As noted in a 2007 United Nations Conference on Trade and Development report, consistent with a phased approach to world's adoption of international standards, by December 2007, IFRSs were expected to become applicable for all listed companies, government business enterprises, banks, insurance companies, securities brokers, pension funds and public utilities. SMEs, State Owned Enterprises, Ministries, Departments and Agencies were given an additional two-year transition period and were required to apply IFRSs by 2009.

It is against this background that this study seeks to launch an empirical investigation to establish whether the adopted standards are being complied with, using Ghanaian listed companies as a case.

1.2 Statement of the problem

Recent research has provided considerable evidence of non-compliance with IASs by companies claiming to have adopted them (Street and Gray, 2001; Glaum and Street, 2003). Similarly, the International Federation of Accountants (IFAC) has observed auditors asserting that financial statements comply with IASs when the accounting policies and notes indicate otherwise (Cairns, 1997).

Ghana has also had its share of this non compliance with IASs by companies' who claimed to have adopted them voluntarily. According to (Report on the Observance of Standards and Codes, 2004), there existed compliance gaps/non compliance with respect to International Accounting Standards in Ghana by companies' who claimed compliance. "Compliance gaps" refer to the differences between applicable accounting standard and actual practice. In the report, four sampled companies claimed compliance with the IASs. Such a claim according to IAS 1 denotes full compliance with all requirements of IAS/IFRS and related interpretations. However, many cases of non compliance were identified in these financial statements. Some of the cases of non compliance identified were:

- **General**: None of the four companies addressed the IAS requirements on impairment of assets, financial instruments, or employee benefits; nor did they address segment reporting, related parties, and earning per share. In addition, all four companies used outdated terminology, two companies did not account for deferred tax at all and incorrectly presented usual items.

- **Accounting Policies**: In some instances, accounting policy disclosures were missing. These include consolidated financial statements; property, plant and equipment; employee benefits cost; intangible assets; and impairment of assets.
- **Effects of changes in foreign exchange rates**: Three companies did not disclose separately the exchange differences recognized as income or as expense.
- **Prior year adjustments**: Two companies had inadequate and inappropriate disclosures with regard to prior year adjustments.
- **Property, Plant and Equipment**: Companies that revalued property, plant and equipment, failed to follow all the requirements of IAS.
- **Components of financial statements**: Three of the companies' financial statements did not include a statement of changes in equity.

So in the midst all these identified cases of non compliance with IAS by these companies' who claimed voluntary compliance and the formal adoption of IFRS in Ghana, there is the need for an investigation into the level of compliance with this adopted IFRS / IAS by Ghana.

1.3 Objectives of the study

In view of the compliance gaps identified with companies who claimed voluntary compliance prior to the adoption of the IFRS the objectives of this thesis are to

- investigate the extent to which companies listed on the Ghana Stock Exchange comply with the disclosure requirements of the adopted International Financial Reporting Standards (IFRS).

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- identify the factors which are associated with the extent of compliance with the IFRS disclosure requirements.

1.4 Research Questions

In the light of the stated objectives, the study investigates two research questions:

1. To what extent do companies listed on the Ghana Stock Exchange comply with the disclosure requirements of IFRS/IAS?
2. What factors are associated with the level of compliance?

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1.5 Statement of Hypotheses

Having outlined studies suggesting several corporate attributes / specific characteristics that might be associated with the extent to which companies' comply with IFRS/IAS disclosure requirements in Chapter Two. The following company attributes were selected for the study: company size, profitability, leverage, type of auditor, multiple listing status (cross listings), and type of industry.

These company attributes were selected on some basis that:

- there had to be a sound theoretical reason for expecting attribute to be associated with IFRS/IAS compliance as reviewed theoretically and empirically.
- sufficient data should be available in the companies' annual reports or guides available from the Ghana Stock Exchange for the attribute to be measured.
- attributes should be capable of measurement in principle and in reality.

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Based on the selected company attributes/corporate characteristics, the following hypotheses were proposed for testing;

H_1: *Company Size* is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies.

H_2: *Profitability* is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies.

H_3: *Leverage* is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies.

H_4: *Type of Auditor* is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies.

H_5: *Multiple Listing status (Cross listings*) is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies.

H_6: *Type of Industry* is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies.

1. 6 Relevance of the study

Full compliance with Ghana National Accounting Standards is not readily achieved; some listed companies inappropriately claim compliance with International Accounting Standards. The accounting and auditing practices in Ghana suffer from institutional weaknesses in regulation, compliance, and enforcement of standards and rules (Report on the Observance of Standards and Codes, 2004)

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Therefore, finding answers to these research questions is important for understanding whether compliance with IFRS is being achieved and for identifying factors that influence the level of compliance among the companies. The enforcement bodies - Securities and Exchange Commission, Ghana Stock Exchange, Bank of Ghana, National Insurance Commission, and Institute of Chartered Accountants Ghana are likely to be interested in any non-compliance by companies. If non-compliance is judged by these enforcement bodies to be serious and if its causes can be identified, these bodies might be in a better position to take appropriate remedial action. The findings will interest the Institute of Chartered Accountants Ghana: National Professional Accountancy Organization in their quest to bridge the compliance gap with respect to International Accounting Standards (Report on the Observance of Standards and Codes Ghana, 2004).

The findings offer current and prospective local and foreign investors an objective assessment of the degree of compliance with IFRS in Ghana. Again, since developing countries have somewhat been neglected in terms of disclosure studies this research will add to literature on disclosure compliance studies in developing countries.

1.7 Scope of the study

This thesis aims to investigate the level of compliance of International Financial Reporting Standards disclosure requirements in the context of listed companies on the Ghana Stock Exchange (GSE). Furthermore, the study investigates which company specific characteristics / attributes are associated with level of disclosure.

1.8 Organisation of the study

This thesis contains five chapters. The main structure for each chapter is a follows:

Chapter One introduces the thesis. It covers the background of the study, statement of the problem, the objectives of the study, research questions, hypotheses statements, relevance of the study, scope, organization, and limitations of the study. Chapter Two presents the theoretical framework of the thesis, review of related literature on International Financial Reporting Standards (IFRS) disclosure compliance, and identification of corporate characteristics associated with disclosures.

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Chapter Three covers the method used to conduct the empirical study. The chapter describes how the data were collected and the research method adopted. Chapter Four includes presentation of findings and analysis. Chapter Five presents summary of findings, recommendations, and draws conclusion.

1.9 Limitations of the study

The study is restricted to listed companies on the Ghana Stock Exchange excluding private and public unlisted companies even though the new standards are applicable to all companies whose securities are held by the public, banks, insurance companies. Again, the focus is on the extent of compliance with IFRS requirements concerning disclosure matters. In view of this, the generalisability of the findings will be limited since the study focus on listed companies' disclosure requirements, they found that adoption of IASs leads to increases in the level of disclosure. This, in turn, causes adopter's accounting numbers to be more predictable and improves the accuracy of analysts' earnings forecast.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter constitutes the theoretical framework on the concept of compliance, review of related literature on adoption of and compliance with IFRS /IAS. The objective of this chapter is to place the study in context and to inform the study by reviewing literature with regards to the study. Financial reporting is subject to various influences including pressure from enforcement bodies', auditors, market forces and managers responding to their own incentives (Healy and Palepu, 2001). In this chapter, the focus is primarily on pressure exerted by market forces and managers' personal incentives. The review begins with the concept of compliance and then provides theoretical explanations for financial disclosure within the framework of market forces and managerial incentives. It then moves on to studies that use that framework to explore the relationship between disclosure and company attributes.

The discussion then extends to studies that link financial disclosure to the use of IFRS/IAS. Studies of the relationship between company attributes and the extent of compliance with IFRS/IAS are also discussed.

2.2 Concept of compliance

Compliance can relate to ***recognition***, ***disclosure*** or, both. Generally, items that in accounting terms are ***recognised*** are recorded (in terms of debts and credits) in the formal double-entry system. Items that are ***disclosed*** are not so recognised, but are reported in the notes. More formally, recognition is defined as "the process of incorporating an item into the financial statements" while disclosure refers to "information about the items in financial statements and their measurers that may be provided by notes" (FASB, 1984). Thus recognition means the same as ***measurement*** in prior compliance studies (e.g. Street and Gray, 2001) and these terms are used interchangeably. Compliance with an item is ***mandatory*** if the item, when applicable, must be reported in the financial statements of companies in accordance with legal or financial reporting requirements. ***Voluntary compliance*** refers to disclosure of any item that is not required (Al-Shammari, 2005). In this study, compliance with all mandatory disclosure requirements of listed companies are examined in terms of disclosures. The study therefore examines mandatory disclosure items only.

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2.3 Explaining Financial Reporting Disclosure

Financial reporting disclosure has been examined in a number of ways in the accounting literature, each taking a different view depending on the environment of the users and preparers of the reports (Gibbons et al., 1990). The American Accounting Association Committee on Concepts and Standards for External Financial Reports concluded that there exists in the financial accounting literature a collection of theories that presume differences in the user-environment, and that there is no single governing theory of financial disclosure rich enough to encompass the full range (AAA, 1997). This section presents some of the more commonly accepted explanations for financial reporting disclosure.

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2.4 Market Forces and Financial Disclosure

One explanation is that disclosure of financial information satisfies a demand by investors when making valuation and investment decisions. Choi (1973) presented what might be termed the "capital need" theory, which links a company's level of disclosure to its cost of capital. The theory suggests companies disclose more information to reduce investors' uncertainty with respect to the company's present and future affairs, allowing them to accept a lower rate of return and, thereby, yielding a lower cost of capital for the company. Foster (1986) summarises how capital markets can influence the contents of financial reports. As companies try to raise capital at the lowest possible cost, they compete with each other in capital markets on the type of security offered and on the issue terms and future returns. There may be uncertainty about the quality of a company and its securities. In such cases, investors will demand information to help evaluate the timing and the risk of existing and future cash flows. This enables them to value companies and to make other investment decisions such as choosing a portfolio of securities. As a result, companies are motivated to disclose information in their financial reports that will reduce undiversifiable information risk. This allows them to raise capital at a lower cost (Foster,1986).

Disclosure is limited by "proprietary costs" (Verrecchia, 1983) since additional disclosures provide information to competitors as well as investors, thereby threatening the company's future profitability. As a result companies limit disclosure when proprietary costs are likely to arise, whether from competitors, dissident shareholders, employees or any other party who can use the information in a way that is harmful to the company. In sum, competition between companies' managers can provide them with an incentive to disclose more information about the companies they manage to differentiate their companies from those that are poorly managed, but there are limits.

Applying signaling theory to financial disclosure Spence (1973) and Hughes (1986) argued that managers could use their companies' financial statements to signal their expectations and intentions. These signals would be credible because a company's quality can be more easily observed later, and companies that had sent false signals would then be punished.

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2.5 Other Managerial Incentives for Financial Disclosure

The role of other managerial incentives in explaining the form of financial disclosure has been examined extensively (Watts and Zimmerman, 1990). Agency theory, in the context of asymmetric information between managers and providers of capital, has been used to understand managers' incentives for disclosure (Jensen and Meckling, 1976).

Jensen and Meckling (1976) suggested that agency costs may vary with the extent of separation of ownership and control. That is when a company's shares are widely held, there is a greater separation between the managers (the agents) and their shareholders (the principals) than when a company has closely-held share. Hence, in the case of a company with widely held shares, the potential for conflict between the shareholders and managers is greater (and thus agency costs are greater). To control such conflicts and reduce agency costs, companies with widely held share ownership are likely to disclose more

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information than companies with closely held share ownership. This allows shareholders to monitor their interests more efficiently, and managers can signal that they act in the interest of the shareholders as well.

Therefore, to reduce these costs, managers have an incentive to incur bonding costs (more information disclosure in the financial statements) to facilitate debt holders' assessment of the company's ability to meets its debts and to assure debt holders that their interests are properly protected. It has been further argued that the more leveraged the company, the greater the need for monitoring of the agency relationship between managers and debt holders and the greater the disclosure of information to satisfy this needs (Watts, 1977).

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Watts and Zimmerman (1978) explained the regulation of financial reporting by political cost theory. They argued that politicians and government bureaucrats are responsible for regulating financial reporting. They also redistribute wealth and maximize their own welfare via the political process. Politicians and government bureaucrats are influenced by the likelihood they will be blamed for any future crises. Therefore, they consider the effects of alternative regulations on the likelihood of blame when they draft and interpret them. Many crises have led to changes in corporate regulation and, in particular, to increased regulation of corporate financial reporting, having been blamed by political entrepreneurs on a previous lack of adequate corporate disclosure or misleading disclosures. For example, the stock market crash of 1929, which was particularly blamed on inadequate corporate disclosure, was followed by the Securities Act of 1933 (Watts, 1977).

Regulation can take the form of nationalization, expropriation, break-up or restrictions being imposed on an industry or company. To forestall these potential actions, resulting from government intervention (political costs), companies' managers may employ a number of devices such as social responsibility campaigns in the media, government lobbying, financial reporting disclosure and selection of accounting policies to minimize reported earnings.

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The expected magnitude of political costs is subjected to a company's visibility profitability and size. It is usually argued that larger and more profitable companies are also more politically visible than smaller and less profitable companies and are subject to potentially greater wealth transfers form government intervention (Watts and Zimmerman, 1986, p. 235). Consequently, to reduce expected political costs, managers of larger and more profitable companies are more likely to, among other things; voluntarily disclose more information than smaller and less profitable companies. Watts and Zimmerman (1986, p. 239) also argued that companies belonging to politically sensitive industries will disclose more information, since they are subject to lobbying from government agencies and interest groups.

Empirical studies have used the above arguments to explain cross-sectional variation in financial reporting disclosure. The following section summarises some of the more salient findings as they relate to this thesis.

2.6 Corporate Characteristics and Financial Reporting Disclosure

Since the 1960s, there have been many empirical studies relating a company's attributes/characteristics to the extent of voluntary and mandatory disclosure, based on the above arguments. For convenience, they can be divided into two groups. The first group includes studies with a measure of disclosure that is not an index (Craswell and Taylor, 1992; Forker, 1992; Zimmer, 1994; Kasznik and Lev, 1995; Lobo and Zhou, 2001). Such studies use a simple measure of disclosure, such as whether an item is disclosed or not. The second group, which is more relevant to this present study, includes studies that use a constructed disclosure index to measure the level of disclosure and then assess the association between the observed disclosure level and company attributes. These studies (Buzby, 1975; Belkaoui and Kahl 1978; Firth, 1979; McNally et al., 1982; Chow ad Wong-Boren, 1987; Malone et al., 1993; Ahmed and Nicholas, 1994; Wallace et al., 1994; Solas, 1994; Wallace and Naser, 1995; Ahmed, 1996; Patton and Zelenka, 1997; Al-Bastaki 1997; Inchausti, 1999; Craig and Diga, 1998; Owusu-Ansah, 1998; Naser and Al-Khatib, 2000; Naser et al. 2002; Al-Shayeb, 2003; Owusu-Ansah and Yeoh, 2005) covers in particular those examining the relationship between company attributes that are employed in this study, and financial disclosures - mandatory, voluntary, and total disclosures in developed and developing countries.

The information items forming the basis of the disclosure index for these studies varied from a minimum of 24 (Chow and Wong-Boren, 1986) to a maximum of 530 (Craig and Diga, 1998). Some studies have weighted the items (Belkaoui and Kahl, 1978; Firth, 1979; McNally, Eng and Hasseldine, 1982; Chow and Wong-Boren, 1987; Malone, Fries ad Jones, 1993), while others have adopted unweighted procedures. The reason given for this is usually to avoid the subjectivity involved in determining weights. The number of companies in each study has varied form 20 in Bahrain (Al-Bastaki, 1997) to 566 in India, Pakistan and Bangladesh (Ali, Ahmed and Henry, 2004). The company attributes that were examined as potential predictors of the extent of disclosure ranged upwards from two (Stanga, 1976) to 13 (Naser, et. al, 2002). All of these studies examined the level of disclosure at time except Ahmed (1996), who investigated the level of disclosure in two years, Inchausti (1997), who examined the level of disclosure in three years, and Owusu-Ansah and Yeoh (2005), who investigated the level of disclosure over four years.

These studies used a variety of methods to examine the relationship between company attributes and level of disclosure. Earlier studies used a matched-pairs design (Buzby, 1975; Stanga, 1976; Belkaoui and Kahl, 1979; Firth, 1979; McNally et al., 1982). Studies beginning with Chow and Wong-Boren (1987) have used multivariate regression analysis. Specifically, almost all studies that adopted multivariate regression analysis used the ordinary least squares (OLS) regression procedure. Exceptions include (Wallace et al., 1994; Wallace and Naser, 1995; Al-Bastaki, 1997; Naser, 1998; Naser et al., 2002; and Ali et al., 2004). These studies used rank regression to cater for outliers and the rank order nature of disclosure indices.

While these studies typically found the level of disclosure was related to company attributes, the findings were mixed. Ahmed and Courtis (1999) reviewed disclosure studies published prior to 1998. They found that the results were mixed, which they explained by differences in socio-economic and political environment between countries, organizational structures, construction of the informational items in disclosure indices, and sampling error. Wallace et al. (1994) also noted that variation in sample size, different statistical methods used to analyses the data, different research settings, differences in index construction, and differences in number of company attributes examined and specific proxies adopted, have either individually or severally contributed to the mixed results. More recent studies have also reported mixed results.

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2.7 The Use of IAS/IFRS and Financial Reporting Outcomes

Prior studies have investigated the link between financial reporting disclosure and the use of IASs. Ashbaugh and Pincus (2001) investigated whether there is a change in analysts' forecast accuracy after companies adopt IASs. Investigating an international sample of non-US companies.

Ashbaugh (2001) investigated the factors associated with non-US companies listed on the London Stock Exchange (LSE) that prepared their financial statements in accordance with IASs or US GAAP. Ashbaugh (2001) suggested companies use IASs or US GAAP to communicate with foreign financial users to facilitate the raising of equity capital and to provide more standardized financial information in the annual financial report, she found companies that used IASs or US GAAP were traded in more foreign equity markets, issued more equity, provided more standardized information and were more

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likely to file US SEC Form 20-F information than companies that used their national standards.

Leuz and Verrecchia (2001) examined whether companies using US GAAP or IASs could expect a lower cost of capital. Two proxies for cost of capital were used, bid-ask spread and trading volume. Considering a sample of companies listed on the German "Neuer Markt that changed from national standards to IASs or US GAAP they found that the use of US GAAP and IASs increased the level of disclosure and reduced the cost of capital. Leuz (2003) likewise investigated whether companies using IASs or US GAAP exhibit differences in information asymmetry by using a sample of companies listed on the German "Neuer Markt". Leuz found evidence that IAS and US GAAP are comparable in providing high quality accounting information to capital markets. Both are associated with reduced information asymmetry and increased market liquidity.

Naser (1998) provided evidence supporting the use of IASs to increase the level of disclosure. He investigated the association between the level of disclosure and a number of company's attributes for a sample of companies listed in Jordan, after IASs became mandatory, and compared the level of disclosure before IASs were adopted there. Naser (1998) measured the level of disclosure by index and found that the level of disclosure increased from 0.46 to 0.63. He concluded that financial reporting disclosure improved after IASs were adopted in Jordan.

The above studies provided evidence that the use of IASs leads to increases in the level of disclosure by companies in a number of countries and in accounting measurers that are more predictable. Additionally, it has been claimed that the use of IASs reduces information asymmetry, increases market liquidity and, consequently, is believed to be associated with a lower cost of capital.

2.8 Corporate Characteristics and Compliance with IAS/IFRS

Various studies have investigated the attributes of companies that voluntarily adopt or use IASs in preparing their financial statements (Al-Basteki, 1995; Dumontier and Raffounier, 1998; El-Gazzar et al., 1999; Murphy, 1999; Morris et al., 2004). However, these studies did not measure compliance with IASs as such. Rather, they relied on the auditor's report and a statement by companies that they had adopted IASs.

Compliance studies of this nature can be divided into two groups. The first group comprises research using a compliance index to measure the extent of compliance. The second group, the reminder, typically calculated the fraction of companies that complied with a given item. Both groups are discussed below.

Nobes (1990) examined voluntary disclose compliance with IASs by US listed interests, depreciation and the pooling-of –interest method in business combinations. From the percentage of companies that complied with an item, Nobes found, based on 200 companies that the level of voluntary disclosure compliance was between 0.33 for minority interests and 0.50 for the pooling-of-interest method.

Following Nobes (1990), Street et al. (1999) examined compliance with IASs for a sample of 49 multinational companies, operating in several countries that claimed to have adopted IASs for the financial year 1996. They examined the degree of voluntary disclosure and measurement compliance with IASs revised during the Comparability Project. They concluded that there was significant non-compliance with the IASs issued as part of the Comparability Project. They also concluded that the level of compliance by companies claiming to have adopted IASs is mixes and selective. However, they did not refer to company attributes to explain the variation across companies in the level of compliance.

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Tower et al. (1999) investigated the extent of voluntary disclosure and measurement compliance with IASs in six Asia-Pacific countries, comprising one developed country (Australia) and five developing countries (Hong Kong, Malaysia, Philippines, Singapore and Thailand) and evaluated the influence of a company characteristics on the level of compliance. The attributes were country of origin, company size, leverage, profitability, industry, and the number of days since the issue of a company's annual report. A sample of ten listed companies' 1997 annual reports in each of the six countries was examined. The results indicated that country of origin is highly significant, while days to issuing the report was negatively associated with the level of compliance. Other attributes were not significant. The reason given for significant differences between countries was the heavy reliance placed on IASs in the accounting standards of Australia, Thailand, Malaysia and Singapore; whereas, Hong Kong and the Philippines were more heavily influenced by UK and US accounting standards.

Street and Bryant (2000) examined the extent to which companies from 17 countries that claimed to have adopted IASs in fact complied with or exceeded IAS disclosure requirements. They sought to identify whether were significant differences between companies with (1) a US listing, (2) a US filing, and (3) no US listing or filing, with regard to voluntary compliance with IAS disclosure (including both mandatory and voluntary items). They also attempted to identify the determinants of the level of compliance and disclosure.

A number of company features were examined; namely company size, listing status, profitability, industry, the manner in which the company referred to the use of IASs in the accounting policies footnote, the manner in which the audit opinion addressed compliance with IASs and the manner in which the audit opinion addressed the auditing stands adhered to. Annual reports to a sample of 82 companies were examined. There were 11 companies listed in the US, 30 companies that filed in the US, and 41 companies without either a US listing or filing.

They also reported that, a higher level of voluntary disclosure compliance was associated with an audit opinion that asserted the financial statements were in accordance with IASs and that International Standards of Auditing were followed when conducting the audit. The extent of voluntary disclosure compliance with IAS was greater for companies with a US listing or filing. The findings also indicated that the extent of disclosure was greater for companies with an accounting policy not that specifically stated the financial statements were prepared in accordance with IASs, and an audit opinion that stated ISA

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were followed when conducting the audit. The level of disclosure was greater for companies with a US filing. Other attributes were not significant for either the level of compliance or the level of disclosure.

Street and Gray (2001) examined the extent of compliance with IASs by a sample of 279 companies from 32 countries that claimed to use them. They assessed whether a number of company attributes were associated with the level of compliance. The annual reports of sample companies for financial years ending in 1998 were used to analyse the level of compliance. Street and Gray extended the work of Street and Bryant (2000) by examining a larger sample of companies from more countries, thereby allowing for further segregation of companies without a US listing or filing. They added four new company attributes to the study (country of origin, type of auditor, multi-nationality and size of the home stock market). When testing country of origin, Street and Gray grouped the countries into seven groups to overcome the problem of a small sample size for most countries. The groups were China and Hong Kong, France, Germany, Switzerland, Other Western Europe, Africa and the Middle East, former Soviet Block and other countries. he results suggest that it is possible to observe higher compliance in some developing countries than developed countries.

The level of compliance was lower for companies listed on a smaller stock market. The findings for the second index were similar except that industry, size of the stock market, and being domiciled in China and Switzerland were not significant. However, there was a negative association with being domiciled in France, Germany, or another Western European country.

The level of voluntary compliance with IAS measurement standards was positively associated with:

- a company's accounting policy note that stated the financial statements were prepared in accordance with IASs with no exception noted and no reference to another set of accounting standards;
- being audited by a Big 5+2 company (Arthur Andersen, Deloitte Touche Tohmatsu, Ernst and Young, KPMG and Pricewaterhousecoopers) plus Grant Thorton and BDO; and
- being domiciled in China.

In addition, there was a negative relationship with being domiciled in France or Africa and being in the manufacturing industry in any country. The level of voluntary compliance with IAS measurement standards produced similar results, except that China, Africa and being in a manufacturing industry were not significant. Street and Gray suggested that the significant differences among countries were related to national barriers to IAS compliance (as Germany and France), or willingness by companies from some countries (e.g. Switzerland and China) to overcome perceptions relating to their traditional national accounting models.

Glaum and Street (2003) investigated the extent to which companies listed on the German "Neuer Markt" complied with IASs and US GAAP disclosure requirements for the financial year 2000. They also related the level of mandatory disclosure compliance to a number of company attributes; namely, company size, type of auditor, reference to the type of auditing standards in the audit report, listing status, country of origin, industry, profitability, internationality, ownership diffusion, company age and rate of growth. The sample consisted of annual reports from 100 companies that prepared their final statements based on IASs and from 100 companies that prepared their financial statement based on US GAAP. Two checklists were developed for IASs and US GAAP disclosure requirements. The IAS checklist contained 153 items, while the US GAAP checklist contained 144 items.

Glaum and Street (2003) found that compliance levels ranged from 0.41 to 1.00, with an average of 0.83. The average mandatory compliance level for companies that applied IASSs was 0.81, with a minimum of 0.42 and a maximum of 1.00. For those that applied US GAAP it was 0.87, with a minimum of 0.52 and maximum of 0.99. They also reported significant non-compliance with respect to IAS 32 and 33. Again, they found that the level of compliance with IASs and US GAAP disclosures was positively associated with companies being audited by Big Five audit firms and to cross-listing on a US exchange. The level of compliance was further associated with references in the audit report to the use of ISA or US GAAP. Other attributes were not significant for both levels of compliance. However being audited by a Big Five audit firm was the most important attribute.

Compliance with IASs has also been the subject of three prior studies in the Gulf Co-operation Council (GCC) member states. However, no study of companies in the GCC member states has used an index to measure the level of compliance with IASs and has then related the degree of compliance to specific company attributes. Following Nobes (1990), Abdelrahim, Hewaidy and Mostafa (1997) investigated the extent of which 22 companies listed on the Kuwait Stock Exchange (KSE) complied with the mandated IASs for the financial year 1995. Three standards relating to fixed assets were examined. These standards were IAS 16 (accounting for property, plant and equipment), IAS 20 (accounting for government grants and disclosure of government assistance) and IAS 23 borrowing costs.

Abdelrahim et al. (1997) found that the extent of mandatory compliance varied among the items. For some items there was complete compliance. For other items there was complete compliance. For other items, the index value was less than 0.20. No company complied with all the requirements of the three standards examined.

This study suffered from a number of limitations. First, it concentrated on a small proportion of listed companies in Kuwait, which might not adequately represent the extent of compliance overall. Second, it considered only three standards. Investigation more standard might have given different results. Third, it was based on a questionnaire, which may not have given an accurate reading on the level of compliance with each standard. Fourth, no attempt was made to explain cross-sectional differences in the level of compliance.

Abdelrahim and Mostafa (2000) replicated Abdelrahim et al. (1997), but with different accounting standards. The standards were IAS 25 (accounting for investments), IAS 26 (consolidated financial statements and accounting for investments in subsidiaries) and IAS 28 (accounting for investments in associates). A sample of 26 companies listed on the KSE was investigated for financial year 1997. The results revealed that the extent of mandatory compliance with these standards varied among the items. Non-compliance with the measurement and disclosure requirements of individual IASs was noted. For example, when reclassifying short-term investments as long-term investments, 38% of the companies used the cost method, which is not endorsed by IAS 25, rather than the lower of cost and market, which is required. For IAS 27, three of the 15 companies that had at least one subsidiary did not consolidate their subsidiaries and did not disclose any reason for not doing so. For IAS 28, four of 17 companies that invested in at least one associate violated all measurement and disclosure requirements. Like its predecessor, this study did not attempt to relate differences in the level of compliance to company attributes.

Joshi and Al-Mudhahki (2001) investigated the extent to which 37 companies listed on the Bahrain Stock Exchange (BSE) complied with the disclosure requirements of IAS 1 (presentation of financial statements) for the financial year 1999. They then assessed the association between the extent of mandatory compliance and a number of companies attributes. The attributes examined were company size, profitability, foreign operations, leverage and type of auditor. Ten items were investigated to ascertain the extent of compliance with IAS 1. These items were components of financial statements, comparability, compliance, stock information, disclosure and reclassification, dividends, description of reserves, timeliness, going concern and disclosure in income statements. The annual report of each company was reviewed to determine whether it had disclosed each item.

Based on the mean for all items, they found a high degree of compliance with IAS 1 requirements with respect to components of financial statements (0.89), compliance (0.73), comparability (0.68) and stock information (0.65). They also found a "fair" degree of compliance in respect of disclosure and reclassification (0.59), dividends (0.49), description of reserves (0.57), timeliness (0.46), going concern (0.37) and disclosure in the income statement (0.32). Only company size was positively associated with the degree of compliance and for only two items: timeliness and reserve description.

Al-Shammari (2005), also examined empirically the extent of mandatory compliance with international accounting standards (IASs) by companies in the Gulf Co-Operation Council (GCC) member states – namely, Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates (UAE) – between 1996 and 2002, and explained why some companies comply more than others.

Al-Shammari (2005), found out that the average level of compliance for all companies and all years was 75% of the items of index. No company within the examined time period fully complied with all requirements. The average level of compliance increased over time, though, from 68% in 1996 to 82% in 2002. There was significant variation in the level of compliance across the six GCC member states as well, but the level of compliance increased in all states over the sample period. The highest average of level of compliance was Saudi Arabia, where it reached 88% in the last year of the study.

The degree of non-compliance with IASs across the GCC member state was partially attributed to limited monitoring and enforcement by bodies responsible for overseeing financial reporting, and to the limited comprehensiveness of audits by external auditors. In addition to the role of the enforcement bodies and external auditors, several company attributes helped explain the level of compliance with IASs. Compliance variation increased with a company's size, leverage and internationality. The level of compliance varied by industry too; however, company profitability, liquidity, ownership diffusion and whether the audit was conducted by a major international audit firm were found not to be significant factor.

Akhtaruddin (2005), in an empirical investigation of the extent of mandatory disclosure by 94 listed companies in Bangladesh revealed association between company – specific characteristics and mandatory disclosure of sample companies. The results indicated that companies in general have not responded adequately to the mandatory disclosure requirements of the regulatory bodies. It found out that companies, on average disclose 44% of the items of information, which leads to the conclusion that prevailing regulations are ineffective monitors of disclosure compliance by companies. Company age appears to be an insignificant factor for mandatory disclosure. And there is little support for industry size as a predictor of mandatory disclosure except where is measured by sales. Then it is marginally significant. Profitability was found to have no effect on disclosure. And status, i.e. whether a company is modern or traditional also has no effect on mandatory disclosure.

Owusu-Ansah (2005) investigated factors that influence the extent of corporate mandatory disclosure practices in New Zealand over a three-year period. Researcher created disclosure scoring templates consisting of mandated information items from three regulatory sources were used to derive indexes of disclosure in financial annual reports of the sample companies. Regression analysis suggests that company age is the most critical factor in explaining the extent of mandatory disclosure practices of the companies. The results also indicate that company size, liquidity, profitability, existence of audit committee, and auditor-type are consistently positively related to the extent of corporate mandatory disclosure.

Yeoh (2005) reported a descriptive study of the compliance behaviour of New Zealand registered companies listed on the New Zealand Stock Exchange (NZX) with regard to required disclosures in their annual reports over a 3-year period, 1996 – 1998. Compliance with reporting requirement was measured by using a researcher created – disclosure index consisting of 495 mandated information items. The sample consisted of 49 companies spanning the 1996 – 1998 period. The overall results show a high degree of corporate compliance with the financial reporting requirements.

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Taplin et al., (2002) in an extension to their work in 1999, the extent of compliance with International Accounting Standards (IAS) in six Asia-Pacific countries. Examined sixty annual reports from companies in Australia, Hong Kong, Malaysia, Philippines, Singapore, and Thailand are analysed to create several compliance indices based on all universally applicable IAS rules at the time. The compliance ratio is computed as an aggregate value, split into measurement and disclosure categories. These ratios were also calculated on a standard-by-standard basis. More, a new Discernibility Index was evolved to generate insights into patterns of non-disclosure.

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The results showed higher levels of compliance with disclosure issues (95.5%) than measurement issues (77.7%). The lowest overall rates were found for IAS 7, Cash Flow Statements, and IAS 28 Investments in Associates. In terms of the Disernibility Index, companies in the four Asian countries with British colonial links had lower levels of non-disclosure than Philippines or Thailand entities. The more profitable companies also tended to have a higher proportion of discernible (disclosures) items for measurement issues. The levels of non-disclosure have very distinctive standard-by-standard patterns. The findings had important policy implications. The level of discernibility (disclosures) was low with strong country and topical trends exhibited. Therefore, de facto harmonization was difficult to measure and country / company variances suggested that the goal of regional comparability has not been achieved. There was a need for change in the status quo level of non-disclosure of Asia-Pacific companies. In line with public theories of regulation, a call for more direct government intervention was made.

Owusu-Ansah (2002) investigated the impact of corporate attributes on the extent of mandatory disclosure and reporting by 49 listed companies in Zimbabwe. Using a disclosure index which consisted of 214 mandated information items, the extent of mandatory disclosure for each sample company was quantified, and was used with other data specific to each sample company to test the relational hypotheses. Although several alternative specifications of multivariate regression models were developed and estimated, only the results of a robust regression analysis which indicated that company size ownership structure, company age, multinational corporation affiliation, and profitability have statistically significant positive effect on mandatory disclosure and reporting practices of the sample companies were reported. The quality of external audit, industry – type and liquidity were statistically insignificant.

Review of the literature so far indicates that there has not been any disclosure compliance study in Ghana even prior to the adoption of IFRS/IAS and since.

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CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter gives the procedure used to conduct the empirical research. This includes the research method, determination of the sample used, variable definitions, and the basis for the selection of the IFRS/IAS. The chapter also describes the development of the disclosure checklists and the discussion of its validity and reliability, and ends with the statistical analysis executed.

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3.2 Research Method

Many research methods can be used to collect data such as survey, experiment, and using secondary data (Ticehurst and Veal, 2000). However the use of secondary data in which data already exists, is the most appropriate for this research. The major purpose of this research is to test hypotheses. Six hypotheses have been constructed to answer the research questions in which the relationship between IFRS/IAS disclosures and company size, profitability, leverage type of auditor, listing status (cross listings), and type of industry are investigated. Thus, the information needs for this research are accounting data of listed companies on the Ghana Stock Exchange existing in their annual reports. Accounting data from secondary data sources exists in data recorded by accountants for each period. Using secondary data has the advantage of saving time and cost involved in data collection (Ticehurst and Veal, 2000; Zikmund, 2000). In addition, the secondary data technique has been used in disclosure compliance studies by majority of previous researchers (Cairns, 1999; El-Gazzar et al, 1999; Tower et al, 1999, Street and Bryant, 2000; Glam and Street, 2003). These studies employed annual reports of sampled firms.

3.3 Year of study

The year of study should have been 2007 when all listed companies were first required to comply with IFRSs/IASs when it was adopted in Ghana.

However, since companies may not have had adequate time to prepare to comply with IFRS/IAS in 2007, annual reports for 2008 were selected for the investigation. This is consistent with Chamisa (2000) who suggested a one-year time lag between the issue of an IAS and significant compliance with it.

3.4 Population and Sample

A total of 35 companies categorised into 6 sectors and industries – Finance/Insurance, Paper Converter/IT, Manufacturing/Trading, Agric/Agro Processing, Metals/Oil, Pharmaceuticals/ Beverages were listed on the Ghana Stock Exchange (GSE) as at 31st December 2008 the year of study. Given the small size of the population, the study aimed to include all the relevant listed companies. However, 16 companies had to be excluded because as at the time of the study their annual reports were neither available at the Ghana Stock Exchange nor at their websites, all efforts made to secure them proved futile. Three companies also had to be excluded on the basis of using Generally Accepted Accounting Practice (GAAP) in their reportage. The breakdown of the excluded companies' in terms of sectors and industries were: Finance/Insurance 3, Paper Converter/IT all the 5 companies, Manufacturing/ Trading 4, Metals/Oil 1, Pharm./Beverages 2. Since all the 5 companies' in the Paper Converter/IT were excluded, they were not represented in the econometric model for the study. Consequently, the sampled companies were reduced to 16.

Table 3.1 Sample Description

Population and Sample selection	No. of companies
Total number of listed companies on the GSE as at 31st December 2008	35
Less companies whose annual reports were not available	(16)
	19
Less companies using GAAP	(3)
Companies with usable data available included in the study.	**16**

3.5 Variables Definition

In basic terms, a variable represents a property of an event or phenomenon associated with a particular object (Ryan et al, 1992). Variables can be dichotomized as dependent and independent (Hair 1995). The impact of changes in the independent upon the dependent variable is considered in data analysis. That is a dependent variable is predicted to change when independent variables change.

Based on the research hypotheses, this study focuses on seven major variables: mandatory compliance with IFRS disclosure requirements measured by disclosure index, company size, profitability, leverage, type of auditor, listing status (cross listings), and type of industry. The independent variables are expected to provide predictive power to

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predict the dependent variable in the disclosure index model. These variables are defined and measured for this research as follows.

3.6 Dependent Variable: Disclosure Index.

The most common approach for determining compliance with disclosure requirements by a company is that of the unweighted disclosure index (Yeoah, 2005; Ali et al, 2004; Craig and Diga, 1998; Patton and Zelenka; 1997; Cooke, 1996; Ahmed and Nicholls, 1994; 1994; Wallace et al., Spero, 1979). With this method, if a required item is disclosed, it is scored as 1 and if it is not, it is scored as 0. This is commonly known as the 'dichotomous' method. However, this is not strictly 'dichotomous' because some items may not be applicable to every company, and are therefore scored as 'not applicable' (NA). This disclosure index for each company is then calculated as the ratio of the total items disclosed the maximum possible score applicable for that company:

$$C_j = \frac{T = \sum_{i=1}^{n} d_i}{M = \sum_{i=1}^{m} d_i} \qquad (1)$$

Where:

C_j = the total compliance score for each company and $0 \leq Cj \leq 1$.

T = total number of items disclosed (d_i) by company j.

M = the maximum number of applicable disclosure items for company j that could have been disclosed.

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The index is described as an unweighted index because each item is treated equally. It was initially developed for measuring compliance with voluntary (or a combination of voluntary and mandatory) disclosures. In that case the researcher exercises judgment on what should be included in the disclosure checklist and the need to consider each item independently.

This method has also been applied by many prior studies in measuring compliance with IFRS/IAS mandatory disclosures (by Abd-Elsalam and Weetman 2003, Street and Bryant, 2000; Street and Gray, 2001; Glaum and Street, 2003; and Hodgdon et al., 2008).

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However, this kind of disclosure index entails an important limitation: the number of disclosure items required by different standards varies considerably. Some Standards require a large number of items to be disclosed (IAS 1) while some others require only a few (IAS 2 'Inventories'). As a result, standards which require more items to be disclosed or in other words, standards with more items included in the index are unintentionally and indirectly not treated equally with those that require few items to be disclosed (Al-Shiab, 2003).

To avoid this problem, an alternative method 'partial compliance unweighted approach' employed by (Street and Gray, 2001) and Al-Shiab (2003; 2008) was used simultaneously with the 'dichotomous'.

So, the degree of compliance for each company was measured by adding the degree of compliance for each standard and then divided this sum by the number of standards

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applicable to each company. This implicitly gave weighting to each applicable standard and avoided the problem of unintentionally giving more weight to a standard with a larger number of items in the index (Al-Shiab, 2003).

Thus:

$$PC_j = \frac{\sum_{i=1} X_i}{R_j} \qquad (2)$$

Where:

PC_j= the total compliance score for each company $0 \leq PC_j \leq 1$.

X_i = level of compliance with each standard's mandatory disclosure requirements.

R_j = total number of relevant/applicable standards for each company j.

Subsequently, the sum of these compliance scores *(X)* was divided by the total number of relevant applicable standards for each company j that is Rj.

3.7 Independent Variables

Data for company size, auditing firm, leverage, profitability, multiple listing status (cross listing) were all obtained from the annual reports of the studied listed companies.

- Company size; measured as natural logarithm of assets and natural logarithm of revenue;
- Profitability; defined as return on equity (ROE): Earnings before tax and interest/Shareholders' Equity.
- Leverage; book value of total debt/(book value of total debt + Market value of equity)
- Type of auditor; a dummy variable 1 if the company is being audited by a Big 4

(Pricewaterhousecoopers, KPMG, Deloitte & Touche, and Ernst & Young) company and 0 otherwise;

- Multiple Listing; designed to capture the cross listings and their potential implication on disclosure level: 1 if the company is listed on other (foreign) stock market(s) and 0 otherwise.
- Type of Industry; which is expressed as more dummy variables.

Industry type: Finance/ Insurance, Manufacturing/ Trading, Agric/Agro Processing, Mining/Oil, Pharmaceutical/Beverages.

Table 3.2 Summarises the company features/attributes, their proxies and their source of information.

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Table 3.2: Summary of Independent Variables

Variable	Proxy
Company Size	Natural log (assets and revenue)
Profitability	Return on Equity = Earnings before tax and interest / Shareholders' Equity
Leverage	Book value of total debt /(book value of total debt + Market value of equity)
Listing Status (Multiple listing)	Dummy variable coded 1 = company listed on other foreign stock market (s), 0 = otherwise
Type of auditor	Dummy variable coded 1 = auditor a Big 4 audit firm, 0 = otherwise.
Type of Industry:	
Finance/Insurance	Dummy variable coded 1 = Finance or Insurance company, 0 = otherwise
Manufacturing/Trading	Dummy variable coded 1 = Manufacturing or Trading company, 0 = otherwise

Agric/Agro Processing	Dummy variable coded 1 = Agric or Agro Processing company, 0 = otherwise
Mining/Oil	Dummy variable coded 1 = Metal or Oil company, 0 = otherwise
Pharm./Beverages	Dummy variable coded 1 = Pharm. or Beverage company, 0 = otherwise

On the basis of the defined variables: dependent and independent. An econometric multivariate linear model was generated for the research as:

$$PC_j = \alpha_0 + \alpha_1 \, Company\ size + \alpha_2 \, Profitability + \alpha_3 \, Leverage + \alpha_4 \, Listing\ Status + \alpha_5 \, Auditor\ Type + \alpha_6 \, Industry\ Type \qquad (3)$$

And in a more technical form:

$$PC_j = \alpha_0 + \alpha_1 \, In\ (REV) + \alpha_2 \, In\ (TA) + \alpha_3 \, ROE + \alpha_4 \, Lev + \alpha_5 \, MultiList + \alpha_6 \, Aud + \alpha_7 \, Fin/Ins + \alpha_8 \, Man/Trad + \alpha_9 \, Agric/AgPro. + \alpha_{10} \, Min/Oil + \alpha_{11} \, Pharm/Bev. + \varepsilon \qquad (4)$$

PC_j = total disclosure score for each company.

REV = total revenue

TA = total assets

ROE = return on equity

Lev = leverage

MultiList = multiple listing status

Aud = type of auditor

Industry type: Finance/Insurance, Manufacturing / Trading, Agric/Agro. Processing, Mining/Oil, Pharmaceuticals/Beverages.

ε = error term

3.8 Selection of International Financial Reporting Standards

This study measures the extent of mandatory disclosure with IFRSs/IAS based on accounting practices observed in the financial statements, rather than by relying on companies' claims of compliance with disclosure requirements as has been done in some previous studies (Murphy, 1999; Tara, 2004). So, in measuring the extent of compliance with IFRS/IAS mandatory disclosures, the set of standards to be included in the study had to be identified.

At 31 December 2008 there were 38 IFRS/IAS. The selection of the standards for the study was based on four criteria.

- Relevance and applicability to the year of study
- Applicability to the Ghanaian business environment
- Relevance to the study
- Applicability to the majority of the studied companies.

Table 3.3 gives a summary of IFRS/IAS that was included in the study as a result of applying the four criteria and those excluded with reasons.

Table 3.3: Selection of IFRS/IAS

Applicable IFRS/IAS	Standard
Relevant IFRS/IAS	IFRS1 First Time Adoption, IFRS 2 share-Based Payment, IFRS 4 Insurance contracts IFRS 5 Non-Current Assets Held for sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements, IAS 2 Inventories, IAS 7 Statement of Cash Flows, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 10 Events after Reporting Period IAS 12 Income Taxes, IAS 14 Segment Reporting, IAS 16 Property, Plant and Equipment, IAS 17 Leases, IAS 18 Revenue, IAS 19 Employee Benefits, IAS 21 Effects of Changes in Foreign Exchange Rates, IAS 23 Borrowing Costs, IAS 24 Related Party Disclosures, IAS 27 Consolidated and Separate Financial Statements, IAS 28 investments in Associates, IAS 31 Interests in Joint Ventures, IAS 32 Financial Instruments Presentation, IAS 33 Earning Per Share, IAS 36 Impairment of Assets, IAS 37 Provisions Contingent Liabilities and Assets IAS 38 Intangible Assets, IAS 40 Investment Property, IAS 41 Agriculture. IAS 38 Intangible Assets, IAS 40 Investment Property, IAS 41 Agriculture.
IFRS/IAS Excluded: Not relevant and Applicable to the year of study	IFRS 8: Operating Segment (effective January 2009)
Not applicable to the Ghanaian business environment	IAS 26 Accounting and Reporting by retirement Benefits IAS 29 Financial Reporting in Hyper inflationary Economies

Not relevant to the study	IAS 39 Financial Instruments: Recognition and Measurement IAS 34 Interim Financial Reporting
Not applicable to the majority of the studied companies	IAS 11 Construction contracts IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

3.9 Developing the Disclosure Checklist: Validity and Reliability

The scoring sheet was constructed based on the IFRS/IAS requirements which specifically deal with mandatory disclosures. This required judgment in determining what constituted a disclosure item, as the disclosure sections typically include several paragraphs which explain the required disclosures or encourage, but do not require specific disclosures. Further, some standards make reference to disclosures required by other standards and accordingly there is the risk of duplication (Tsalavoutas et al., 2008). To address this problem and avoid arbitrariness in allocating identical disclosure requirements to specific standards, standards which mainly dealt with the issue being regulated were included. (For example, specific requirements relating to the presentation of property, plant and equipment with IAS 16 were included, but not the corresponding requirements also included in IAS 1). Content validity indicates whether the instrument adequately measures the concept if interest (Vlachos, 2001) (that is in this case, compliance with disclosure requirements). To validate the checklist two detailed IFRS/IAS disclosure checklists were accessed from the websites of KPMG and Price water house coopers, and compared with the draft checklist. The purpose of using these checklists was to verify the completeness of my own and to help to distinguish between disclosure and measurement items since the study was on disclosure. It also helped me to determine a more efficient sequence for checking items. No item was missing from myself-constructed checklist but there were minor variations between the self-constructed checklist and the KPMG and PricewaterhouseCoopers' checklist with respect to breaking up an item into its components to make it easier to check compliance. Thus minor changes to components were made in the self-constructed checklist. To ensure the reliability of the research instrument some pilot testing was done based on a review of four companies' annual reports representing all the industries studied. This was 25% of the total sample of 16.

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3.10 Statistical Analysis

In testing the hypotheses, the Multiple Regression Analysis of SPSS 16.0 software for data processing purposes was used with the dependent variable (disclosure compliance index) and six independent variables (company size, profitability, leverage, multiple listing, type of auditor, and type of industry).The main statistical method utilised under Multiple Regression to test the hypotheses was the Stepwise Method. The major advantage of the method was its ability to optimise the econometric model by eliminating all statistically non significant variables from the model. Therefore the results and their discussion were based on the outputs generated by the software.

CHAPTER FOUR

PRESENTATION OF FINDINGS AND ANALYSIS

4.1 Introduction

This chapter presents the empirical findings, and the analysis of these findings. The chapter starts with a presentation and analysis of the descriptive statistics of the dependent variable: disclosure index, and follows with companies' disclosure index, and disclosure compliance of individual IFRS/IASs. Again, a descriptive statistics of the independent variables are also presented and analysed. Lastly, the result of the multiple regression analysis of the disclosure compliance is communicated.

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4.1.1 Dependent Variable

To be able to answer the first research question, to what extent do companies listed on the Ghana Stock Exchange comply with the disclosure requirements of IFRS/IAS; information from the annual reports of a sample of 16 companies were gathered and analysed. Table 4.1 provides descriptive statistics for the disclosure index.

Table 4.1: Descriptive statistics of disclosure compliance

Mean	Std. deviation	Min.	Max	N
0.83	0.103	0.68	1.00	16

It shows that the mean of disclosure compliance was 83% (Standard deviation of 10.3%), with a minimum of 68% compliance and a maximum of 100% compliance. This means that the extent with which companies listed on the Ghana Stock Exchange comply with the disclosure requirements of IFRS/IAS is high since compliance ranges between 68% and 100%, though only one company obtained full compliance.

Appendix (A1 and A2) also gives descriptive statistics for individual companies' disclosure compliance. As depicted in the findings, the level of disclosure ranged from 68% to 100%. AngloGold Ashanti had 100% compliance, followed by Ecobank Transnational Incorporated 96%, compliance, CAL Bank 95% compliance, UT Financial Services 90% compliance, SG-SSB 86%, Total Petroleum 84% Cocoa Processing Company 83%, Enterprise Insurance 82%, Unilever Ghana 82%, Ghana Commercial Bank 81%, Accra Brewery 80% Mechanical Lloyd 78%, Benso Oil Palm Plantation 75%, GOIL 74% and Ayrton Drugs Manufacturing 68% compliance.

Table 4.3 also provides descriptive statistics for the selected individual IFRS/IAS. As revealed from the table, there were high levels of compliance with IAS 2 Inventories, IAS 18 Revenue, IAS 31 Interest in Joint Ventures, IAS 36 Impairment of Assets, IAS 41 Agriculture, IFRS 3 Business Combinations, IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, and IFRS 6 Exploration for and Evaluation of Mineral Resources with a score of 100%. However, it showed the lowest level of compliance with IAS 8 Accounting Estimates with compliance score of 46%.

Table 4.3: Descriptive Statistics for Selected IFRS/IAS.

Standard	Title	Percentage compliance
IAS 1	Presentation of Financial statements	92%
IAS 2	Inventories	100%
IAS 7	Statement of Cash Flows	99%
IAS 8	Accounting Policies, Changes in Accounting Estimates	46%
IAS 10	Events After the reporting Period	77%
IAS 12	Income Taxes	88%
IAS 14	Segment Reporting	80%
IAS 16	Property Plant, Equipment	82%
IAS 17	Leases	93%
IAS 18	Revenue	100%
IAS 21	Employee Benefits	75%
IAS 23	Effects of changes in Foreign Exchange	63%
IAS 24	Borrowing Costs	81%
IAS 27	Related Party Disclosure	96%
IAS 38	Intangible Assets	91%
IAS 31	Investments in Associates	87%
IAS 33	Interests in Joint Ventures	100%
IAS 36	Earnings Per Share	94%
IAS 37	Impairment of Assets	100%
IAS 38	Provisions, Contingent Liabilities and Contingent Assets	96%
IAS 40	Investment Property	63%
IAS 41	Agriculture	100%
IFRS 1	First - Time Adoption of IFRS	90%
IFRS 2	Share Based Payment	96%
IFRS 3	Business Combinations	100%

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IFRS 4	Insurance Contracts	81%
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	100%
IFRS 6	Exploration for and Evaluation of Mineral Resources	100%
IFRS 7	Financial Instruments: Disclosures	93%

4.2 Independent Variables

Descriptive statistics for the independent variable for the studied companies are reported in Table 4.4 and 4.5.

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Table 4.4: Descriptive Statistics for the Independent variables

	Mean	Std. Deviation	Min	Max	N
Company Size (GH¢ million)	36.54	3.218	31.56	44.09	16
Profitability	0.19	0.225	-0.55	0.45	16
Leverage	0.63	0.262	0.087	0.925	16

Company size

This varied greatly ranging from GH¢ 35.56 million to GH¢44.09, with a mean of GH¢36.54. On average, companies on the Finance /Insurance industry were the largest in the sample (GH¢ 38 million), followed by companies in the Mining /Oil industry (GH¢ 36 million) Manufacturing /Trading (GH¢35.9 million), Agric/Agro Processing

(GH¢35million) and Pharmaceutical/Beverage industry (GH¢ 33 million). These differences in the means of the company size are widely due to industry economies.

Profitability

Profitability ranged from -0.55 to 0.45 with a mean of 0.225. UT Financial Services had the highest in terms of profitability with (0.45), followed by Unilever Ghana (0.387), SG-SSB (0.314), CAL Bank (0.310), HFC Bank (0.292), Ghana Commercial Bank (0.284), Enterprise Insurance Company (0.269), Benso Oil Palm Plantation (0.250), Ayrton Drugs manufacturing Company (0.240), GOIL (0.214), Accra Brewery Limited (0.150), Total Petroleum (0.146), Ecobank Transnational Inc. (0.140), Mechanical Lloyd (0.124), Cocoa Processing Company (0.015), and AngloGold Ashanti (-0.550). With a mean of 23% profitability for these listed companies, the implications are that they may not have the motivation to comply with IFRS/IASs more in terms of disclosure, because they are clearly not making larger profits. This is in consonance with the 'signaling theory', which suggests that managers are more likely to signal the market by disclosure of profitability of company to provide assurance to investors, and thus increase the compensation of management.

Leverage

Leverage for the studied companies ranged from 0.087 to 0.925 with a mean of 0.63. HFC Bank was highly leveraged (0.925), followed by Cal bank (0.890), Ghana

Commercial Bank (0.874). UT Financial Services (0.868), Ecobank Transnational Incorporated (0.860), SG-SSB (0.840), GOIL (0.742), AngloGold Ashanti (0.690), Total (0.625), Accra Brewery Company (0.586), Enterprise Insurance Company (0.538), Mechanical Lloyd (0.537), Unilever Ghana (0.405), Aryton Drugs Manufacturing (0.108) and Benso Oil Palm Plantation (0.087). This high level of leverage could be explained by the fact that of the companies studied 44% belonged to the Finance/Insurance industry which by the nature of their business are traditionally leveraged. The implications are that these studied companies are expected to comply to a greater extent with IFRS/IAS as per the 'agency theory'. So, with this high level of leverage, these listed companies are expected to disclose more information to reduce agency costs by reassuring debt holders that their interests are protected.

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Table 4.5: Descriptive Statistics for the Independent Variables

Company	Company Size	Profitability	Leverage
Accra Brewery	34.15	0.150	0.586
AngloGold Ashanti	31.56	-0.550	0.690
Ayrton Drug Man.	32.45	0.240	0.108
Benso Oil Palm	33.74	0.250	0.087
Cal Bank	37.29	0.310	0.890
Cocoa Processing Company	36.92	0.015	0.538
Ecobank Transnational	44.09	0.140	0.860
Enterprise Insurance	33.57	0.269	0.552
Ghana Commercial Bank	40.51	0.284	0.874
Goil	38.05	0.214	0.742

HFC Bank	37.38	0.292	0.925
Mechanical Lloyd	34.26	0.124	0.537
SG-SSB	38.07	0.314	0.840
Total	38.97	0.146	0.625
Unilever Ghana	37.61	0.387	0.405
UT Financial Services	36.36	0.450	0.868

Multiple Listing Status

Of the 16 studied companies, 2 companies had multiple listing statuses. AngloGold Ashanti had primary listings on the Ghana Stock Exchange, Johannesburg, New York, London, and Australia as well as Euronext Paris and Brussels. Ecobank Transnational Incorporated also had primary listing on the Ghana Stock Exchange, Nigeria Stock Exchange and the Bourse Regionale Des Valeurs Mobilieres (Abidjan) Cote D'Ivoire. An explanation could be that having multiple listing demands adherence to several listing requirements, so companies of these nature have the necessary capacity to provide more disclosures.

Type of Auditor

Of the 16 annual reports gathered and analysed, 15 were audited by local audit firms with an international affiliation (Big 4) Pricewaterhousecoopers, KPMG, Ernst &Young, and Deloitte. In addition to the (Big 4) was Pannel Kerr Foster another locally based audit firm with an international affiliation, and 1 local audit firm. Of the 15, Pricewaterhousecoopers had 7, followed by KPMG 3, Deloitte 2, Ernst and Young 1, Pannel Kerr Foster 2 and one local audit firm Darko Sarpong and Co. had 1. This breakdown clearly indicates that market for auditing listed companies in Ghana was obviously dominated by local audit firms with international affiliations. The implication in relation to disclosure compliance is that companies audited by local audit firms with an international affiliation (Big 4) are more likely to have a higher level of compliance with IFRS/IAS than companies audited by local audit firms without an international affiliation. The reason being that, these audit firms are more likely to be backed by greater technical abilities, expertise and experience to help them to avoid reporting errors and to ensure compliance by their clients with IFRS. Again, these international audit firms have a stronger incentive to protect their reputation and to give signal to the market their higher audit quality.

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Type of Industry

Based on the classifications described in Chapter Three, there were 7 Finance/ Insurance companies, 3 Mining/Oil companies, 2 Manufacturing/ Trading companies, 2 in the Agric/ Agro Processing industry and 2 in the Pharmaceutical /Beverage industry. These industry classifications reflect the strong representation of financial institutions in Ghana.

4.3 Correlations

Before running a multiple regression analysis, correlations between variables – dependent and independent must be verified. Table 4.5 reports Pearson correlations of these variables. As depicted in the second column, there were few variables having acceptable correlation with the disclosure compliance index, leverage, multiple listing and pharmaceutical / beverage industry, with leverage having the highest correlation (0.714), followed by multiple listing (0.535) with pharmaceutical /beverage industry having (-0.562) which was statistically insignificant.

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Table 4.6: Pearson Correlation Matrix

		DISCLOSURE	COMPSIZE	PROFIT	LEVERAGE	MULTILIST	AUDITOR	FININS	MANTRAD	AGRIC	MINOIL	PHARMBEV
DISCLOSURE	Pearson Correlation	1										
	Sig. (2-tailed)											
	N	16										
COMPSIZE	Pearson Correlation	.345	1									
	Sig. (2-tailed)	.191										
	N	16	16									
PROFIT	Pearson Correlation	-.284	.333	1								
	Sig. (2-tailed)	.287	.208									
	N	16	16	16								
LEVERAGE	Pearson Correlation	.714**	.564*	.039	1							
	Sig. (2-tailed)	.002	.023	.887								
	N	16	16	16	16							
MULTILIST	Pearson Correlation	.535*	156	-.686**	.212	1						
	Sig. (2-tailed)	.033	.563	.003	.431							
	N	16	16	16	16	16						
AUDITOR	Pearson Correlation	-.003	-032	.207	.097	.098	1					
	Sig. (2-tailed)	.991	.907	.441	.721	.719						
	N	16	16	16	16	16	16					
FININS	Pearson Correlation	.465	.449	.424	.685**	.048	.228	1				
	Sig. (2-tailed)	.069	.081	.102	.003	.861	.396					
	N	16	16	16	16	16	16	16				
MANTRAD	Pearson Correlation	-.109	-.073	.114	-.242	-.143	.098	-.333	1			
	Sig. (2-tailed)	.688	.788	.673	.367	.598	.719	.207				
	N	16	16	16	16	16	16	16	16			
AGRIC	Pearson Correlation	-.147	-.146	-.099	-.478	-.143	-.683**	-.333	-.143	1		
	Sig. (2-tailed)	.588	.589	.714	.061	.598	.004	.207	.598			
	N	16	16	16	16	16	16	16	16	16		
MINOIL	Pearson Correlation	.188	-.053	-.559*	.100	.303	.124	-.424	-.182	-.182	1	
	Sig. (2-tailed)	.663	846	.024	.713	.255	.674	.102	.501	.501		
	N	16	16	16	16	16	16	16	16	16	16	
PHARMBEV	Pearson Correlation	-.582*	-.392	.009	-.472	-.143	.098	-.333	-.143	-.143	-.182	1
	Sig. (2-tailed)	.018	.133	.973	.099	.598	.719	.207	.598	.598	.501	
	N	16	16	16	16	16	16	16	16	16	116	16

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

*. Correlation is significant at the 0.05 level (2-tailed).

4.4 Multiple Regressions

The specified hypotheses in Chapter 1 were tested, using the multiple regression analysis- stepwise method. Table 4.6 communicates the results of multiple regression analysis of disclosure compliance. The table provides p-values and co-efficient of all independent variables in the multiple regression model. The results show that the model was significant overall (f = 12.819, $p < 0.001$) with R^2 (adjusted) of 0.612 which means the explanatory power of the model is acceptable, clearly indicating that 61.2% of the variance of the disclosure index can be explained.

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Table 4.7: Results of Multiple Regression analysis of Disclosure Compliance Index

Model: $PCj = 0.657 + 0.248\ Lev + 0.121 Multilist + \varepsilon$

Adjusted R Square	0.612
F Value	12.819
Significance	$p < 0.001$

Variables	Beta	P-value
Constant	0.657	0.000
Company size	-0.107	0.604
Profitability	0.66	0.786
Leverage	0.248	0.002*
Multiple Listing	0.121	0.030*
Auditor Type	0.232	0.174
Industry:		
Finance / Insurance	0.029	0.903
Manufacturing/Trading	0.108	0.540
Agric/Agro Processing	0.275	0.140
Mining/ Oil	0.073	0.684
Pharmaceutical/Beverage	0.314	0.076

*Significant at 5% level

Company Size

Findings presented in Table 4.6 clearly reveal that company size was not a significant explanatory variable. Therefore, hypothesis H_1 (that company size is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies) was not supported since this was associated with ($p < 0.604$) which is over and above the ($p<0.05$) significant level. This is consistent with Archambault and Archambault (2003), who found no significant relationship between company size and disclosure level. They explained that other variables provide more detailed reasons for increased disclosure than just corporate size.

Profitability

Profitability as measured by return on equity was not a significant predictor too. As a result, hypothesis H_3 (that profitability is positively associated with the level of compliance with IFRS/IASs disclosure requirements of Ghanaian listed companies) was not supported. This result is however consistent with Tower et al. (1999), Street and Bryant (2000), and Glaum and Street (2003), who found no association/relationship between profitability and the level of mandatory and voluntary compliance with IFRS/IASs.

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Leverage

The results depict that the level of compliance with IFRS/IAS disclosure requirements was positively associated with leverage ($p < 0.002$) indicating that companies with higher leverage were more likely to comply with IFRS/IAS disclosure requirements. Therefore, hypothesis H_3 (that leverage is positively associated with the level of compliance with IFRS/IAS disclosure requirements of Ghanaian listed companies) was supported. This could be explained by the 'capital need' theory Choi (1973) which links companies' level of disclosure to its cost of capital. The theory suggest that companies' disclose more information to reduce investors' uncertainty with respect to the companies' present and future affairs, and to help them evaluate the timing and the risk of existing and cash flows. So there could be greater demand for information by shareholders of more leveraged companies to enable them to monitor their managers' actions because shareholders' face greater financial risk. In view of this, managers' of companies with higher leverage will be motivated more strongly to comply with IFRS/IAS disclosure requirements in order to reduce agency costs and information asymmetries and to alleviate equity risk. The basis of this argument is that IFRS/IASs provides more useful information to assess the probability that a company will meet its debt commitments and to assess the riskiness of future cash flows from the viewpoint of both debt holders and equity investors.

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Type of Auditor

Type of Auditor was also not significant; therefore hypothesis H_4 (that type of auditor is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies) was not supported. This lack of significance is also consistent with Ali et al. (2004). In this study, type of auditor became a weak predictor because 94% of the studied companies had the Big 4 – Pricewaterhousecoopers, KPMG, Deloitte, and Ernst & Young as their auditors, as well as Pannel Kerr Foster another audit firm with an international affiliation.

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Multiple Listing Status

Multiple listing was a significant explanatory variable with ($p < 0.030$, Table 4.6) This finding lends support to hypothesis H_5 which predicted that multiple listings is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies. This is consistent with Adhikari and Tondkar, (1992) who selected five environmental factors to test how they relate with financial disclosure. The dispersion of stock ownership in market (exchange listings/multiple listing) was one of the five factors. They reported that disclosure increase with multiple listing. Wallace and Naser (1994) found the same result in the context of Spain. Similarly, both Ahmed and Courtis (1999) and Archambault and Archambault (2003) found that listing status significantly correlated with disclosure levels. More recently, after summarising from previous studies, Wallace and Naser (1995) conclude that a company which is listed not only on its local stock exchange but also on a foreign stock exchange would give more detail in its annual report than one which is only home stock listed. They explained that this is as a result of the fact that a company may need to observe the disclosure rules of two or more stock exchanges.

Type of Industry

With respect to type of industry, level of compliance with IFRS/IASs for (Finance and Insurance), (Manufacturing and Trading), (Agric and Agro Processing), (Mining and Oil), (Pharmaceuticals and Beverage) were all not significant. In view of this hypothesis H_6 (that type of industry is positively associated with the level of compliance with IFRS disclosure requirements of Ghanaian listed companies) could not be supported and had to be rejected. This finding is consistent with some prior studies (Street, 2003). However, this is in sharp contrast with Street and Gray (2001), who revealed that companies in the commerce and transportation industry were more likely to comply with IFRS/IAS disclosure requirements.

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CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction:

This chapter provides summary of findings, makes recommendations, and draws conclusion of the study. Section 5.1 gives summary of findings of the study. Section 5.2 makes the necessary recommendations. Conclusions then are set out in section 5.3.

5.2 Summary of Findings

The objective of the study was to seek answers to two research questions.

i. To what extent do compares listed on the Ghana Stock Exchange comply with the

disclosure requirements of IFRS/IAS?

ii. What factors are associated with the level of compliance?

To measure the level of compliance with IFRS/IAS disclosure requirements, a disclosure compliance index was constructed. It comprised disclosure items from 30 IFRS/IAS applicable to the listed companies on the Ghana Stock Exchange during the year of study.

The average level of disclosure compliance was 0.83 (83%). This indicated that compliance with IFRS/IAS by listed companies in Ghana was satisfactory; however, only one of the studied companies fully complied with all the IFRS/IAS disclosure requirements. The level of compliance differed between the studied companies. As depicted in the findings, the level of disclosure ranged between 68% and 100%. AngloGold Ashanti Limited had 100% compliance followed by Ecobank Transnational

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Incorporated 96% compliance, CAL Bank 95%, UT Financial Services 90%, SG-SSB 86%, Total Petroleum Company 84%, Cocoa Processing Company 83% HFC Bank 83%, Enterprise Insurance Company 82%, Unilever Ghana Limited 82%, Ghana Commercial Bank 81%, Accra Brewery Limited 80%, Mechanical Lloyd 78%, Benso Oil Palm Plantation 75%, and Ayrton Drugs Manufacturing Company with 68% compliance.

To investigate factors likely to be associated with the level of compliance. The study reviewed other related studies. The outcome highlighted a set of six variables; namely, company's size, profitability, leverage, types of auditor, multiple listing and type of industry as being associated with level of disclosure. Multiple regression analysis of these of variables, were executed on the dependent variable - disclosure index, the results generated revealed that being highly leveraged and having multiple listing status as a company were factors positively associated with the level of compliance with the disclosure requirements of IFRS//AS by listed companies on the Ghana Stock Exchange.

5.3 Recommendations

Although listed Ghanaian firms may have complied with more than 60% of the IFRS/IAS disclosure requirements, regulatory intervention is still needed for making Ghanaian companies' fully comply with IFRS/IAS disclosure requirements. For this to be done: Regulators should raise awareness among investors, directors, managers and auditors to improve the degree of compliance with financial reporting requirements by publicly traded companies.

Steps should be taken to ensure that legal and regulatory requirements on accounting, auditing and financial reporting fully protect the public interest. This recommendation might necessitate enactment of a new Financial Reporting Act and repeal of provisions on the Companies Code (1963) Banking Law (1989), Insurance Law (1989), Financial Institutions (Non-Banking) Law (1993), Unit Trust and Mutual Funds Regulations (2001), and other related regulations.

There should be an establishment of an independent oversight body to monitor and enforce accounting and auditing standard and codes.

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The proposed Financial Reporting Act should establish a new independent oversight body, the Financial Reporting Council, accountable to a minister and the legislature. This council should be empowered to monitor and enforce with respect to financial statements intended to meet needs of users who cannot have reports tailored to specific information needs.

There should be an enforcement unit in the council to determine appropriate actions against violators of standards and codes. In addition to resorting to the national legal system, the unit should be empowered to impose administrative sanctions against management of entities, auditors, and audit firms. The enhanced administrative sanctions would facilitate enforcement without depending fully on the lengthy legal process.

The capacity of the regulatory bodies Securities and Exchange Commission Ghana, National Insurance Commission Ghana, National Insurance Commission, Non-Bank Financial Institution Office, and the body for Unit Trust and Mutual Funds should be strengthened with the needed capacity to enforce timely filing of financial statements which most listed companies are dragging their feet in doing.

Staffs of the Securities and Exchange Commission Ghana, Ghana Stock Exchange, Bank of Ghana, National Insurance Commission, and other regulators should be given the needed theoretical and practical training to enforce compliance with IFRS/IAS.

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Auditors of public interest entities should get the training to help them to audit IFRS/IAS financial statements so as to ensure compliance.

5.4 Conclusion:

This thesis provides two significant contributions. First of all it is the premier attempt to measure the level of IFRS/IAS disclosure compliance based on Ghanaian, data. Although, the study focused only on disclosure requirements, it provides ample evidence of entities – with the mean value of he disclosure index being 0.83 (83%) though full compliance could not be achieved.

On the other hand, this thesis based on previous literature, identified and tested factors that are associated with a certain level of compliance.

Evidence gathered from the test and analysis revealed that leverage and multiple listings status are associated with corporate compliance with IFRS/IAS disclosure requirements in Ghana. These findings are in line with precious findings and confirm that being highly leveraged (using more debts than equity in running business) requires more disclosures to satisfy both debt holders and equity investor interests.

It can also be concluded that having multiple listings status gives more resource to comply better, possibly in order to maintain credibility, abide by various reporting standards required, and finally to be capable of raising more capital. It can be recognized that researching reporting practice in general and IFRS disclosures compliance specifically, contributes to understanding the true needs and problems of companies in terms of their behavior towards some set of standards. These are the major challenges facing contemporary knowledge- based profit oriented, risk aversive business environment.

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Appendix A: Disclosure Compliance Checklist (Extract)

Standard	
IAS 1.13	There should be fair presentation of financial statements.
IAS 1.23	An entity should disclose the basis for the presentation of the financial statements.
IAS 1.25	An entity should prepare financial statements except cash flows on the accrual basis of accounting.
IAS 1.8	An entity should prepare financial statements including balance sheet.
IAS 1.8	An entity should prepare financial statements including income statement.
IAS 1.8	An enterprise should prepare financial statements including changes in equity.
IAS 1.8	An entity should include statement of recognized income and expense.
IAS 1.8	Financial statements should include cash flow statements.
IAS 1.8	Financial statements should include notes, comprising a summary of significant accounting policies and other explanatory notes.
IAS 1.46	Financial statements should be clearly identified and distinguished from other information in the same published document.
IAS 1.46	Components of financial statement clearly identified.
IAS 1.46	An entity should disclose its name, and other means of identification and any change in information from the preceding balance sheet date.
IAS 1.46	An enterprise should disclose whether financial statements cover the individual entity or a group of entities.
IAS 1.46	An entity should disclose the balance sheet date or the period covered by the financial statements.
IAS 1.46	The entity should disclose the reporting currency.
IAS 1.46	The entity should disclose the level of rounding used in the presentation of the financial statements.
IAS 1.49	Financial statements should be presented at least annually.
IAS 1.49	An entity should disclose any change in the balance sheet period whether longer or shorter with the period covered.

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IAS 1.49 The entity should disclose that comparative amounts for income statement of changes in equity cash flow statement and related notes are not entirely comparable.

IAS 1.51 An entity should present current and non-current assets, current and non-current liabilities as separate classifications on the face by the balance sheet.

IAS 1.51 But when liquidity presentation des reliable and more relevant information all assets and liabilities should be broadly presented in order of liquidity.

IAS 1.52 An entity should disclose for each asset and liability line item amounts expected to be recovered or settled with (i) not more that 12 months after balance sheet date.

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IAS 1.68 (a) An entity should disclose on the face of the balance sheet property, plant and equipment.

IAS 1.68 (b) An entity should disclose on the face of the balance sheet investment property.

IAS 1.68 (c) An entity should disclose on the face of the balance sheet intangible assets.

IAS 1.68 (d) An entity should disclose on the face of the balance sheet financial assets excluding investments accounted for using the equity method, trade and other receivables, cash and cash equivalents.

IAS 1.68 (e) An entity should disclose investments accounted for using the equity method.

IAS 1.68 (f) An entity should disclose biological assets on the face of the balance sheet.

IAS 1.96 (C) Present a statement of changes in equity showing on its face the total income and expense for the period (calculated as the sum of (a) and (b) above), showing separately the total amounts attributable to equity holders of the parent and minority interest.

IAS 1.96 (d) Present a statement of changes in equity showing on its face for each component of equity, the effects of changes in accounting policies and the corrections of errors recognized in accordance with IAS 8.

IAS 1.96 An entity should present a statement of changes in equity that comprises only the items required by IAS 1.96 above titled "statement of recognized income and expense".

IAS 1.97 (a) An entity should present either on the face of the statement of changes in equity or in the notes the amounts of transactions with equity holders acting in their capacity as equity holders showing separately distributions to equity holders.

IAS 1.97 (b) An entity should present either on the face of the statement of changes in equity or in the notes the balance retained earnings (i.e. accumulated profit or loss) at the beginning of the period and the balance sheet date, and the changes in equity during the period.

IAS 1.97 (C) An entity should present either on the face of the statement of changes in equity or in the notes a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.

IAS 1.29 Each material class of similar items should be presented separately on the statement of cash flows in the financial statements.

IAS 1.29 Items of dissimilar nature or function should be presented separately on the statement of cash flows unless they are immaterial in the financial statements.

IAS 1.103 (a) An entity should present information about the basis of preparation of the financial statements and the specific accounting policies used.

IAS 1.103 (b) Disclose the information required by IFRSs that is presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement.

IAS 1.103 (c) An entity should provide additional information that is not presented on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement.

IAS 1.68 (g) An entity should disclose inventories.

IAS 1.68 (h) An entity should disclose trade and other receivables on the face of the balance sheet.

IAS 1.68 (i) An entity should disclose cash and cash equivalents on the face of the balance sheet.

IAS 1.68 (j) Trade and other payables should be disclosed on the face of the balance sheet.

IAS 1.68 (k) Provisions should be disclosed on the face of the balance sheet.

IAS 1.68 (l) Financial liabilities excluding amounts shown under trade and other payables and provisions.

IAS 1.68 (m) Liabilities and assets for current tax should be disclosed on the face of the balance sheet.

IAS 1.68 (n) An enterprise should disclose on the face of the balance sheet deferred tax liabilities.

IAS 1.68 (o) An enterprise should disclose on the face of the balance sheet deferred tax assets.

IAS 1.68 (p) An entity should disclose minority interest, presented within equity, but separately from the parent shareholders' equity.

IAS 1.68 (q) Issued capital and reserves attributable to equity holders of the parent should be disclosed.

IAS 1.105 106 Each item on the face of the balance sheet income statement and cash flow statement should be cross-referenced to any related information in the notes.

IAS 1.105 (a) An entity should present notes by first stating compliance with IFRS.

IAS 1. 105 (b) An entity should then give summary of significant accounting policies.

IAS 1.105 (c) The entity should follow the supporting information for items presented on the face of the balance sheet, income statement, statement of changes in equity and cash flow statement in the order in which each statement and each line item is presented.

IAS 1.105 (d) (i) An entity should further disclose contingent liabilities and unrecognized contractual commitments.

IAS 1.105 (d) (ii) An entity should again make non-financial disclosures.

Appendix A1: Descriptive Statistics for Dependent Variable values and its Components

	IAS 1 Presentation of Financial Statement		IAS 2 Inventories		IAS 7 Statement of Cash Flows		IAS 8 Accounting Policies Changes in Accounting Est.		IAS 10 Events after the Reporting Period		IAS 12 Income Taxes		IAS 14 Segment Reporting		IAS 16 Property, Plant, Equipment		IAS 17 Leases		IAS 18 Revenue		IAS 19 Employee Benefits		IAS 21 Effects of changes in foreign Exchange		IAS 23 Borrowing Costs		IAS 24Related Party Disclosure	
	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max
Accra Brewery	67	69	3	3	12	13	0	11	1	3	7	8	0	0	10	11	0	0	1	1	2	3	0	0	0	0	10	10
AngloGold Ashanti	88	88	5	5	18	18	11	11	3	3	8	8	14	14	17	17	19	19	3	3	43	43	2	2	3	3	17	17
Benso Oil Palm Plantation	69	73	3	3	14	14	0	11	1	3	6	8	0	0	13	17	0	0	3	3	1	3	0	0	0	0	7	9
CAL Bank	71	72	0	0	15	15	10	11	3	3	8	8	0	0	11	15	0	0	4	4	3	3	0	0	3	3	9	9
Cocoa Processing Company	63	69	3	3	9	9	10	11	3	3	0	0	6	14	10	16	0	0	4	4	2	3	1	2	2	3	7	9
Ecobank Transnational Incorporation	74	76	0	0	15	15	11	11	3	3	8	9	16	17	12	13	8	8	5	5	2	3	2	2	3	3	9	9
Enterprise Insurance Company	70	77	0	0	9	9	11	11	1	3	5	8	12	14	13	18	0	0	2	2	2	3	0	0	0	0	9	9
Ghana Commercial Bank	66	71	0	0	12	12	0	11	3	3	6	7	0	0	8	9	0	0	3	3	2	3	1	2	2	3	7	8
Ghana Oil Company	67	73	3	3	15	15	0	11	3	3	6	7	0	0	14	18	0	0	3	3	1	3	1	2	0	0	0	0
HFC Bank	72	76	0	0	11	11	8	11	3	3	9	9	10	14	12	15	0	0	2	2	1	3	1	2	0	0	9	0
Mechanical Lloyd Company	62	71	3	3	13	13	0	11	3	3	8	8	0	0	16	17	4	7	2	2	1	3	0	0	2	3	0	0
SG-SSB	70	75	0	0	11	11	0	11	3	3	7	7	0	0	9	11	0	0	3	3	2	3	0	0	0	0	11	11
Total Petroleum Ghana Ltd	63	79	3	3	13	13	10	11	2	3	7	8	8	14	9	10	0	0	3	3	1	3	1	2	0	0	10	10
Unilever (Ghana) Ltd	72	88	3	3	14	14	0	11	1	3	8	10	0	0	10	11	0	0	3	3	31	43	0	0	0	0	9	9
UT Financial Services	63	71	0	0	9	9	10	11	3	3	7	8	7	14	10	11	7	7	3	3	2	3	0	0	2	3	9	9

Appendix A 2: Descriptive Statistics for Dependent variable values and its components

LISTED COMPANIES	IAS 28 Investment in Associates		IAS 33 Earning Per Share		IAS 36 Impairment of Assets		IAS 37 Provisions Contingent Assets and Liabilities		IAS 38 Intangible Assets		IAS 40 Investment Property		IAS 41 Agriculture		IFRS 1 First Time Adoption of IFRS		IFRS 2 Shared Based Payment		IFRS 3 Business Combinations		IFRS 4 Insurance Contract		IFRS 5 Non-Current Assets held for Sale & Discontinued Operations		IFRS 6 Exploration for and Evaluation of Min Resources		IFRS7 Financial Insurance		Disclosure Index (PCj)
	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	Total	Max	
Accra Brewery	0	0	2	2	0	0	0	0	0	0	0	0	0	0	6	7	0	0	0	0	0	0	0	0	0	0	20	21	0.80
AngloGold Ashanti	13	13	5	5	0	0	15	15	14	14	0	0	0	0	0	0	13	13	0	0	0	0	4	4	3	3	35	35	1.00
Ayrton Drugs Manufacturing company	0	0	2	2	0	0	0	0	0	7	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	20	0.68
Benso Oil Palm Plantation	0	0	2	2	0	0	6	8	0	0	0	0	8	8	0	0	0	0	0	0	0	0	0	0	0	0	20	23	0.75
CAL Bank	5	6	3	3	0	0	3	3	11	11	0	0	0	0	7	8	12	13	0	0	0	0	0	0	0	0	30	30	0.95
Cocoa Processing Company	0	0	2	2	15	15	0	0	0	0	0	0	0	0	7	7	0	0	0	0	0	0	0	0	0	0	22	24	0.81
Ecobank Transnational Incorporation	5	6	3	3	0	0	8	8	12	13	7	7	0	0	0	0	0	0	12	12	0	0	0	0	0	0	35	35	0.96
Enterprise Insurance Company	0	0	2	2	4	4	5	6	0	0	4	6	0	0	6	7	0	0	0	0	9	11	0	0	0	0	27	30	0.82
Ghana Commercial Bank	0	0	1	2	0	0	1	1	10	11	0	0	0	0	7	7	0	0	0	0	0	0	0	0	0	0	28	28	0.80
Ghana Oil Company	0	0	1	2	10	10	0	0	0	0	0	0	0	0	7	8	0	0	0	0	0	0	0	0	0	0	18	20	0.74
HFC Bank	4	6	2	2	0	0	3	3	0	0	3	9	0	0	7	8	0	0	0	0	0	0	0	0	0	0	32	32	0.88
Mechanical Lloyd Company	0	0	2	2	0	0	0	0	0	0	3	5	0	0	6	7	0	0	0	0	0	0	0	0	0	0	20	21	0.78
SG-SSB	0	0	2	2	0	0	3	3	10	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23	26	0.86
Total Petroleum Ghana Ltd	0	0	2	2	0	0	0	0	12	12	0	0	0	0	6	7	0	0	0	0	0	0	0	0	0	0	27	27	0.84
Unilever (Ghana) Ltd	0	0	2	2	5	5	9	10	10	12	0	0	8	8	0	0	0	0	0	0	0	0	0	0	0	0	22	22	0.82
UT Financial Services	0	0	2	2	0	0	3	3	11	11	0	0	0	0	7	7	0	0	0	0	0	0	4	4	0	0	29	30	0.90

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Appendix B: Standards included in the Study

Standard	Title
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, changes in Accounting Estimates
IAS 10	Events after the Reporting Period
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property Plant, Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	Effects of Changes in Foreign Exchange
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosure
IAS 27	Consolidated Separate Financial Statements
IAS 28	Investment in Associates
IAS 31	Interests in Joint Ventures
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 40	Investment Property
IAS 41	Agriculture
IFRS 1	First - Time Adoption of IFRS
IFRS 2	Share Based Payment
IFRS 3	Business Combination
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures

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Appendix C: Sample Companies

Name of Company		Industry
Accra Brewery Limited	-	Beverage/Pharmaceutical
Anglo Gold Ashanti	-	Mining/Oil
Ayton Drugs Manufacturing Limited	-	Pharmaceutical/Beverage
Benso Oil Palm Plantation Limited	-	Agric/Agro Processing
CAL Bank Limited	-	Finance/Insurance
Cocoa Processing Company Limited	-	Agric/Agro Processing
Ecobank Transnational Incorporated	-	Finance/Insurance
Enterprise Insurance Company Limited	-	Insurance/Finance
Ghana Commercial Bank Limited	-	Finance/Insurance
GOIL	-	Oil/Mining
HFC Bank	-	Finance/Insurance
Mechanical Lloyd Company Limited	-	Trading/Manufacturing
SG-SSB	-	Finance/Insurance
Total Petroleum Ghana Limited	-	Oil/Mining
Unilever Ghana Limited	-	Manufacturing/Trading
UT Financial Services Limited	-	Finance/Insurance

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