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# Mandatory Disclosure Practices by Listed Companies in Bangladesh

Sufian, Mohammad Abu

University of Rajshahi

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# **MANDATORY DISCLOSURE PRACTICES BY LISTED COMPANIES IN BANGLADESH**



A Thesis Submitted to the Institute of Business Administration,  
University of Rajshahi, Rajshahi in Partial Fulfillment of the  
Requirements for the Degree of *Master of Philosophy*

By

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**Institute of Business Administration  
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May, 2014**

# **MANDATORY DISCLOSURE PRACTICES BY LISTED COMPANIES IN BANGLADESH**



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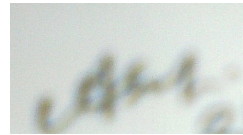
**Rajshahi, Bangladesh**

**May, 2014**

## Declaration

I do hereby declare that the thesis entitled "Mandatory Disclosure Practices by Listed Companies in Bangladesh" submitted to the Institute of Business Administration, University of Rajshahi, Bangladesh for the award of Master of Philosophy is my own achievement and original research work.

I also declare that no part of it in any form has been submitted to other University or Institute previously for any Degree, Diploma, or any other similar purposes.



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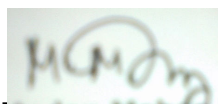
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## CERTIFICATE

This is to certify that the thesis entitled " Mandatory Disclosure Practices by Listed Companies in Bangladesh" is the original research work done by Mohammad Abu Sufian, M. Phil Fellow, Institute of Business Administration, University of Rajshahi, Rajshahi, Bangladesh has been submitted to the Institute of Business Administration, University of Rajshahi, under our guidance and supervision for the award of Master of Philosophy.

We also certify that the thesis has not previously formed any basis for the award to the candidate of any Degree, Diploma, or any other similar titles and the thesis represents an independent research work on the part of the candidate.



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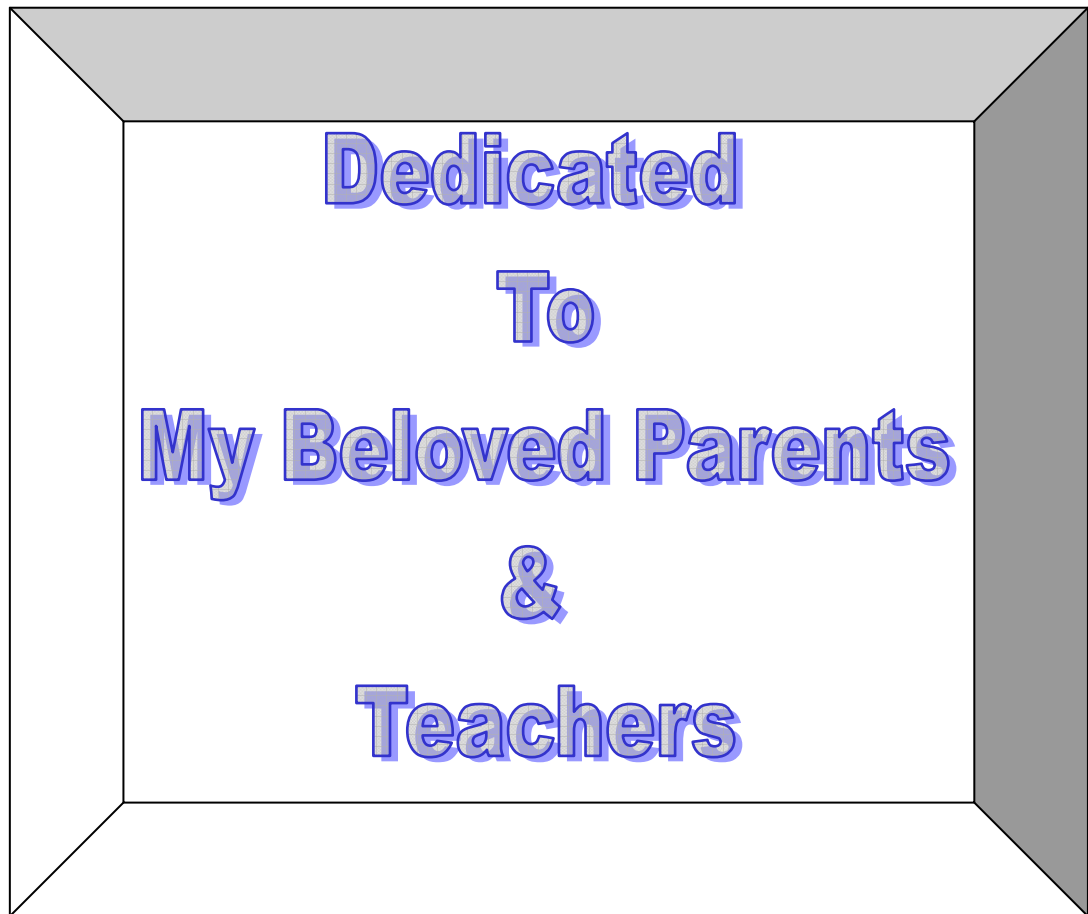
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**Dedicated**

**To**

**My Beloved Parents**

**&**

**Teachers**

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## **ABSTRACT**

The importance of disclosure is justified by agency theory, political economy theory, stakeholder theory, institutional theory and signaling theory. The agency theory states that mandatory disclosure in corporate annual reports is one of the fundamental elements for reducing information asymmetry between insiders and outsiders. These theories provided reasons for corporate disclosure, which is important for gaining investors' confidence, developing efficient markets, creating good corporate governance, protecting minority interest, ensuring an investment friendly environment, harmonizing international accounting standards to cope the national market and economy with the challenges of globalization and for protection of investors. Disclosure is made for giving good signal of firm as justified by signaling theory. More importantly, disclosure ensures transparency, accountability, fairness and responsibility of corporations to stakeholders. Realizing the facts, the different regulatory bodies of a country always put pressure on the listed companies to disclose adequate information in their annual reports as stated by institutional and stakeholder theory.

Corporate mandatory disclosure is the minimum regulatory requirement that implies the presentation of financial and non financial information in corporate annual reports that is required by regulatory authorities including the Standard Setting Bodies and the Stock Exchange Authorities. The minimum level of corporate mandatory disclosure is defined by accounting standards, the legal framework of a country (Company Law, Banking Companies Act, SEC Rules and Income Tax Act), industrial norms or standards and security market requirements. This disclosure should be adequate in corporate annual reports. Adequate disclosure is a function of the quantity and quality of information disclosed timely in annual reports following established Standards and Acts.

Research on mandatory disclosure in Bangladesh reports the poor level of mandatory disclosure by the listed companies due to non compliance of mandatory requirements and accounting standards Akhtaruddin (2005<sub>a</sub>). The ineffective enforcement of policy is

also responsible for this in one hand. On the other hand, most of the people of Bangladesh especially the investors are very little aware of the corporate disclosures. These matters result low level of mandatory disclosure in Bangladesh. Accordingly, attempts were made by the regulatory authorities in Bangladesh to improve the quality of financial reporting in the country over the last decade. Such measures have included the amendments of the Companies Act, 1994; adoption of Financial Reporting Standards started in 2007, the issuance of Corporate Governance Guidelines of SEC in 2006 as well as major revisions to Securities and Exchange Rules in 1997. Twenty Bangladesh Accounting Standards (BASs) and eight Bangladesh Financial Reporting Standards (BFRSs) have been made effective from 2007. The present research interest has been set forth to examine the extent of disclosure as it is changing towards the improvement over the periods.

The aim of this study is to examine the mandatory disclosure practices by listed companies in Bangladesh. It also investigates the firm-specific characteristics that have a significant influence on the level of compliance to mandatory disclosure. An attempt is also made to find the variation of disclosure over the years, among the samples and across the industries.

Five major hypotheses were formulated to achieve the research objectives. To test the hypotheses, this study uses panel-data of the selected thirty companies for 5-year period and T-test, F-test, correlation and the test of multiple regressions were run using the SPSS software.

The descriptive results indicate that none of the sample companies in Bangladesh discloses all mandatory items as the average mean score is 59.28 percent with a range of 47.09 percent to 69.93 percent. Fifty three percent of sample companies satisfy average disclosure and 12 out of 30 companies are found practicing standard level of disclosure while taking 60 percent as standard. The results report that the level of disclosure is relatively low in Bangladesh as compared to the disclosures of other developed countries. The trend of disclosure over the years and the variation among the sample companies has also been tested by applying paired sample t-test. The results indicate a negligible variation of disclosure over the years and significant differences

between the extents of disclosure practices of sample companies. One-way ANOVA has been used to examine the flow of disclosure across the industrial sectors. It also shows an insignificant variation of disclosure across the industry.

The result of bivariate analysis reveals that the dependent variable, total relative mandatory disclosure scores (RMDS), is positively associated with number of outside shareholders (NS), listing age (AGE), dummy of market category (DMC), net annual sales (NAS), return on total assets (ROA), return on equity (ROE), Tobin's q ratio (TOBINQ), net profit margin (NPM), and quick ratio (QR). But it shows a significant correlation with number of outside shareholders (NS), listing age (AGE), dummy of market category (DMC), and return on total assets (ROA) at 0.01 level and correlation with net annual sales (NAS), net profit margin (NPM) and quick ratio (QR) at 0.05 level.

The results of regression indicate that number of outside shareholders, listing age, market category, return on assets and leverage have significant and positive impact on mandatory disclosure. However, size of the firm, foreign ownership, and audit firm size were found statistically insignificant.

The results of this study are expected to assist regulatory bodies in formulating policies towards improving the compliance level, which may further enhance the mandatory compliance among the public listed companies. The outcome of the results is also expected to assist local and foreign investors in making more informative decisions

The main limitation of the study is that it has excluded 66 companies for having different reporting period that did not end at December 31. Another limitation is that the study is not specific to any particular industry. It has not considered all the mandatory items set by regulatory bodies in Bangladesh and the process of selecting relevant items was also arbitrary.

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## Abbreviation

AAA	American Accounting Association
AICPA	The American Institute of Certified Public Accountants
ASBE	Accounting Standards for Business Enterprises
APND	Accounting Policies and Notes Disclosure
AFM	Amman Financial Market
AGE	Listing Age
BSD	Balance Sheet Disclosure
BASs	Bangladesh Accounting Standards
BBS	Bangladesh Bureau of Statistics
BSAs	Bangladesh Standards on Auditing
BSEC	Bangladesh Securities and Exchange Commission
BFRSs	Financial Reporting Standards
BEI	Bangladesh Enterprise Institute
BAPs	Bangladesh Auditing Practice Statements
BO	Beneficiary Owners
CGD	Corporate Governance Disclosure
CG	Corporate Governance
CAAS	Cost Accounting and Auditing Standards
CMA	Cost and Management Accounting
C&AG	Comptroller & Auditor General
CPE	Continuing Professional Education
CPA	Certified Public Accountant
CARs	Corporate Annual Reports
CSE	Chittagong Stock Exchange
CMRRC	Capital Market Regulatory Reforms & Compliance
CDS	Central Depository System
CDBL	Central Depository Bangladesh Limited
CFD	Cash Flow Disclosure
DSE	Dhaka Stock Exchange
GDP	Gross Domestic Product
DFO	Dummy of Foreign Ownership
DMC	Dummy of Market Category
DSA	Dummy of Size of Audit Firm
DER	Debt-Equity Ratio
ESD	Equity Statement Disclosure
FY	Fiscal Year
FASB	Financial Accounting Standards Board
FIS	Financial Institutions Statute
FEI	Financial Executives Institute
GAAP	Generally Accepted Accounting Principles
GOB	Government of Bangladesh
HK	Hong Kong
ICMAB	Institute of Cost & Management Accountants of Bangladesh
IFAC	International Federation of Accountants
ICAI	Institution of Chartered Accountants of India
IASs	International Accounting Standards
ISAs	International Standards of Auditing
IPO	Initial Public Offering
IMA	Institute of Management Accounting

## Abbreviation

ISD	Income Statement Disclosure
ICAB	The Institute of Chartered Accountants of Bangladesh
IFRS	International Financial Reporting Standards
IAPSSs	International Auditing Practice Statements
KLSE	Kuala Lumpur Stock Exchange
MBR	Market Book Ratio
MNC	Multinational Company
NYSE	New York Stock Exchange
NBR	National Board of Revenue
NS	Number of Outside Shareholders
NAS	Net Annual Sales
NPM	Net Profit Margin
OLS	Ordinary Least Squares
OECD	Organization for Economic Cooperation and Development
PRC	People's Republic of China
P&L	Profit and Loss
PLCs	Public Limited Companies
PER	Price Earnings Ratio
QR	Quick Ratio
ROA	Return on Total Assets
ROE	Return on Equity
RQ	Research Question
SAARC	South Asian Association for Regional Cooperation
SFACs	Statement of Financial Accounting Concepts
SEHK	Stock Exchange of Hong Kong
SOCPA	Saudi Organization of Certified Public Accountants
SAFA	South Asian Federation of Accountants
SRC	Securities Regulatory Commission
SOCFID	Standards of Contents and Formats of Information
SRQs	Sub-Research Questions
SPSS	Statistical Package for Social Sciences
SEC	Securities and Exchange Commission
SROs	Statutory Regulatory Order
TOBINQ	Tobin's Q Ratio

# CHAPTER 1

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## INTRODUCTION

- 1.1 Opening Vignette
- 1.2 Accounting and Financial Reporting Environment in Bangladesh
- 1.3 Statement of the Problem
- 1.4 Research Questions and Objectives of the Study
- 1.5 Motivation of the Study
- 1.6 Hypotheses of the Study
- 1.7 Limitations of the Study
- 1.8 Chapter Mix and Linkages of Different Chapters

# Chapter One

## Introduction

### 1.1 Opening Vignette

Now-a-days accountability and transparency are much inevitable for the competitive global business sectors due to their increasing control over economic activities. Meaningful communication through disclosure stimulates transparency and accountability (Akter & Hoque, 1993). Generally, disclosure refers to effective communication of formal information of accounting report inconformity with relevant Acts, Rules and Standards. It is the communication of both financial and non-financial information about economic entity. It includes reporting information about an enterprise's revenues, costs, earnings, resources, obligations, employees, production and investment plans etc. In Bangladesh, disclosure of information is made generally in two ways. The first type of disclosure is made through prospectus when new securities are offered in the primary market. The second type of disclosure of information is made in annual reports through the various financial statements and accompanying notes.

Corporate mandatory disclosure is the minimum regulatory requirement that implies the presentation of financial and non financial information in corporate annual reports that is required by regulatory authorities including the Standard Setting Bodies and the Stock Exchange Authorities. The minimum level of corporate mandatory disclosure is defined by accounting standards, the legal framework of a country (Company Law, Banking Companies Act, SEC Rules and Income Tax Act), industrial norms or standards and security market requirements. This disclosure should be adequate in corporate annual reports. Adequate disclosure is a function of the quantity and quality of information disclosed timely in annual reports following established Standards and Acts.

The Companies Act, 1994 prescribes uniform disclosure requirements for all companies irrespective of their size, nature and ownership. In recent years it is seen that some of the corporate bodies have started to report voluntary disclosures on various issues in addition to the mandatory disclosures and the practice of voluntary disclosure is seen more popular in Bangladesh (Khan, Siddiqui and Hossain, 2004; Hossain, Khan & Yesman, 2004; Islam, Hosen and Islam, 2005; Hossain, Islam & Andrew, 2006 and Sarker & Ahmed, 2007). The extent of disclosure is varying from company to company due to voluntary practice of disclosure. Nelson and Majella (2005) showed that managers of firms appear to be treating mandatory requirements as voluntary, possibly due to the low levels of enforcement of the accounting standards. Now, voluntary reporting of information has become a norm for large companies (Ahmed, 2005). Research on mandatory disclosure in Bangladesh reports the poor level of mandatory disclosure by the listed companies due to non compliance of mandatory requirements and accounting standards Akhtaruddin (2005<sub>a</sub>). The ineffective enforcement of policy is also responsible for this in one hand. On the other hand, most of the people of Bangladesh especially the investors are very little aware of the corporate disclosures. These matters result low level of mandatory disclosure in Bangladesh. Accordingly, attempts were made by the regulatory authorities in Bangladesh to improve the quality of financial reporting in the country over the last decade. Such measures have included the amendments of the Companies Act 1994, adoption of Financial Reporting Standards started in 2007, the issuance of Corporate Governance Guidelines of SEC in 2006 as well as major revisions to Securities and Exchange Rules in 1997. Twenty Bangladesh Accounting Standards (BASs) and eight Bangladesh Financial Reporting Standards (BFRSs) have been made effective from 2007. The present research interest has

been set forth to examine the extent of disclosure of listed companies as requirements of disclosure are changing over the periods.

Financial reporting and disclosure is the legal and formal report of financial activities of a business entity. Generally, companies prepare their financial reports in conformity with the legal provisions of a country. The legal provisions vary from country to country and consequently the extent of financial disclosure also varies. Hence, to ensure the accountability and harmonization of financial reporting many regulatory bodies have been formed over the years. The main players for increasing trend of globalization are economic entities- companies, firms and enterprises etc. They have local and international stakeholder groups who put pressure to disclose more understandable, comprehensive and credible financial and non financial information in their annual report. Disclosure increases the harmonization of cross country reporting. Tagesson, Dahlgren, Gamlen, and Hakansson (2005) showed that there is a significant connection between extent of internationalization and attitude towards the implementation of the IASB's standards for harmonization. In Bangladesh, corporate disclosure is governed by Companies Act 1994, Securities and Exchange Commission and ICAB. The companies Act 1994 provides the fundamental requirements for disclosure and reporting applicable to all companies incorporated in Bangladesh. The Act requires companies to prepare financial statements in order to show fairly the state of affairs of the company. The Bangladesh Securities and Exchange Commission (BSEC), another regulatory body, requires all listed companies to comply with accounting standards promulgated by the Institute of Chartered Accountants of Bangladesh (ICAB).

## **1.2 Accounting and Financial Reporting Environment in Bangladesh**

History of Accounting is as old as business. It is very ancient like thousands of years. It is old more than 7000 years. The people of that time relied on primitive accounting methods to record the growth of crops and herds. Because there is a natural season to farming and herding, it is easy to count and determine if a surplus had been gained after the crops had been harvested or the young animals weaned. At that time, people used accounting tokens made of clay. Actually, the origin of accounting is generally attributed to the work of Luca Pacioli, Italian mathematician. The concept of accounting comes from his treatise named "Summa De Arithmetica, Geometria, Proportion et Proportionalita i.e., Everything about Arithmetic, Geometry, and Proportion." But the modern history of accounting profession is very young. It is true that modern civilization is impossible without accounting. The earliest accounting would perform only the functions of recording as bookkeeping i.e. early accounting served mainly to assist the memory of the business person and the audience for the account was the proprietor or record keeper alone. Over the time the functions of accounting have been extended and improved. Now-a-days accounting is called an information system that identifies, records, and communicates accounting information through various financial statements to the different users interested to this information. It is considered as the language of business because it is the vehicle for reporting financial information about a business entity to many different groups of people. With the passage of time accounting becomes a profession that needs a reporting environment. Generally reporting environment means the environment of office, accounting staff and facilities provided for making accounts. This is also called physical accounting (reporting) environment. In practice, reporting environment refers to the principles, rules and concepts that are used to make financial reporting. It includes Companies Act 1, Security and



Exchange Rules, Income Tax Ordinance, IASs, IFRSs and different guidelines and codes of relevant ministries and regulatory bodies. In other words, element of accounting environment is synonym of the word 'GAAP'. The development of reporting environment depends on the development of industry of a country. An industrially developed economy generates sophisticated stakeholders who exert pressure on companies to disclose adequate and full financial information to make the annual report easily readable and understandable. Thus, industrial development predominately claims a sound reporting environment that requires the promulgation of accounting and auditing standards. For this purpose, different professional bodies and institutions have been established around the world.

The historical development leading to promulgation of accounting and auditing standards in the developed countries of the West shows that the standards came into existence in the wake of public criticism against the auditors for the information disseminated by the enterprises which was not up to the level. As a result, the society and the government create pressure on the profession for standardization of accounting principles and practices (Azizuddin, 1985).

Various professional bodies and/or associations like the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), American Accounting Association (AAA), Securities and Exchange Commission (SEC) of USA and the Institute of Chartered Accountants in England and Wales has been providing the most significant contribution towards the development of accounting standard and practices. They are also involved to evaluate the strength and weakness of reporting practices of an industrial entity.

In Bangladesh, reporting environment includes Companies Act 1994, Banking Companies Act 1991, Insurance Act 1938, Securities and Exchange Rules 1987,

Income Tax Ordinance 1984, BASs, BFRSs and different SROs and circulars of relevant ministries and regulatory bodies. For better financial reporting, a private institution named Bangladesh Enterprise Institute (BEI) has published a corporate governance code for Bangladesh by examining the corporate governance guideline of Organization for Economic Corporation and Development (OECD). The Dhaka Stock Exchange Limited has issued a Listing Regulations for companies listed with stock exchange. While as a government regulatory body, Securities and Exchange Commission (SEC) has made a rule named Securities and Exchange Rules, 1987, issued a guideline named Corporate Governance Guidelines, 2006. In addition to this, this institution issues various notifications on demand concerning reporting to protect interest of shareholders and others. Besides, two professional bodies named the Institute of Cost & Management Accountants of Bangladesh (ICMAB), and the Institute of Chartered Accountants of Bangladesh (ICAB) were set up in Bangladesh to strengthen the reporting environment. As a member the International Federation of Accountants (IFAC) and the South Asian Federation of Accountants (SAFA), ICAB is playing a proactive role to adopt International Accounting Standards (IASs) and International Standards on Auditing (ISAs). ICAB is also conducting training courses, continuing professional education (CPE) seminars and workshops for its members and regular coaching classes for professional examinations' students to develop, to enhance and coordinate the accountancy profession in Bangladesh. ICMAB, on the other hand, has no authority to promulgate any standard. The Institute of Cost and Management Accountants of Bangladesh (ICMAB) is a leading professional body in Bangladesh that offers professional qualification in Cost and Management Accountancy, with a focus on accounting for business. They are conducting Seminar, Workshop, International Conference and Discussion Session on Accounting and Reporting Standards. The Cost Accounting and Financial Reporting Standards

Committee of ICMAB has recently issued five Exposure Drafts of Bangladesh Cost Accounting Standards.

The Institute of Chartered Accountants of Bangladesh (ICAB) has so far adopted 28 International Accounting Standards (IASs) as Bangladesh Accounting Standards (BASs) and 8 International Financial Reporting Standards (IFRSs) as Bangladesh Financial Reporting Standards (BFRSs). Also 35 International Standards on Auditing (ISAs) have been adopted by ICAB as Bangladesh Standards on Auditing (BSAs) and 4 International Auditing Practice Statements (IAPs) as Bangladesh Auditing Practice Statements (BAPSs) to strengthen the financial reporting in annual reports and auditing practices.

### **1.3 Statement of the Problem:**

Manufacturing companies, as one of the important subsectors of industrial sector, are playing a vital role for rapid and sustainable economic development. The contribution of this important sector to Bangladesh economy has been on the increase. According to Bangladesh Bureau of Statistics (BBS), the contribution of the manufacturing sector to real GDP is 17.94 percent in FY 2009-10, which was recorded 17.9 percent in FY 2008-09 and the growth rate of the manufacturing sector is 5.73 in FY 2009-10. According to the provisional estimate of BBS the contribution of manufacturing sector to GDP has been estimated at 18.41 percent in FY 2010-11 which is 9.51 percent. In order to accelerate the pace of industrialization in the country, the government has announced the National Industrial Policy 2010 (Economic Review, 2009-2010). In line with industrial development the regulatory environment in Bangladesh is changing over the period. But the outcomes of the policies set by regulatory bodies are not expected. It is evident from the prior studies of Parry and Khan (1984), Parry (1989), Parry and Groves (1990), Akter and Hoque

(1993), Ahmed and Nicholls (1994), Karim (1995), Ahmed (1996) and Akhtaruddin (2005<sub>a</sub>). These studies reported that the extent of mandatory disclosure of this sector is poor while the studies of Rahman (1999), Karim and Ahmed (2005), Alam (2007) and Hasan, Karim and Quayes (2008) revealed that the listed companies do not comply all mandatory disclosure requirements in their annual reports. Disclosure is the output of accounting information system. It ensures accountability and transparency of corporate sectors in one hand and increases the confidence of investors and hence increases the efficiency of capital market on the other hand. Gul and Leung (2004) urge that disclosure is an obvious requirement for an equity market to function more effectively. The important of disclosure has been increased after the series of accounting scams made by different accountants and auditing firms. The more regulated environment can revamp the current practices of disclosure by creating a good corporate governance system and building green image to different stakeholders. It is also seen that a diversified interest group has been using corporate disclosure for proper decisions. Realizing this importance, different regulatory bodies of Bangladesh are enforcing some Rules, Acts, and Standards. Non compliance of mandatory requirements and accounting standards yields poor level of disclosure (Alam, 2007). To strengthen the disclosure practice, Companies Act 1994 was enacted in the year 1995; Securities and Exchange Rules, 1987 has been extensively amended by the former Securities and Exchange Commission in 1997 and Corporate Governance Guidelines were issued by the SEC in 2006. Seventeen (17) BASs and eight (8) BFRSs have become effective during the period 2007 to 2010. So a number of initiatives have been taken by regulatory bodies to revamp the quality of disclosure practices. Under this situation, a question has arisen about the current practice of mandatory disclosure.

In recent years, a number of researchers have contributed to this potential field of research over the world especially in developed countries. Our research interest has been set forth on the ground that the extent of disclosure is changing over the period in one hand and no extensive research works are seen in this emerging area in Bangladesh on the other hand.

#### **1.4 Research Questions and Objectives of the study:**

The research is carried on the basis of one main research question (RQ) and some sub-research questions (SRQs). The main research question (RQ) is: "What is the extent of mandatory disclosures of listed companies in Bangladesh?" The RQ has been judged on the basis of the following SRQs:

SRQ-1: What are the legal covenants and institutional provisions of disclosure in Bangladesh?

SRQ-2: Is it affected by the characteristics of the company?

SRQ-3: What is the overall disclosure environment in Bangladesh? Is it good enough or not? If not, what are the possible causes of poor environment of disclosure?

The above questions represent the following objectives:

- (a) To critically examine various legal provisions influencing disclosure level in Bangladesh.
- (b) To investigate the level of mandatory disclosure practices by listed companies of Bangladesh
- (c) To analyze the variation and trend of mandatory disclosure among the samples and over the study period
- (d) To examine the association between company characteristics and the extent of mandatory disclosures.
- (e) To give recommendations for an improvement of disclosure reporting practices in Bangladesh.

### **1.5 Motivation of the study:**

Corporate Mandatory Disclosure in annual reports is an important part of a company's information system for external communication. Annual report is a primary medium of information disclosure through which companies communicate the public. The comprehensive practice of disclosure has started in annual reports after evolution of corporate form of business and issuing mandatory requirements set by different regulatory bodies. The disclosure issues have become more important event in the developed world because of a series of accounting scandals made by the auditing firm named Arthur Andersen and by the telecommunications company named WorldCom. The importance of disclosure increases and extends especially due to the fall of energy giant, Enron which is commonly known as the Enron Scandal of accounting and audit failures. As the situations prevailing in the developing countries are more fragile as compared to those of developed world, this issue claims more emphasis in our country. Disclosure and transparency not only affect individual company's performance and market valuation, but also greatly influence a national economy's ability to attract domestic and foreign investment (OECD, 2003).

Financial disclosure is important for different purposes like gaining investors' confidence, making the market efficient, creating a good corporate governance system, protecting minority interest, creating an investment friendly environment, coping the national market and economy with the challenges of globalization and so on.

In addition to those, this issue has become an alarming issue because of stock market debacle. An independently audited annual report can help the different stakeholders in their decision making process. Disclosure practices can also enhance the green image of companies to the shareholders and others. The proper disclosure

of relevant information in the financial statements of a company is of great importance. Adequate disclosure is the most important way by which we can meet the information needed by diverse interest groups for rational decision making. Meaningful communication through disclosure ensures transparency, accountability, fairness and responsibility. Since the ultimate objective of disclosure is to communicate relevant, reliable and material information which is useful to the users of annual reports, the present study is justified on the grounds that the subject matter is important and there is a lack of researches in this area. So, the present study will benefit the business entities, the various stakeholders and the existing stock of knowledge.

### **1.6 Hypotheses of the Study:**

The following hypotheses have been drawn to attain the objectives of the study which are:

H<sub>A1</sub> : There is a significant variation of the extent of mandatory disclosure over years.

H<sub>A2</sub> : There is also a significant variation of the extent of mandatory disclosure among the sample firms.

H<sub>A3</sub> : There is a significant positive trend of mandatory disclosure across the industrial sectors.

H<sub>A4</sub> : There is a significant correlation between the dependent variable and independent variables.

H<sub>A5</sub> : There is a significant association of the extent of mandatory disclosure and the selected characteristics of the companies.

**1.7 Limitations of the Study:**

Though the findings of a study enable the primary and secondary stakeholders, financial analysts, academicians, regulatory bodies, economists, policymakers and potential researchers to take appropriate decisions regarding disclosure issues, the study is criticized by others on the manifolds. Our study is not exception to these. This study is limited to only 30 non-financial companies listed with DSE for the period of 2006-2010. Future research could examine disclosure compliance of all the listed companies. Further research could also explore the variations in disclosure between listed and unlisted companies. Moreover, for better insights on corporate disclosure practices in Bangladesh, a longitudinal study with primary data may be conducted for the avenue of further research. The selection of the items included in the disclosure index certainly adopts some degree of judgment and subjectivity. Although a modest attempt have taken to diminish such subjectivity, it cannot be removed entirely. Another limitation is that the research sample is not randomly selected. This is due to the difficulty of gathering data. Hence, availability of data limits the ability to select a random sample. In case of scoring items personal judgment has adopted to identify the not-applicable and relevant items. This study has not considered the all items of mandatory disclosure and the arbitration process has been adopted to select the items of disclosure. So, it could not show the corporate transparency. Further study can be done taking mandatory and voluntary disclosure indices as a whole. Another limitation in this regards is the generalizability of the results obtained. Our study is not specific to any particular industry. Despite these aforesaid limitations, the current findings suggest that corporate compliance levels could be improved with stringent enforcement mechanisms.



### **1.8 Chapter Mix and Linkages of Different Chapters**

It is noted that each chapter of the study represents the objectives and address the SRQs. There must have a link among the different chapters. Firstly, the meaning and importance of financial disclosure have already been discussed in the introduction section of the first chapter. It has also included a brief discussion on the statement of the problem, objectives, motivation, hypotheses and limitations of the study. In the second chapter, an attempt is made to find out the works done so far in different parts of the world – both developed and developing – to justify the relevance of information disclosure in annual reports in listed companies with special reference to Bangladesh. The third chapter is designed to have a critical look at the legal and institutional setting from the view point of regulatory bodies of Bangladesh. It is obviously important that a country's financial disclosure is shaped by the legal framework of a particular country. The fourth chapter has been designed for finding out the way of measuring the extent of mandatory disclosure for companies doing business in Bangladesh. The fifth chapter focuses on an empirical study on annual reports of listed companies to have a concluding remark on the current practices and the extent of disclosure. This chapter also examines the association between mandatory disclosure and the firms' characteristics. A modest attempt is made in this chapter to know the causes behind the poor disclosure environment. Finally, in chapter six conclusion, recommendations and avenues for further research are provided. Necessary recommendations have also been provided to upgrade the existing environment to make it sustainable in this chapter. Taking all the chapters together, an informative report on mandatory disclosure practices by listed companies in Bangladesh is yield.

# **CHAPTER 2**

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## **REVIEW OF LITERATURE**

- 2.1 Introduction
- 2.2 Bangladesh Perspective
- 2.3 Outside of Bangladesh Perspective
- 2.4 Conclusion

# Chapter Two

## Review of Literature

### 2.1 Introduction

The review of literature means a critical review of all the pioneer research works already done in the proposed field in order to identify the hiatus or knowledge gap in the field of proposed research. The present review of disclosure studies encompasses a large number of papers addressing the issue of financial disclosure from various angles and with varied degrees of emphasis on different aspects (Karim and Hossain, 1996). This section provides some insights of corporate ongoing disclosure practices focused by different authors within and outside of Bangladesh. It also enhances our understanding of the factors influencing disclosure practices. The reviewed research works are classified them into in-country and out-country groups.

### 2.2 Bangladesh Perspective

Some prior research works in Bangladesh that have basically focused on mandatory disclosure in annual reports in the different sectors are critically reviewed below:

Ahmed and Nicholls (1994) have conducted a research titled "The Impact of Non-financial Company Characteristics on Mandatory Disclosure Compliance in Developing Countries: The Case of Bangladesh." The main objective of the research is to assess empirically the level of disclosure of mandatory information. They have also tried to determine the impact of company's characteristics on the level of disclosure for mandatory information. They have considered a number of key attributes of company namely, size, total debt, subsidiary of a multinational company, qualification of company's principal accounting officer and the size of audit firm. The authors have found that none of the companies in Bangladesh has disclosed all

mandatory items. Linear regression results are: (a) subsidiaries of multinational companies and larger audit firms have significant positive impact on the level of disclosure compliance; and (b) the qualification of the principal accounting officer of a reporting company has less influence. They have undertaken their study before the commencement of Companies Act, 1994 and Securities and Exchange Commission Act 1993 and at that time Bangladesh Accounting standards (BAS) were not effective. They have surveyed only 63 annual reports of listed companies. They have conducted their study only for one year, i.e. for fiscal year 1987-1988.

A study by Akhtaruddin (2005<sub>a</sub>) has shown the level of mandatory disclosure made by listed companies in Bangladesh. The study has revealed that many corporate annual reports did not meet the disclosure requirements of the regulatory bodies in Bangladesh. This study has also examined the relationship between mandatory disclosure and four corporate attributes such as company age, status, size and profitability. Analysis has revealed that the age and status of the company are insignificantly associated with mandatory disclosure but the size and profitability are found marginally significant. This study is based on secondary data. It has covered annual reports of single year, i.e. 1999 only. It has not assessed the trends of disclosure. It has not enabled researcher to know whether the quality of disclosure has improved over time. He has used un-weighted approach for scoring disclosure items to determine the level of disclosure. Author constructed a mandatory disclosure index of 160 items that did not include corporate governance items at all.

In his another study Akhtaruddin (2005<sub>b</sub>) has tried to investigate the extent of specific disclosures with particular emphasis on the age of the company. He has showed that the listed companies poorly maintain disclosure compliance. He has also concluded that there is no association between the age and the specific disclosures made in balance sheet, directors' report and historical summary. But a little

association can be seen between the age and the income statement and between the age and the accounting policies. The limitations of the study are: (1) he took only 94 nonfinancial listed companies for financial year 1999. Thus this is a single year study; (2) he considered only one characteristic of company, i.e., age, and (3) he examined only 160 disclosure items that are not adequate.

In a paper titled "Disclosure Practices in Bangladesh: A Case Study of the Banking Sector" Akter and Hoque (1993) have examined the various legal provisions affecting adequate disclosure of banking sector in Bangladesh. The disclosure requirements of Companies Act 1913, Banking Companies Ordinance of 1991, International Accounting Standard 30, and Income Tax Ordinance of 1984 have also been investigated in this study. The authors have made comments on disclosure by taking two local and two foreign multinational banks operating in Bangladesh for the period of five years (1987-91) before enforcement of Companies Act, 1994. They have found that disclosure and reporting in banking sector of Bangladesh are not only inadequate but also biased and misleading. They have also found that financial statements of local banks are dressed up and cosmetised. The limitations of the study are: (1) the sample size of this study is too small, (2) the study looks forward to unearthing the provisions of disclosure of financial sectors only in Bangladesh, (3) the authors have not classified the disclosure requirements into mandatory and voluntary but more attention has been given to requirements of IAS 30 that were not mandatory in that time.

The research work of Alam (2007) on mandatory disclosure in Bangladesh has examined critically the extent of mandatory financial disclosures by the listed companies in Bangladesh in their annual reports and examined the association between company characteristics and the extent of mandatory disclosures. To

accomplish the tasks, an unweighted statutory disclosure index (SDI) comprises of 313 items relevant to the ten main parts of the annual report from different laws enacted in Bangladesh such as Companies Act 1994, Banking Companies Act 1991, The Securities and Exchange Commission Rules 1987, The Dhaka and Chittagong Stock Exchanges provisions, etc has been constructed and scored the items under dichotomous procedure. The annual reports of 287 companies listed on Dhaka and Chittagong Stock Exchanges have been considered for the years 2003-2005. A number of company characteristics i.e., asset size, profitability, total number of shareholders, year of incorporated in the stock exchange, multiple listing status, earning per share, ownership structure, market category and internationality has selected as explanatory variables. The study reveals that the listed companies in Bangladesh do not meet the legal and mandatory disclosure levels framed by different regulatory bodies. As mentioned, the overall disclosure level is still below average (37.60%) that indicates unsatisfactory level of disclosure. The study supports the relationship between SDI and some corporate attributes that include company asset size, multiple listing status, year of incorporation, having a good position in the market category categorized by the stock exchanges, and internationality i.e., companies that are larger in size in terms of assets and multiple listing status are likely to disclose more information. Market category and stockholder structure are also important in explaining overall disclosure index (ODI) of the companies. However, earning per share (EPS) and mandatory disclosure are found counter-intuitive. This study has failed to show the trend of disclosure and it is a 3-years study.

Ahmed, Bala and Chowdhury (2004) in their paper titled "Financial Reporting in Compliance with International Accounting Standards: A study in Bangladesh with reference to IAS 1" focuses the extent of financial reporting by listed public limited

companies' (PLCs) compliance with IAS 1. According to IAS 1, financial statements include balance sheet, income statement, statement of changes in equity, cash flow statement, accounting policies and accompanying notes. The finding of this paper is that all the PLCs have provided balance sheet, profit & loss account, cash flow statement and accompanying notes in their annual reports, but only a half of PLCs have provided statement of changes in equity. A good number of PLCs have provided a value added statement (40 percent), chairman's report (53 percent), directors' report (73 percent), and 5-year highlights (67 percent). So, it is obvious that in some cases full compliance is not found. They have surveyed 15 annual reports of public limited companies (PLCs) listed with stock exchange. The PLCs include five banks, one insurance company and nine other manufacturing or distribution or service providing companies. Annual reports of ten companies are related to calendar year 2000 and the remaining five companies are related to financial year 1999-2000. The limitations of the study are: (1) authors have not considered any hypothesis in spite of having well defined area; (2) they have not examined the extent of reporting with association among company characteristics; (3) sample size is very small; (4) this is a single year study.

Ahmed and Kabir (1995) made a study on "External Financial Reporting as Envisaged in Companies Act 1994 - A Critical Evaluation". The aim of this study is to find out the improved requirements of financial reporting in corporate annual reports as envisaged in Companies Act, 1994. They have compared Companies Act, 1994 with the previous Companies Act, 1913 and found that significant improvements have been made in the Companies Act, 1994. In this article authors have disclosed only the extended and improved mandatory provisions required by Companies Act, 1994.

. The limitations of the study are; (i) the authors have not tested any hypothesis; (ii) the authors have not considered any sample for compliance; (iii) they have not

mentioned all the requirements made in annual reports as per Companies Act, 1994; (iv) they have not also enlisted the mandatory items of disclosures in their study and (v) it is just a case study.

Bhattacharjee & Hossain (2010) have concluded a research study titled "Determinants of Financial Reporting Outcomes Following IFRS Adoption-Implications for Bangladesh". The main aim of this study is to review the theoretical and empirical literature on the economic consequences of financial reporting and disclosure regulation, with a particular emphasis on recent research advances in the field of IFRS adoption and disclosure regimes. The paper has some specific objectives. These are (i) to enlist the determinants of financial reporting outcomes following IFRS adoption; (ii) to highlight that ensuring quality of accounting information is a joint outcome of market forces and the incentives provided by various rules and regulations; (iii) to find out some country specific and industry specific legal and economical issues, in the context of Bangladesh, that deserve equal degree of attention to IFRS adoption and enforcement for ensuring disclosure quality. Accordingly they have surveyed various journals and research papers, diagnostic study reports and newspaper articles in making this study. Few academicians and qualified accountants (Chartered Accountants and Cost and Management Accountants) have been interviewed in order to have their thoughts in this regards. The results indicate that adoption of IFRS has not a stringent impact on the quality of financial reporting. The quality of financial reporting is either directly or indirectly affected by the cost of adoption of accounting standards, legal and political systems, incentives of financial reporting and the cost of fair reporting and disclosure pressure. The study has some limitations also. These are (1) authors have not taken any sample to see the compliance of financial reporting; (2) they have not drawn any



hypothesis to test the level of the quality of financial disclosure; and (3) the statistical tools have not been used to conclude the study.

In a study on "Regulatory Change and the Quality of Compliance to Mandatory Disclosure Requirements: Evidence from Bangladesh", Hasan, Karim and Quayes (2008) have investigated the effectiveness of changes in the regulatory environment on the quality of compliance to mandatory disclosure requirements in Bangladesh. A mandatory disclosure index have been developed in this paper following the path breaking study by Cerf (1961), by including all information items whose disclosure was mandatory under the two regulatory regimes-the less regulated environment (1991) and the more regulated environment (1998).The annual reports of 86 matched pairs of listed companies under the pre and post changes in the regulatory environment have been collected to show the significant improvement in the quality of compliance during the more regulated time period. The result implies that overall the reporting environment in Bangladesh improved significantly during the more regulated years. The statistical analysis indicates that size of the firm, the qualification of its accounting staff and the reputation of its auditing firm have significant positive impact on the quality of compliance. This study has failed to show the impact of firm's profitability and multinational affiliation (MNA) on the extent or quality of mandatory disclosure compliance. In this study authors did not examine the trend of disclosure in between two periods. It is an old age study. The study has used the index of Cerf (1961) that comprises only 38 items of information that cannot represent the compliance status of a company.

Haque, Jahan & Khan (2007) carried out a research work titled "Corporate Disclosures through Directors' Report-Compliance of the Companies Act 1994". The objectives of the study are (i) to assess the level of mandatory and voluntary disclosures of information through directors' report; and (ii) to see how the

disclosure requirements comply with the prescribed rules and regulations. The study has focused on the compliance of mandatory disclosure issues in the directors' report. A survey has been conducted on the annual reports of a sample of 54 companies to conclude the study. T test has been used to find out the extent of mandatory disclosure in the directors' report. They found that all sample companies have made voluntary disclosures in addition to mandatory disclosures but the volume of mandatory disclosure prescribed by Companies Act 1994 is very low. This study is subject to some limitations. These are: (1) authors have not mentioned the method of selecting sample; (2) this study is based on small sample; (3) this study has failed to show the trend of disclosure; and (4) the year of study has not been expressed.

A desk research has been conducted by Houqe (2004) titled "Accounting Disclosure and Measurement: A Critical Evaluation of Hakansson's Model." The main objective of the study is to recognize the importance of the problems and the conflicts between different interest groups in disclosure issues in general and as reflected in the Hakansson's Model. In this study author has made comments on assumptions and results of Hakansson's Model. After a critical evaluation of Hakansson's Model, the author has expressed opposite opinions for assumptions and results made in this model and has disagreed on the following disclosure policy: (a) lower wealth level investors (poor) are willing to provide more information than a rich investor; (b) less well-to-do subscribing investors prefer more timely disclosure than well-to-do subscribing investors; (c) the greater the amount of disclosure, the greater the rewards from private information disclosure. But the author has agreed that Hakansson made a significant contribution in the capital market efficiency. The limitations of the study are (i) the author has not drawn any hypothesis; (ii) it is a desk research and literature survey; (iii) it is just a case study.

Hossain & Islam (1998) made a research work entitled "Disclosure of accounting policies in the financial statements of the insurances companies in Bangladesh". The main objective of this paper is to evaluate the accounting policies disclosed in the financial statements of the insurance companies in Bangladesh. It also aims at comparing the accounting policies disclosed with the relevant reporting requirements. The authors infer that 100 percent of the surveyed companies disclose accounting policies in their financial statements. The limitations of the study are: (1) they have surveyed only 9 insurance companies listed with DSE for financial year 1990-1994; (2) they have not shown either the improvement or the trend of disclosures policy over the years; (3) they have not used any statistical tools for analysis of disclosure policy.

Karim and Ahmed (2005) have made a research study entitled "Determinants of IAS disclosure compliance in emerging economics: Evidence from exchange-listed companies in Bangladesh." The attempt of this paper is to analyze the extent of disclosure in company annual reports and examine if such disclosure is associated with any corporate attributes. They have sampled 188 companies and constructed 411 items of disclosure. They have found that disclosure levels are associated positively with some company characteristics. It is found that corporate size, profitability, leverage, size of auditing firm & its international link, subsidiary of multinational corporation, employment of qualified accountant(s), industry type and market category are all significantly associated with the extent of disclosure. An un-weighted disclosure index was prepared for financial year 2003. They have prepared disclosure index considering the requirements of international accounting standards. Other provisions of disclosure such as requirements of Companies Act 1994, SEC Act 1987 and SEC Ordinance 1969, and the provisions of other regulatory bodies have not been examined in their study separately.

A study made by Rahman (1999) on "The Extent of Mandatory and Voluntary Financial Disclosure by Listed Companies in Bangladesh: An Empirical Study" examines the extent of mandatory and voluntary financial disclosure practices of 20 Stock Exchange listed manufacturing companies. To measure the extent of disclosure 375 items were included in scoring sheet, which was completed for each company. The results of the study show that the extent of disclosure is significantly related to industry types. The results also show that company does not comply all mandatory disclosure requirements in its annual reports. This is a single year study and it may take a number of firms' characteristics to assess the impact of the extent of disclosure.

In the article entitled "A Comparison of Commercial Banks and Insurance Companies in Bangladesh," Riazuddin, Iqbal & Reza (2006) have considered the following objectives: (a) to evaluate the disclosure practices of private commercial banks and insurance companies in Bangladesh and (b) to distinguish disclosure practices between commercial banks and insurance companies in Bangladesh. The findings are (a) commercial banks and insurance companies do not comply with all the mandatory disclosure requirements in the annual reports; (b) they do not also disclose adequate voluntary disclosure in their annual reports; (c) banking companies disclose more information than those of insurance companies. Limitations of this study are as follows: (a) sample size is too small. They have considered only 10 banks and 10 insurance companies for their study; (b) the year of study is taken into consideration only for two years i.e. 2001 and 2004; (c) this study has not shown the extent of disclosures associated with different characteristics of firms; (d) they have considered only 19 disclosure items that are too small.

Siddique & Islam (2010) have made a research paper entitled "Disclosure Practices of Insurance Companies in Bangladesh: Study on Some Selected Insurance

Companies". They have taken a main and three specific objectives. These are (a) to examine the disclosure level of insurance companies in Bangladesh; (b) to see the adequacy of disclosure score and their interrelations with company's attributes such as size and age of the selected insurance companies; (c) to investigate the extent of disclosures among the insurance companies; (d) to provide some suggestions for developing disclosure practices of the insurance companies. They have formulated a research design to attain the above objectives. Their sample size is 5 insurance companies of the 31 enlisted in Dhaka Stock Exchange Ltd. for the period of 2004 to 2008. A disclosure index has been constructed for this study which included 54 disclosure items. For scoring of the disclosure items, an un-weighted approach has been used. Correlation analysis has been performed by SPSS (Statistical Package for Social Sciences). The results of the study indicate that size of the firm affects the level of disclosure. The firms' size is measured by three independent variables i.e., gross premium, total asset and balance of funds. The disclosure level is mostly affected by age also i.e., the disclosure practices of old companies are slightly higher than that of new established companies. The study also shows that there is no significant difference between the extents of disclosures among the insurance companies and disclosure scores of general insurance companies are higher than that of life insurance companies. An overall finding is that disclosure level in the insurance sector is inadequate and poor in Bangladesh. The limitations of the study are (1) their sample size is too small; (2) they have taken only two independent variables; and (3) they have taken 5 insurance companies only.

### **2.3 Outside of Bangladesh Perspective**

Ahmed and Miya (2007) conducted an empirical study on disclosure in India to examine the association between the firm's trading-status in the stock market and

the extent of mandatory and voluntary disclosures in the annual reports of non-financial companies listed both on Mumbai Stock Exchange and Delhi Stock Exchange. They have surveyed 100 annual reports of non-financial companies published during the period ended between June 30, 2004 and December 31, 2004. The extent of disclosure was examined by using unweighted disclosure index comprising of 183 information items. The study reveals that the companies disclose, on an average, 81 percent mandatory and 27 percent voluntary information items in their annual reports. The study finds an association between the extent of disclosure and companies' trading category. It shows that the extent of disclosure would be revealed more in those firms, which are classified into higher categories in terms of capital base and activeness in the stock market. It can also be inferred that the companies, which are classified into 'trading category- A' and 'trading category-B1', have comparatively more incentives to disclose more material information in the annual reports. This is a single year study and the variable name trading status has only been considered in this study.

Al-Razeen & Karbhari (2004) have furnished a study entitled "Interaction between compulsory and voluntary disclosure in Saudi Arabian corporate annual reports." The aim of this study is to investigate the interaction between the compulsory and voluntary disclosures in the annual reports of Saudi Arabian Companies. They have surveyed 68 annual reports of listed and non listed companies and made three separate disclosure indices namely index of mandatory disclosure, index of voluntary disclosure that closely relates to mandatory disclosure and index of voluntary disclosure. The study has revealed a positive significant correlation between mandatory disclosure and voluntary disclosure that closely related to mandatory disclosure. The study has also reported a correlation between voluntary disclosure and other two indices is found to be weak and insignificant. Authors have not

mentioned their study period. The trend of quality and improvement of disclosure have not been shown here. Moreover, their sample size is too small.

Buhr and Freedman (2009) have made a study entitled "A Comparison of Mandated and Voluntary Environmental Disclosure: The Case of Canada and United States." In this study a comparison has been made between Canada and U.S. mandated and voluntary environmental disclosure based on document type, nature of information and amount of disclosure. The study has concluded that there is no significant difference in the extent of environmental disclosure between U.S and Canadian Companies. Companies in both countries have failed to provide adequate environmental disclosure. They have also noted that U.S. Companies provide more mandated disclosure and Canadian Companies provide more voluntary disclosure. It has also appeared that Canadian Companies are more likely to provide environmental reports than their U. S counterparts. They have surveyed 68 pairs sample of annual reports of both countries. Sample size is not reasonable for developed countries. They have considered 1994 as disclosure year. So, this study has not revealed the quality and trend of disclosure.

Buzby (1974) made a study on disclosure of financial and non-financial information of 88 small and medium sized companies using a disclosure index comprising 39 items. Two corporate characteristics i.e., assets size and listing status were examined to test the extent of disclosure. The results were revealed that the extent of disclosure was positively associated with company size measured by assets but not affected by listing status. The limitations of the study are: (1) their sample size is relatively small; (2) they have taken only two independent variables; and (3) his index comprises only 39 items.

Darus & Taylor (2004) have conducted a study entitled "Mandatory Disclosure's Impact on Voluntary Disclosure of Proprietary information: Evidence from the

Introduction of the Financial Instruments Disclosure Standard". The aim of the study is to investigate the relationships among anticipated mandatory, mandatory and voluntary disclosures of proprietary information affected by introduction of the Australian Accounting Standard AASB 1033; Financial Instruments: Presentation and Disclosure. The impact of corporate disclosures have been investigated in the pre and post AASB 1033 regulation years between the period of (1995-1997) to the period 1998-2000 as the standard AASB 1033 was promulgated in the year 1998. They have considered 70 full text annual reports of four industries namely, Energy, Materials, Industrials and Consumer staples. The findings of the study are: (a) an increase in mandatory disclosure of information relevant to financial instruments has resulted in an increase of the voluntary disclosure of related proprietary information; (b) anticipated mandatory disclosure has affected some items of voluntary disclosure in the pre regulation period; (c) there is a high growth trend in the comprehensive of disclosure of mandatory items in the post-regulation period. The limitations of the study are: (1) they have surveyed a small number of annual reports of sample companies; (2) they have taken voluntary and mandatory items of disclosure from annual reports but disclosure may be made in other forms; (3) they have considered only the requirements of accounting standard, AASB 1033; and (4) they have used univariate technique to get results of the study. Multivariate analysis might be used.

Galani, Alexandridis and Stavropoulos (2010) have undertaken a research work entitled "The Association between the Firm Characteristics and Corporate Mandatory Disclosure the Case of Greece". The main thrust of this paper is to assess the level of disclosure in the annual reports of non-financial Greek firms and to empirically examine the association between the firm's characteristics and the extent of mandatory disclosure. An unweighted disclosure checklist consisting of 100 mandatory items was developed to assess the level of disclosure in the 2009 of 43



Greek companies listed at the Athens stock exchange. The empirical result of the study reveals that firms, on average, report 86% of the mandatory information in their annual reports. The association between the level of disclosure and some firm characteristics was examined using multiple linear regression analysis. The study reveals that Greek companies on general have responded adequately to the mandatory disclosure requirements of the regulatory bodies. The findings also indicate that firm size measured by total assets was significant positively associated with the level of disclosure. The remaining variables such as age, profitability, liquidity, and board composition were found to be insignificant in explaining the variation of mandatory disclosures. The quality of disclosure can be assessed by a longitudinal study taking 5 or 10 years' data. It could have considered more corporate characteristics like market capitalization, audit firm size, market category, numbers of outside shareholders and different ratios etc. as determinants of mandatory disclosures.

The objective of the study of Hassan, Romilly, Giorgioni and Power (2009) entitled "The value relevance of disclosure: Evidence from the emerging capital market of Egypt" is to examine empirically the link between the extent of financial disclosure and firm value. This study tests the impact of both mandatory and voluntary disclosure, because listed companies tend not to comply fully with mandatory-disclosure requirements in the Egyptian context. To achieve this objective they have taken 80 annual reports of nonfinancial listed companies from 13 different industrial sectors over the period 1995 to 2002. Total disclosure index, which includes both 49 mandatory items of information and 26 voluntary disclosure items of information. A multivariate analysis is performed where firm value measured by the market-to-book ratio is regressed on disclosure indices as well as other control variables. These control variables are: asset size, profitability, leverage, growth, risk, and industry

type. The study indicates that on average, listed non-financial Egyptian companies publish 75% of the total list of items of disclosure. They publish 90% of the list of mandatory information items (49 items) and 48% of the list of voluntary information items (26 items). This suggests that companies do not tend to fully comply with mandatory disclosure and that voluntary disclosure is rather limited. The results show that different types of disclosure have negative although not significant correlations with the firm value. The empirical analysis of panel-data shows that, after controlling for factors such as asset size and profitability, mandatory disclosure has a highly significant but negative relationship with firm value. The results also show that voluntary disclosure has a positive but insignificant association with firm value. However this study has a number of limitations such as it considers only one explanatory variable and the items of disclosure is small in number.

Hossain (2008) has made a study entitled "The Extent of Disclosure in Annual Reports of Banking Companies: The Case of India". The main aim of this study is to investigate empirically the extent of both mandatory and voluntary disclosure by listed banking companies in India. It also reports the results of the association between company-specific attributes and total disclosure, i.e., mandatory and voluntary, of the sample companies. 38 annual reports for the year 2002-03 of banking companies listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) have been taken as sample. A total of 184 items were selected of which 101 and 81 were mandatory and voluntary respectively. Age, size (total assets), profitability, complexity of business (the actual number of subsidiaries), the proportion of assets-in-place, the proportion of non-executive directors on the board, market discipline measured by Non-performing assets (NPA) and capital adequacy ratio (CAR) have been selected as explanatory variables for the study. The study revealed that in disclosing mandatory items, the average score is

88, while the average score for voluntary disclosure is 25. The findings also indicate that size, profitability, board composition, and market discipline variables are significant, and other variables such as age, complexity of business and asset-in-place are insignificant in explaining the level of disclosure. Results also indicate that Indian banks are very compliant with the rules regarding mandatory disclosure. In contrast, the banks are far behind in disclosing voluntary items. The limitation of the research is that it covers a single year and one specific sector. In order to understand the nature of variations of overall disclosure, it is necessary to undertake a longitudinal study taking five or ten years' data.

A article has been written by Izah, Ismail and Chandler (2005) entitled "Disclosure in the Quarterly Reports of Malaysian Companies" for examining the quarterly reporting disclosure of Malaysian companies listed on Kuala Lumpur Stock Exchange (KLSE or currently known as Bursa Malaysia). The objectives of this paper are to examine: (a) the overall mandatory disclosures in the quarterly reports of listed companies; (b) the extent of narrative mandatory disclosure; (c) the level of disclosure associated with firm specific characteristics such as profitability, growth and leverage of a company. To attain these objectives authors have sampled 117 companies from the population of 351 for the quarter ended 30 September 2001. They have examined the KLSE Listing Requirements that have been come into force for all listed companies in Malaysia since July 1999. In that time standard regarding interim financial reporting was not effective. The results indicate that (i) companies disclose all the mandatory financial statements and relevant notes to the accounts in accordance with KLSE Listing Requirements; (ii) the extent of mandatory narrative disclosures varies among the companies; (iii) the extent of disclosure is positively associated with the leverage of a company but not with profitability and growth of a company. The limitations of this article are: (1) this is a-year study; (2) they have

not constructed any disclosure index and have only examined the KLSE Listing Requirements.

In the paper titled "Accounting for financial instruments: An analysis of the determinants of disclosure in the Portuguese stock exchange" Lopes and Rodrigues (2007) have studied the determinants of mandatory disclosure practices by Portuguese listed companies. To attain this objective an index of disclosure based on IAS 32 and IAS 39 requirements has been constructed after the mandatory adoption of International Accounting Standards related to financial instruments IAS 32 and IAS 39. They have determined the level of disclosure considering some characteristics of companies that are closest to the disclosure requirements of the International Accounting Standards (IAS) such as size measured by total assets and total sales, industry type, auditor type, listing status, multinationality, leverage, and proportion of independent directors on the board. The unweighted index of 54 items has been developed from the sample of 56 companies for the financial year 2001. The study revealed that the range of scores for the disclosure index varies from 16% to 64% with a mean of 44%. It also resulted that the level of disclosure does not affect by the corporate governance structure (board composition) or financing structure (leverage). But they concluded that the disclosure degree is significantly related to size, type of auditor, listing status and economic sector. This is a single year study and it covers only the mandatory items of International Accounting Standards related to financial instruments IAS 32 and IAS 39.

Naser, Al-Khatib and Karbhari (2002) have written a paper entitled "Empirical evidence on the depth of corporate information disclosure in developing countries: The case of Jordan" to measure the improvement of quality of disclosure in terms of the depth of disclosure. The objectives of this paper are (i) to investigate the changes of the depth of corporate disclosure in the annual reports of Jordanian

companies listed on the Amman Financial Market (AFM) and (ii) to test the association with some corporate attributes and the depth of disclosure. To achieve these objectives, they have sampled 84 annual reports of non financial companies listed on AFM for the 1998. They have considered fifteen explanatory variables such as assets size, liquidity ratio, market capitalization, gearing ratio, net sales, return on equity, number of shareholders, government ownership, private ownership, foreign ownership, Arab ownership, size of auditors, and type of industry, profit margin and number of employees. An unweighted disclosure index has been constructed for 104 items of disclosure. They have found that the depth of disclosure is positively associated with the five variables i.e. market capitalization, gearing ratio, net sales, size of auditors, and profit margin. The study has also revealed that the liquidity ratio is negatively associated with the depth of disclosure. They have not found any association with the depth of disclosure and other variables. The limitations of the study are (a) the sample size is small; (b) this is a single year study, and (3) they have initially considered fifteen variables as explanatory variables but two variables i.e. assets size and number of employees have been excluded from regression model.

Naser & Nuseibeh (2003) have prepared a paper entitled "Quality of financial reporting: evidence from the listed Saudi nonfinancial companies" relating to the quality of information disclosed by Saudi nonfinancial companies listed on the Saudi Stock Exchange. The objectives of this study are (a) to examine the quality of disclosure by Saudi nonfinancial companies listed on the Saudi Stock Exchange; (b) to compare the extent of corporate disclosure before and after the creation of the Saudi Organization of Certified Public Accountants (SOCPA). To achieve these objectives authors have classified the disclosure information into three categories: mandatory, voluntary related to mandatory and voluntary unrelated to mandatory

disclosure. They have constructed un-weighted and weighted disclosure indexes taking into consideration financial reporting requirements in Saudi Arabia. These indexes have contained 23 disclosure items by analyzing the requirements as per Saudi Arabian Accounting Standards. Their research years are 1992 and 1999. They have taken 40 annual reports as sample for the year 1992 and 52 annual reports as sample for the year 1999. The findings of the study are: (i) all industrial sectors except electricity sector have complied with the mandatory disclosure requirements; (ii) the level of voluntary disclosure is relatively low; (iii) there is a positive and significant association between mandatory and voluntary related to mandatory disclosure for the sample as a whole for both indexes. Among all the sectors only the electricity industry has showed a positive and significant association between mandatory and voluntary related to mandatory disclosures; (iv) there is an insignificant correlation between voluntary disclosure unrelated to mandatory disclosure and with both mandatory and voluntary related to mandatory disclosure; and (v) a little improvement of disclosure has been made after the creation of SOCPA in Saudi Arabia. The limitations of the study are: (1) the study has covered only two years; (2) the number sample firms of the study are small; and (3) it has ignored financial companies from the area of study.

Owusu-Ansah (1998) wrote a research paper entitled "The impact of corporate attributes on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. The research attempt of this paper is to investigate empirically the degree of influence of corporate characteristics on the extent of mandatory disclosure and reporting of listed companies in Zimbabwe. To attain this objective 49 annual reports of listed companies in Zimbabwe have considered as sample. An unweighted disclosure index which consisted of 214 mandated information items has been constructed to score the sample company. Eight corporate characteristics such

as company size, ownership structure, company age, multinational corporation affiliation, the quality of external audit, industry-type, liquidity and profitability, have also been considered as explanatory variables. The study reveals that the Zimbabwe firms disclose, on an average, 74.43 percent mandatory items in their annual reports. 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 while the quality of external audit, industry-type and liquidity were statistically insignificant. This is an old age and single year study.

Sejjaaka (2003) has prepared a paper entitled "Corporate Mandatory Disclosure by Financial Institutions in Uganda." The objective of this paper is to report the level of corporate mandatory disclosure made by financial institutions in their annual reports in Uganda. To achieve this objective the author has sampled 21 banking institutions and 14 insurance companies operating in the year 2001 and also studied the Financial Institutions Statute (FIS) of 1993 and the Insurance Statute of 1996. To conclude the study the author has made relative mandatory scores (RMS) considering the company characteristics as independent variables. The findings of the study are: (a) there is a significant correlation between relative mandatory scores (RMS) for disclosure by financial institutions and auditor type (Big- four versus non-Big- four independent audit firms), MNC status, size and number of years in operation (age); (b) there is no significant correlation between RMS and leverage, return on equity, and liquidity. Thus, the overall level of disclosure in this sector is also found to be extremely poor regardless of auditor type and this may be related to a weak regulatory environment. The limitations of the study are: (1) this is a single

year study; (2) there is no indication about the items of disclosures; (3) this study has covered only financial sector.

Thompson and Yeung (2006) have written a research paper entitled "The Determinants of Transparency for Singaporean Listed Companies" that examines empirically the relationship between selected company characteristics and the level of transparency of listed companies on the Singapore Exchange (SGX). In order to measure the extent of transparency a Corporate Transparency Index (CTI) was developed containing a list of mandatory and voluntary items of information. The index was applied to all 290 companies with a calendar financial year end and therefore released their interim results for the six months to 30th June 2000. Then a company has been scored on Sliding Scale. A multiple regression has been used to show the association between the extent of transparency and the company characteristics i.e., size and profitability. Corporate size is measured by assets, sales and market capitalization and profitability is proxied by ROE ratio. The result of the study is that 85 percent companies scored less than 50 on the CTI. It also reports that there is a significant association between the company characteristics and the extent of disclosure i.e., larger companies are more transparent than small companies and the more profitable companies have the greater level of overall transparency. The limitation of this research paper is that it is a single year study and companies have been scored on subjective basis.

Wallace and Naser (1995) have written a paper entitled "Firm-Specific Determinants of the Comprehensiveness of Mandatory Disclosure in the Corporate Annual Reports of Firms Listed on the Stock Exchange of Hong Kong". The paper has three principal objectives: (a) the first principal objective is to increase the understanding of accounting and corporate reporting in HK i.e., to study the level of disclosure in HK; (b) the second principal objective is to provide additional evidence on the



characteristics of HK listed firms which are likely to provide mandatory information in a comprehensive manner in Corporate Annual Reports (CARs); (c) the third principal objective is to compare and contrast the environment of financial reporting in HK and the present PRC (People's Republic of China) to speculate on the future direction of accounting and corporate reporting in HK after unification with the present PRC. A set of firm characteristics such as registered office in a foreign country, profit margin, earnings return on equity, liquidity ratio, debt equity ratio, corporate size, proportion of equity shares owned by outsiders, market capitalization of each firm's equity, scope of business operations and auditor size have been examined. They have sampled 80 companies listed on the Stock Exchange of Hong Kong (SEHK) from the population of 417 listed firms by the end of December, 1992. They have constructed a disclosure index containing 120 disclosure items to which 20 items are not mandatory. The Ordinary least squares (OLS) regression models are used to test the hypotheses. The study revealed that the range of scores for the disclosure index varies from 55% to 87% with a mean of 73%. The results are summarized as total assets, profit margin, type of independent auditor, and scope of business contributed to the understanding of variation in disclosure indexes awarded to HK firms whereas market capitalization, liquidity ratios, earnings, return on equity, and outside shareholders' interests are less useful in explaining variation in disclosure indexes. An overall finding is that corporate disclosure is positively associated with asset size and the scope of business operations but negatively with profits. In this study a cross-sectional methodology to study the firm-specific determinants of comprehensive disclosure in CARs of HK-listed firms prior to HK's integration with the present PRC seems inadequate. This is also a single year study.

In the paper entitled "Corporate Disclosures Made by Chinese Listed Companies", Xiao (1999) has described the current corporate disclosure requirements placed upon

Chinese listed companies and the level of compliance with them. Thus the objectives of this paper are (i) to see the current level of periodic disclosure regulations and practices by listed companies of Shanghai and Shenzhen Stock Exchanges; and (ii) to investigate the level of compliance with the requirements of the Accounting Law (1993), the Company Law (1993) and with special attention to the requirements promulgated by the Accounting Standards for Business Enterprises (ASBE) in 1992. The author has sampled the annual reports of 13 companies for the different years. The latest year of the sample company is 1995. The findings of the study are: (a) the current disclosure requirements are comprehensive and detailed but there is a scope of improvement; (ii) the current requirements are largely based on foreign disclosure standards rather than users' information needs; and (iii) the level of compliance with the mandatory disclosure requirements is naturally at a high level because Chinese Securities Regulatory Commission (SRC) has a great contribution in this regard, and (iv) many voluntary disclosures are also found, especially earnings forecasts and the supervisory board's report. Although the paper has a great contribution to the disclosure issues in China, it feels some limitations also. The limitations of the paper are (1) author has not examined the level of compliance with the Updated Standards of Contents and Formats of Information Disclosure by Public Issuing Companies (SOCFID) No. 2; (2) the sample of this study is too small; (3) this study has not investigated the relationship between the level of quality disclosure and firm-specific characteristics; and (4) the period of study is also small.

## **2.4 Conclusion**

The evidence indicated by prior studies is that most of studies on disclosure have undertaken in the developed country context. The results of these studies reported high level of disclosure compliance. But in the emerging economy like Bangladesh a few studies have made and yielded comparatively low level of disclosure. Many literatures of this section have showed a significant association between company characteristics as explanatory variables and level of disclosure taking single year as study period. The present study is a longitudinal study in which the association between the firm-specific characteristics. It also examines the variation of disclosure among the samples and over the years.

# CHAPTER 3

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## THEORETICAL AND CONCEPTUAL FRAMEWORK

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# Chapter Three

## *Theoretical and Conceptual Framework*

### **3.1.0 Theoretical Framework of Disclosure**

#### **3.1. 1. Introduction**

Theoretical framework describes some theories and issues in which the proposed study is emerges. It is the basis of proposed research and the platform of conceptual framework. Thus, it includes all the theories that have been put forward to explain the relationship between dependent and independent variables. The research problem and the development of hypothesis are generated from theoretical framework. It helps in building and identifying logical sense of the relationship among the several factors that are important to the research problem. It integrates logical beliefs with published research. The theoretical framework elaborates the relationships among the variables and explains the theory underlying these relations and describes the nature and direction of the relationships.

The review of the literature provides the direction of this relationship and reveals that there are a number of theories associated with corporate accounting and disclosure. They include agency theory, signaling theory, the accountability theory, legitimacy theory, contingency theory, stakeholder theory, institutional theory, capital market development theory, political economy theory and resource dependency theory. The theoretical framework of disclosure outlines a multi-theory approach. Generally, disclosure of corporate information is supported by various theories, namely, stakeholder theory, agency theory, legitimacy theory, political economic theory and capital market development theory (Choi, 1973). Many disclosure studies

especially mandatory disclosure studies, research in auditing, and taxation would benefit from using the institutional theory. The agency theory provides the required framework to evaluate accounting choices and disclosure decisions in market-based studies. This theory has been used by prior research (Ahmed & Nicholls, 1994; Wallace & Naser, 1995; Owusu-Ansah, 1998; Ali et al., 2004; Akhtaruddin, 2005<sub>a</sub>) to explain the mandatory disclosure in corporate annual reports. The political economy theory has been used to explain the social and environmental reporting practice in the developing countries context (Haider, 2010). A legitimacy theory has been used to explain the CSR reporting practices in Malaysia (Haniffa and Cooke, 2002; Thompson and Zarina, 2004). Both legitimacy and political cost theory have been used to explain CSR disclosure in Malaysia (Watts and Zimmerman, 1978; Mohd. and Nazli, 2007). A combination of different theories like legitimacy theory, stakeholder theory, and institutional theory have been used to explore motivations behind corporate social and environmental reporting practices of Bangladeshi textile industry (Islam and Craig, 2008). Similarly institutional theory has been used to explain the government role on social and environmental disclosure in Malaysia (Amran and Susela, 2008). However, the adoption of particular theoretical perspective to explain the relationship between the dependent and independent variables depends upon the researcher's understanding of theory. Realizing this fact, researcher is not agreed upon one particular theory to explain RMD in the developing countries. Thus, the present study uses the combination of agency theory, stakeholder theory, and institutional theory to explain RMD practices of the companies in their annual report. The important theories related to disclosure decisions are explained in the next section.

### **3.1. 2. Agency Theory**

Agency theory has been one of the most important theoretical paradigms in accounting during the last 20 years (Lambert, 2001). It conceives disclosure as a mechanism which decreases the costs resulting from conflicts between managers and shareholders (compensation contracts) and from conflicts between the firm and its creditors (debt contracts).

According to this theory, people are self-interested rather than altruistic and cannot be trusted to act in the best interests of others. On the contrary, people seek to maximize their own utility. The reasoning is that a firm's top managers may be more interested in their personal welfare than in the welfare of the firm's shareholders (Berle & Means, 1967). Proponents of the agency theory opine that a firm's top management becomes more powerful when the firm's stock is widely held and the board of directors is composed of people who know little of the firm. The theory suggests that a firm's top management should have a significant ownership of the firm in order to secure a positive relationship between corporate governance and the amount of stock owned by the top management (Mallin, 2004). Wheelen and Hunger (2002) argue that problems arise in corporations because agents (top management) are not willing to bear responsibility for their decisions unless they own a substantial amount of stock in the corporation.

Agency theory was based on the concept of separation of ownership and management creating a principal-agent relationship. Disclosures are considered part of the monitoring package to reduce the information asymmetry and agency problems with their resulting costs.

Jensen & Meckling (1976) define the agency relationship as a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making

authority to the agent. Agents correspond to managers, whereas principals correspond to shareholders from a companies' perspective. Agency costs stem from the assumption that the two parties, agents and principals, have different interests. Monitoring costs are paid by the principals, shareholders, to limit the agents' aberrant activities. Bonding costs are paid by the agents, managers, to guarantee that no harm of the principal's interests will result from their decisions and actions. Residual loss stems when decisions of the agents diverge from decisions that would maximize the principal's welfare. Accordingly, the agency cost is the summation of the monitoring cost, bonding cost, and the residual loss (Jensen & Meckling, 1976).

The agency relationship leads to the information asymmetry problem due to the fact that managers have access to information more than shareholders (Jensen & Meckling, 1976). Optimal contracts is one of the means of mitigating the agency problem as it helps in bringing shareholders' interests in line with managers' interests (Healy & Palepu, 2001). In addition, disclosure is another means of mitigating the agency problem, where managers disclose more information reducing the agency costs (Barako, Hancock and Izan, 2006).

Finally, regulations are another means of mitigating the agency problem as they require managers to fully disclose private information (Healy & Palepu, 2001). However, full disclosure is never guaranteed even in the presence of regulations (Al-Razeen & Karbhari, 2004). The absence of full disclosure is explained by the conflict that exists between the interests of managers and shareholders. In addition, corporate reporting regulations are intended to provide investors with the minimum quantity of information that helps in the decision-making process (Al-Razeen & Karbhari, 2004). Therefore disclosure works as a mechanism to control manager's performance. As a consequence, managers are stimulated to disclose information voluntarily.



Agency theory states that information demand of investors increases with the agency costs of the firm. Public ownership increases agency costs and therefore should increase shareholders' information need and enhance disclosure.

### **3.1. 3. Stakeholder Theory**

The stakeholder theory is also known as stewardship theory. It states that firms are social entities and they can affect the welfare of individual(s) and the natural environment in the passage of achieving the objectives. This individual or group of individuals or the nature is considered the stakeholders. They have the interaction with the firm and are affected by the achievement of the firm's objectives (Freeman, 1984). The successful firms are judged by their ability to add value for all their stakeholders. When stakeholders get what they want from a firm, they return to the firm for more (Freeman, 1984). Therefore, corporate leaders have to consider the claims of stakeholders when making decisions (Blair, 1995) and conduct business responsibly towards the stakeholders (White, 2009). Participation of stakeholders in corporate decision-making can enhance efficiency (Turnbull, 1994) and reduce conflicts (Rothman & Friedman, 2001). The stewardship theory suggests that a firm's board of directors and its CEO, acting as stewards, are more motivated to act in the best interests of the firm rather than for their own selfish interests. Kaptein and Van Tulder (2003) states that corporations adopt reactive or proactive approaches while integrating stakeholders' concerns in decision making. A corporation adopts a reactive approach when it does not integrate stakeholders into its corporate decision making processes. This yields a misalignment of organizational goals and causes many accounting and auditing scandals such as Enron and WorldCom scams. A proactive approach is used by corporations that integrate stakeholders' concerns into their decision-making processes and that establish necessary governance structures.

Therefore, the stewardship theory argues that, compared to shareholders, a firm's top management cares more about the firm's long term success (Mallin, 2004). There were two sources of accountability under the stakeholder theory: normative (ethical) responsibilities, and managerial responsibilities. The normative perspective of stakeholder theory equally treats all the stakeholders of the company and does not take into account the power of each stakeholder (Deegan and Jeffry, 2006). The normative perspective of stakeholder theory asks the managers to work for the benefits of all the stakeholders. It can be further said that a firm is not a mechanism to increase the financial returns of the stockholders while it is a vehicle for coordinating the interests of various stakeholders. According to normative perspective of stakeholder theory, all the stakeholder of the company has equal right to the company information. Under normative branch of stakeholder theory, mandatory information is disclosed to be accountable to all the stakeholders without considering the element of power of each stakeholder. On the other hand, the managerial perspective of stakeholder theory takes into account the interests of limited number of stakeholders, who have significant power to influence the organization. Based on the power and importance, stakeholders are divided into primary and secondary group of stakeholders. The primary group comprises of people whose cooperation continue the survival of the firm and the secondary group consists of people who does not make any transaction with the company and survival of the company does not depend upon them. It is seen that primary stakeholders have more power as compared to secondary stakeholders. In this case, firm should disclose mandatory information to meet the expectations of powerful stakeholders and to show their accountability to them (Gray, Owen & Adams, 1996). Thus under managerial branch of stakeholder theory, mandatory information is disclosed to comply with the expectations of powerful stakeholders (e.g. government,

international buyers, and shareholders etc.) rather than all the stakeholders of the firm.

### **3.1. 4. Legitimacy Theory**

Legitimacy theory is central to the social contract in which the firms have contract with the society as a whole. The social contract is expressed by the changing expectations of the society. It is moral obligation of the company to meet the expectations of the societal members. If the company fulfils the expectations of the whole society then it would be treated as legitimate; otherwise its legitimacy would be at risk (Deegan and Jeffry, 2006). Only legitimate firm has the right to utilize society's natural and human resources (Deegan and Jeffry, 2006). So, organizations are required to respond to the changing expectations of the society to maintain their legitimacy. A legitimate company is one whose goals, values, operations and the communication strategy are consistent with the expectations of the society. A firm having strong base for legitimacy discloses more financial information about its operations and activities in annual reports to meet social expectations as well as to maintain its license to operate in the society. The legitimacy theory assumes that a company has no right to exist unless its values are being perceived as matching with that of the society at large where it operates (Dowling & Pfeffer, 1975). Accordingly, the idea of the legitimacy theory resembles a social contract between the company and the society (Magness, 2006). Since the objective of accounting is providing users with information that help in decision-making i.e., satisfy social interests, the theory has been integrated in accounting studies as a "means of explaining what, why, when and how certain items are addressed by corporate management in their communication with outside audiences" (Magness, 2006). As the legitimacy theory is based on the society's perception, management is forced to disclose information that would change the external users' opinion about their company (Cormier & Gordon,

2001). The annual report has been detected as an important source of legitimation (Dyball, 1998). Legitimation can occur both through mandatory disclosures - disclosures provided in financial statements because of regulations, and voluntary disclosures provided in other sections of the annual report (Magness, 2006).

### **3.1. 5. Signaling Theory**

From the above theories it is seen that there is an information asymmetry in between different stakeholders. This information asymmetry can be reduced by applying signaling theory. It holds that information asymmetry could be reduced by sending signals to interested parties. It also states that companies with superior performance (or good companies) use financial information to send signals to the market (Ross, 1977). Spence (1973) showed that if the cost of signal is higher for the bad type than it is for the good type, then the bad type may not find it worthwhile to mimic, and so the signal could be credible. Therefore, managers can be motivated to disclose more financial information because providing more information about their company's performance is a good signal to the market and thus, this theory reduces information asymmetry.

Although the signaling theory was originally developed to clarify the information asymmetry in the labor market (Spence, 1973), it has been used to explain voluntary disclosure in corporate reporting (Ross, 1977). As a result of the information asymmetry problem, companies signal certain information to investors to show that they are better than other companies in the market for the purpose of attracting investments and enhancing a favorable reputation. Voluntary disclosure is one of the signaling means, where companies would disclose more information than the mandatory ones required by laws and regulations in order to signal that they are better.

### **3.1. 6. Capital Need Theory**

Companies aim to attract external finance to increase their capital, either by debt or equity. The capital need theory suggests that voluntary disclosure helps in achieving a company's need to raise capital at a low cost (Choi, 1973). It is argued that a more regulatory firm can raise more capital a lower cost. To do so firm discloses more financial information in annual report to have a good perception of potential debt and equity holder. The adequacy and accuracy of the information available about the company is a premium for investors' uncertainty. Therefore, reduction in a company's cost of capital is achieved when investors are able to interpret the company's economic prospects through disclosure. The relationship between disclosure and cost of capital is positive; the higher the information disclosures, the lower the cost of capital.

### **3.1. 7. Institutional Theory**

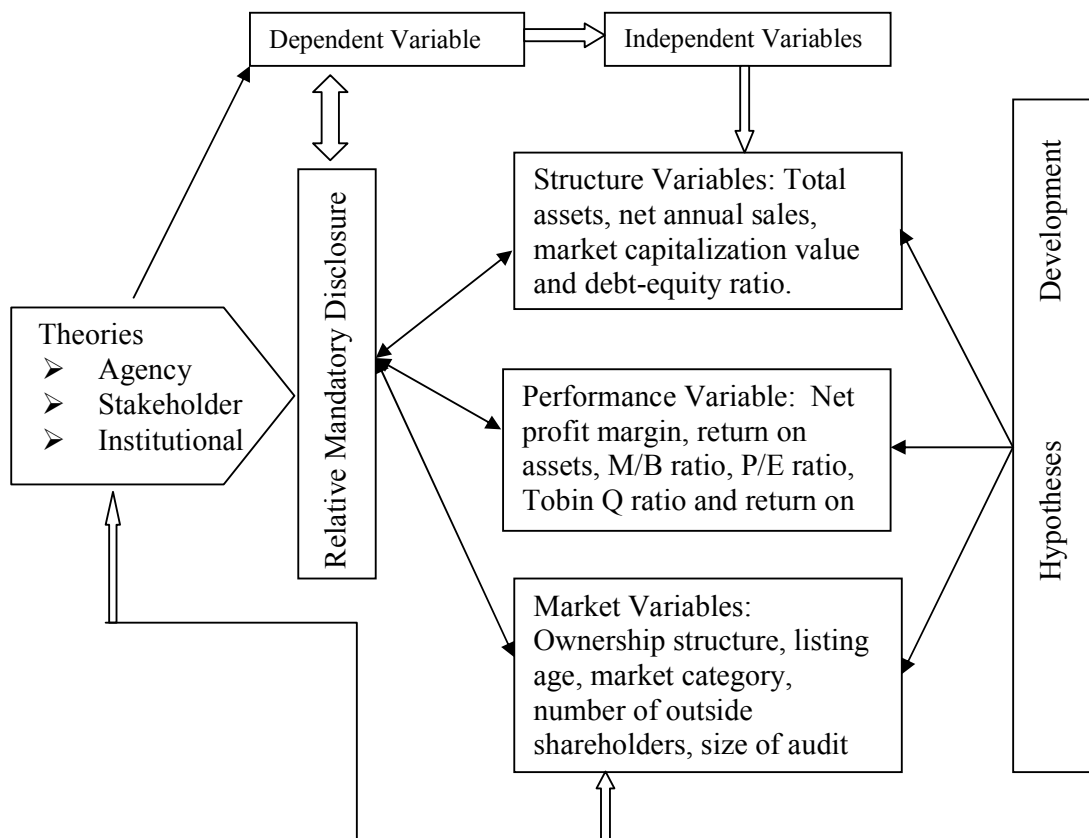
Institutional theory provides explanation for the adaptation of particular organizational practices/forms within a specific organizational field (Deegan, 2009). Institutional theory has two dimensions isomorphism and decoupling, which explains the adoption of voluntary type of social and environmental disclosure (Deegan and Jeffry, 2006; Deegan, 2009).

Isomorphism is a process by which the firms adapt institutional practices of other organizations is influenced by various stakeholders' pressures, institutional pressures, and professionals' own willingness (Deegan, 2009). Isomorphism has three types: coercive, mimetic, and normative isomorphism (DiMaggio and Walter, 1983). Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function. Such pressures may be felt as force, as persuasive, or as invitation to join in collusion (DiMaggio and

Walter, 1983). In coercive isomorphism, power of stakeholders play a significant role that forces/persuades the firm to adopt certain institutional practices (e.g. disclosure) to look similar to others firms operating in the same institutional environment. Coercive pressure comes from different sources such as: political rules and regulations (law) and the public at large, which force the particular firm to join certain collusion (Amran and Susela, 2008). Mimetic isomorphism refers to the companies' willingness to copy or imitate the organizational practices (e.g. disclosure) of other organizations (DiMaggio and Walter, 1983). Mimetic isomorphism arises due to uncertain situation within the environment when an organization could not find any reference or guidelines to operate, then a firm tries to adopt the model of others organizations (DiMaggio and Walter, 1983). It is a convenient source for the followers (companies) to follow the model organization but the problem with this approach is that the model organization is not fully aware of its consequences (Amran and Susela, 2008). Other companies try to copy the best reporting practices of the model organization in order to look similar to other organization operating in the same environment. Sometimes companies have to meet the industry standards and norms. Deegan (2009) argues that the firm's adoption of good practices in an industry will shape the societal expectation. Thus, society will demand the same responsible behavior from rest of the companies operating in the same industry. If the remaining companies do not follow the desired standards and institutional practices, may be considered slightly riskier. It is not the case that companies always copy the practices of other companies, sometimes companies voluntary adopt best practices and set the standards for other firms operating in the same industry (Deegan, 2009).

Normative isomorphism comes from professionalism, which refers to the professionals' expectation to comply with some standards and to adopt institutional

practices (DiMaggio and Walter, 1983). There are two important sources: education and professional networks that create normative pressure for the professionals (Amran and Susela, 2008). In this type of isomorphism cultural and ethical values play their role to influence the expectations of the professionals (Deegan, 2009), who will ultimately adopt the institutional practices. It is really difficult to distinguish between three types of isomorphism pressures exerted on the firm to adopt certain institutional practice to become similar to other firms operating in the same environment. As it has already discussed that isomorphism has three types: coercive, mimetic, and normative isomorphism (DiMaggio and Walter, 1983) and these types are not mutually exclusive (Deegan and Jeffry, 2006). These pressures come from different stakeholders (Deegan, 2009) and it is really difficult to categorize particular stakeholders into one group. This problem was resolved by Solomon and Linda (2002); they conducted study in UK to know the motivations and hurdles for companies' environmental disclosure, in which authors divided the respondent into three groups: normative, interest, and company. Normative group included those parties who do use the environmental disclosure but they express the views of the users. Normative group includes academics, environmental consultants, industry associations, trade associations, government organizations, and professional organizations while interest group included those parties who used the companies' environmental disclosure. Interest group included the pressure (environmental) groups, financial advisors, banks, researchers, political and professional institutions, institutional investors, and the media. Company group included companies which publish environmental information. Thus this criterion can be used to categorize various factors into groups, which can create normative, coercive and mimetic pressure to disclose financial information.

**Figure 3.1: Theoretical Framework of Disclosure**

Source: Prepared by researcher on the basis of relevant information collected

### 3.2.0 Basic Concepts Related to Disclosure

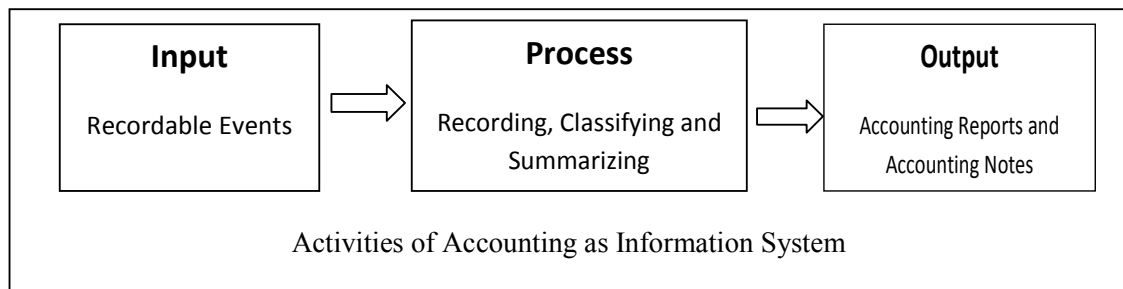
#### 3.2. 1. Accountancy and Disclosure

Accounting is an old and time-honored discipline that is making significant and unique contributions to business and areas of public interest by providing reliable and valuable information. The record keeping task of accounting is thought to have begun about 4000B.C. Every developed society requires certain accounting records. The ancient government also kept records of receipts and disbursements and used procedures to check on the honesty and reliability of employees. All business organizations use accounting information for their economic resources i.e., money,



machine and building etc. This accounting information enables different stakeholders to understand the status of business. This is why; accounting is called the language of business. Now accounting is also called the language of human being because we have to expose constantly to accounting information in our everyday life.

Accounting is a kind of information system that collects accounting data from different source documents as input and processes the collected data through various accounting devices such as journal, ledger then provides output as a vehicle of information with the help of various accounting report. Thus, primary goal of accounting is to identify the recordable events that end to achieve its ultimate goal through performing the task of communication of fair and reliable financial information to management, owner(s) and outsiders. The task of recording, classification and summarizing makes a bridge between input and output of accounting system. For communication purpose, it (accounting system) generates two kinds of information. Financial information which is used only within the company as a basis for decision-making is referred to as internal information and the financial information which is used by outsiders is called the external information. There is no standard type of reporting system for communicating internal financial information and the reports which are prepared internally is able to meet the requirements of each individual business entity. For reporting external information, it should prepare a standard form of report in conformity with Generally Accepted Accounting Principles (GAAP). This standard report is called annual report; a publication of accounting system covers Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Changes in Financial Position and Accompanying Notes. The accompanying notes are essential to make communication effective because they increase readability of readers by quoting accounting policies and interpretations.



Accounting information must conform to certain set of basic concepts, assumptions and related principles which are commonly known as generally accepted accounting principles (GAAP) that explain and guide the accountant's action in identifying, measuring and communicating economic information. American Accounting Association (1966) defines accounting as 'the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by the users of the information.

Disclosure is the way of presenting the end product of accounting system. It a technique for a corporation to increase its market value by providing guidelines of efficient management in one hand and a safeguard for investors to increase confidence by protecting their investments on the other hand. The development in economic conditions of a country accompanied by industrial development make the disclosure practices developed.

Disclosure means effective communication of meaningful information. It has been used almost interchangeably with the word 'Reporting'. The word 'Reporting' is technically used when the person writing the same is offering his observations with regard to the matters on which he is asked to comment (Agarwal, 1995).

Disclosure implies a process of disseminating information about an entity's current and future operation, financial position and previous financial performance for which the stakeholders are interested.

Disclosure and transparency not only affect individual companies' performance and market valuation, but also greatly influence a national economy's ability to attract domestic and foreign investment (OECD, 2003).

The ultimate objective of disclosure is to communicate relevant, reliable and material information which is useful to the users of annual reports, in an intelligible form (Agarwal, 1995).

### **3.2. 2. Adequate Disclosure**

Although the Companies Act, 1994 prescribes uniform disclosure requirements for all companies irrespective of their size, nature and ownership, many writers and researchers opined that this disclosure should be adequate in corporate annual reports. The disclosure of annual report is said to be adequate if it fulfills the regulatory requirements of financial reporting and shows the true and fair financial performance and position of entity.

Disclosure of information in corporate annual reports is considered 'adequate' if it is relevant to the needs of users and capable of meeting those needs (Buzby, 1974).

Owusu-Ansah (1998) defines adequate disclosure as the extent (no. of items) to which mandated applicable information is presented in annual reports of companies and the degree of intensity by which a company discloses those items in its annual report. Adequate disclosure means a minimum amount of disclosure which ensures that the financial statements are not misleading (Porwal, 1996). In other words, adequate disclosure means all material and relevant information concerning financial position and the results of operations are communicated to users. The practice of adequate disclosure can be done through the financial statements and in the notes accompanying the statements. Such disclosure should make the financial statements more useful and less subject to misinterpretation. Adequate disclosure does not

require that information be presented in great detail; it does require, however, that no important facts be withheld.

### **3.2. 3. Full Disclosure and Fair Disclosure**

Full disclosure means that published financial statements and related notes should include all economic information related to the accounting entity that is significant enough to affect the decisions of an informed and prudent user of financial statements. Full disclosure is aimed at improving the clarity, and quality and quantity of economic data disclosed by the accounting entity (Chasteen et al., 1996).

It represents the presentation of all relevant information which is material for decision making. Information that has significant impact either on present or on future financial condition of an entity must be disclosed. The full disclosure reports any financial facts significant enough to influence the judgment of prudent readers.

Thus, full disclosure means the completeness of financial information. It means disclosing all significant information in a way that aids understanding and does not mislead the users. Firms can reduce the relevance of information by omitting information that would make a difference to users. Currently, full disclosure requires presentation of statement of financial position, an income statement, a statement of cash flows, and necessary notes to the financial statements and supporting schedules. It also requires statements of changes in stockholders' equity which contain information included in a statement of retained earnings in annual reports of corporations. Such statements must be complete, with items properly classified and segregated (such as sales revenue separately from other revenues). Required disclosures may be made in (1) the body of the financial statements, (2) the notes to such statements, (3) special communications, and/or (4) the president's letter or other management reports in the annual report.

Full disclosure includes all changes in accounting principles and their effects and accounting policies followed in preparing the financial statements.

Fairness is the central goal of reporting that can be done by making tradeoff between full disclosure and adequate disclosure. The practice of disclosure is said to be fair if it is free from error and bias and conforms to the mandatory requirements. It will not mislead the stakeholders to take sound decision involving the allocation of scarce resources. Fair disclosure implies an ethical objective of providing equal treatment for all potential readers (Hendriksen, 1984). All publicly-traded companies in the United State disclose relevant or material information to all shareholders at the same time (SEC regulation). Fair disclosure is something of an ethical nature and function of law. It requires that every reader of financial statements should be given equal facilities.

### **3.2. 4. Financial Reporting and Statements**

Financial reporting is the process of preparing and distributing financial information to users of such information in a standard form. The most common format of formal financial reporting is financial statements. Financial statements are prepared in accordance with applied standards promulgated by professional accounting bodies developed according to the legal and professional framework recommended by regulatory bodies in Bangladesh. Thus, financial reporting is a formal record of the financial activities of a business, person, or other entity by accountants.

For a business enterprise, all the relevant financial information will be worthless if they are not communicated in a structured manner and in a form easy to understand. Various accounting reports are used to serve this purpose. The most of

them are commonly called the financial statements. They typically include four basic financial statements:

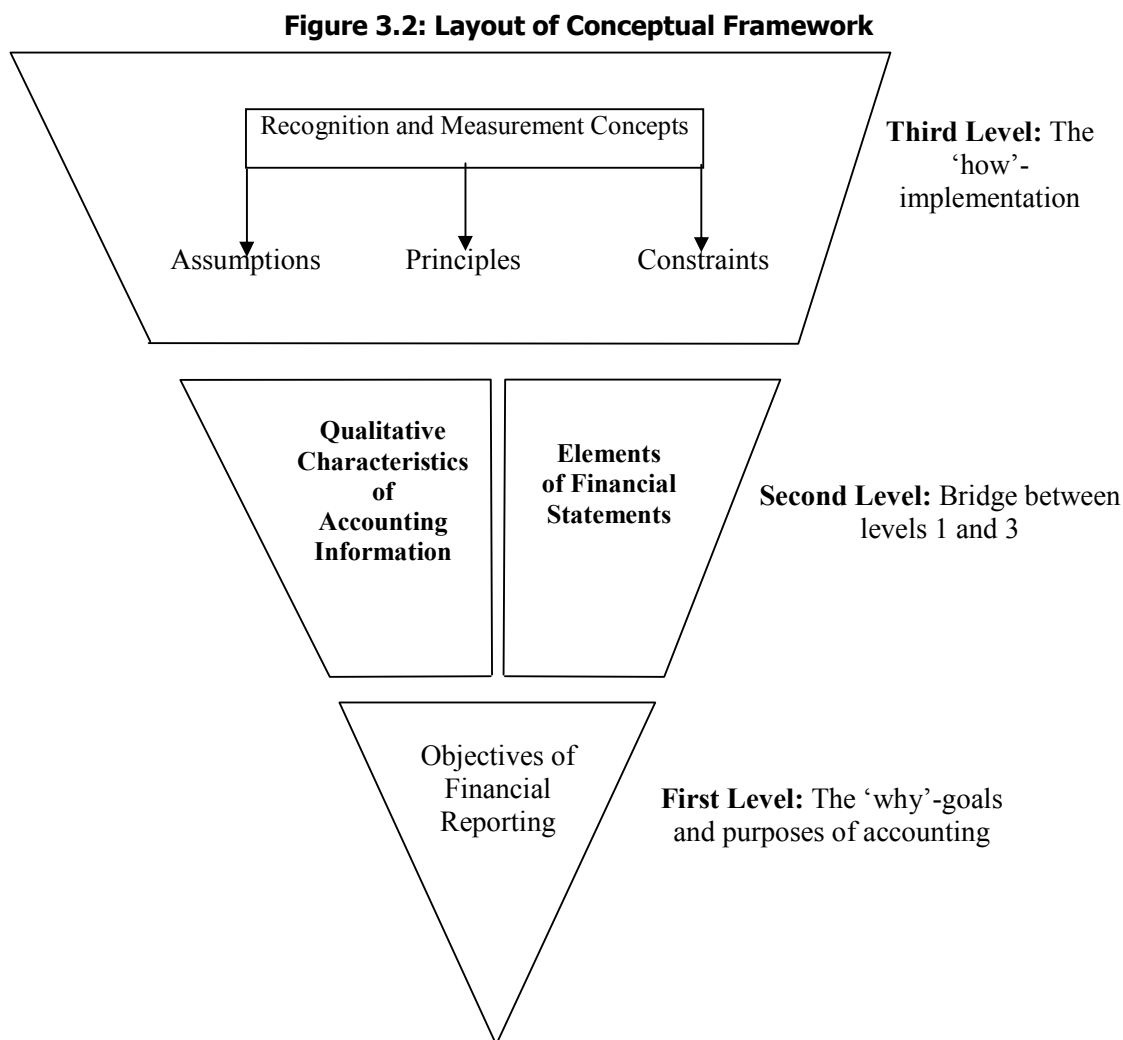
- (i) **Statement of Financial Position:** The Statement of Financial Position is also known as Balance Sheet. It reports the resources of business (assets), its obligations (liabilities), and the residual ownership claims against an entity's resources (owners' equity) at a given point of time. It is an expression of the basic accounting equation,  $\text{Assets} = \text{Liabilities} + \text{Owners' equity}$ . The balance sheet shows the amount of assets, liabilities, and owners' equity. By analyzing the items recorded in balance sheet an investor, creditor and other can assess a firm's liquidity, solvency and management efficiency of assets. So, it helps evaluate the financial position of business.
- (ii) **Statement of comprehensive income:** It is also referred to as the statement of Profit and Loss (P&L), the earnings statement or the statement of operations. It summarizes the business activities and reports on a company's income, expenses, and profits over a period of time. Profit & Loss account provides information resulting from the operation of the enterprise. This includes sales and the various expenses incurred during the period of sales.
- (iii) **Statement of changes in equity:** This statement is synonym of Retained Earnings Statement. It reports the beginning balance of retained earnings, any prior period adjustment, earnings for the period, dividend declarations, and the ending retained earnings balance. In short, it explains the changes of the company's equity capital throughout the reporting period.
- (iv) **Statement of changes in financial position:** It includes the company's funds statement and cash flow statement. The cash flow statement reports the inflow and outflow of cash from different activities, particularly operating,

investing and financing activities. It shows the changes of cash position of a company. Accordingly, the funds statement is a condensed report of how the activities of a business have been financed and how the financial resources have been used. It reports the inflow and outflow of resources and changes to them.

For large corporations, these statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements.

### **3.2. 5. Definition of Conceptual Framework**

Conceptual Framework is regarded as the basis of financial reporting. It includes reporting concepts or assumptions, principles of reporting, modifying principles, elements, objectives and qualitative information of financial reporting. FASB describes as "A conceptual framework is like a constitution: it is a coherent system of interrelated objectives and fundamentals that can lead to consistent standards and that prescribes the nature, function, and limits of financial accounting and financial statements."



**Source: William C. Norby. The financial Analysts Journal (March – April 1982), p.22**

The objectives (first level) are concerned with the goals and purposes of accounting and the ways these goals and purposes are implemented described in the third level. Between these two levels it is necessary to provide certain conceptual building blocks that explain the qualitative characteristics of accounting information and define the elements of financial statements. These conceptual building blocks form a bridge between the why of accounting (the objectives) and the how of accounting (recognition and measurement).



### **3.2. 6. Objectives of Financial Reporting**

FASB has issued eight statements of concepts named Statement of Financial Accounting Concepts (SFACs) to set forth the basic accounting fundamentals on which financial accounting standards had been developed. As per SFAC 8, 2010 a general purpose financial statement should have following objectives:

(1) Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence.

(2) Financial reporting should provide information to help present and potential investors, creditors and other users in assessing the amounts, timing, and uncertainty of prospective cash receipts from dividends or interest and the proceeds from the sale, redemption, or maturity of securities or loans. Since investors' and creditors' cash flows are related to enterprises' cash flows, financial reporting should provide information to help investors, creditors, and others assess the amounts, timing and uncertainty of prospective net cash inflows to the related enterprise.

(3) Financial reporting should provide information about the economic resources of an enterprise, the claims to those resources (obligations of the enterprise to transfer resources to other entities and owners' equity), and the effects of transactions events and circumstances that change its resources and claims to those resources.

(4) Financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise.

Source: Summarized presentation of FASB Concepts Statement No. 8, Chapter 1

### 3.2. 7. Qualitative Characteristics of Accounting Information

Accounting information should possess qualitative characteristics to be useful in decision making. The FASB's Statement of Financial Accounting Concepts No. 8 (Chapter 3), 2010 has identified the qualitative characteristic of accounting information that distinguish better (more useful) information from inferior (less useful) information for decision making purpose. The qualitative characteristics of accounting information are the following:

(a). Primary decision-specific qualities:

(b). Secondary and interactive qualities:

(a). **Primary decision-specific qualities:** Relevance and Reliability are two primary qualities that make accounting information useful for decision making. The above and other interrelated qualities are discussed below:

(1). **Relevance:** To be relevant, accounting information must make a difference in a decision. If certain information has no bearing on a decision, it is irrelevant to that decision. Relevant information makes a difference in a decision either by affecting users predictions of outcomes of past, present, or future events or by confirming or correcting expectations. Relevant information must have predictive value, feedback value and timeliness.

i. **Predictive value:** Predictive value helps users to forecast future events or to improve users' abilities to predict outcomes of events.

ii. **Feedback value:** Information that reveals the relative success of users in predicting outcomes possesses feedback value. Feedback reports on past activities and can make a difference in decision making by (1) reducing uncertainty in a situation, (2) refuting or confirming prior expectations, and

(3) providing a basis for further predictions. Thus, a feedback value confirms or corrects prior expectations.

iii. **Timeliness:** Timeliness requires accountants to provide accounting information at a time when it may be considered in reaching a decision. Utility of information decreases with such as the net income for 2001 was in early 2002 is much more useful than receiving this information a year later.

(2). **Reliability:** Information must be reliable to be useful. Information has reliability when it faithfully depicts for users what it purports to represent. Thus, accounting information is reliable if users can depend on it to reflect the underlying economic activities of the organization. The reliability of information depends on its representational faithfulness, verifiability, and neutrality. The information must also be complete and free of bias.

i. **Verifiability:** Financial information has verifiability when independent measurers can substantially duplicate it by using same measurement methods. Verifiability eliminates measurer's bias rather than measurement method bias. So, verifiability is demonstrated when independent measurers, using same measurement methods, obtain similar results. If the obtained results are different, accounting data are not verifiable.

ii. **Neutrality:** Neutrality means that the accounting information should be free of measurement method bias. Non neutral accounting information favors one set of interested parties over others. For example, a particular form of measurement might favor stakeholders over creditors, or vice versa. To be neutral, accounting information must report economic activity as faithfully as possible.

iii. **Representational Faithfulness:** Representational faithfulness exists when accounting statements on economic activity correspond to the actual underlying activity.

(b). **Secondary and Interactive Qualities:** Comparability and consistency are the secondary qualities of accounting information.

i. **Comparability:** The quality of information that enables users to identify similarities in and differences between two sets of economic phenomena. Comparability becomes effective when different companies use the same accounting principles.

ii. **Consistency:** When an entity applies the same accounting treatment to similar events, from period to period the entity is considered to be consistent in its use of accounting standards. It does not mean that companies cannot switch from one method of accounting to another. Companies can change methods, but the changes are restricted to situation.

### **3.2. 8. Pervasive Constraint and Threshold for Recognition**

FASB in its hierarchy of accounting qualities suggested that accountants must consider one pervasive constraint and one threshold for recognition in providing useful information. First, the benefit secured from the information must be greater than the costs of providing information. Second, only material items need be disclosed and accounted for strictly in accordance with generally accepted accounting principles (GAAP).

### **3.2. 9. Concept of Information**

Information is the processed data that enable users to take decisions. In other words, information is data that has been processed into a form that is meaningful to

the recipient and is of real or perceived value in current or prospective actions or decisions. Information refers to data that have a meaning to the decision makers. Information is different from data. Data usually represent raw facts, figures, observations or measurements of events that are not usable without processing to information users. Data are the input to an information system. Information is output that is organized, meaningful, and useful to the person who receives it (Steinbart, 1994).

### **3.2. 10. Users of Accounting Information**

The information that a user of financial information needs depends upon the kinds of decisions the user makes. There are two broad groups of users of financial information: internal users and external users.

#### **Internal users**

Internal users of financial information are those individuals inside in a company who plan, organize and run the business. They need detailed information on a timely basis. Accountants prepare specific purpose financial statements for internal users that are used for one action or decision. Internal users include:

**Managements** use accounting information to take decisions concerning the running of the business and strategic planning for the future.

**Finance directors** use financial information to predict cash position and to take dividend policy.

**Human Resources** use information to take decisions on personal matters, e.g. compensation package and fringe benefits, promotion, appointments, security and training.

## **External users**

External users of financial information are those individuals outside a company who want financial information about the business. They need summarized information in a structural manner. Accountants prepare general purpose financial statements for external users that are used for multipurpose. External users include:

**Investors and potential investors** use accounting information to make decisions to buy, hold, or sell stock and measure the risks and returns on investment.

**Creditors such as suppliers and financial institutions** use information to evaluate the risks of granting credit or lending money. They pay their full concentration on solvency and liquidity position of entity. They want to see information on the creditworthiness of the company and its ability to repay loans and interest.

**Customers** are interested in accounting information to know whether a company will continue its existing product line and continue to smooth supply of products, and honor product warranties as after sales service.

**Competitors** are interested to have information on the relative strengths and weaknesses of their competitors and for comparative and benchmarking purposes. They require the information mainly for getting strategic advantages.

**Unions and employee groups** focus their concentration on the information regarding the stability, profitability and distribution of wealth within the business. They seek financial information to know whether the owners are able to pay increased wages and benefits.

**Government** uses accounting information on the usage and allocation of resources and the contribution of exchequer.

**Regulatory bodies such as NBR and SEC** are concerned with financial information to know whether the company complies with tax laws and the company is operating within prescribed rules.

**Social responsibility groups such as environment protect groups** use information to know whether the company is doing its activities by making environment green.

**The general public** seeks information on the role and contribution of businesses to society.

### **3.2. 11. Elements of Financial Statements**

The important task in developing conceptual framework is defining and identifying its basic elements. The FASB has identified and defined the basic elements of financial statements in SFAC NO. 3 (1980) and revised SFAC No.6 (1985). They includes as follows:

**Assets** are probably future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

**Liabilities** are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transaction or events.

**Equity or net assets** is residual interest in the assets of an entity that remains after deducting its liabilities. In a business enterprise, the equity is the ownership interest.

**Investments by owners** are increases in net assets of a particular enterprise resulting from transfers to it from other entities of something of value to obtain or increase ownership interests (or equity) in it. Assets are most commonly received as

investments by owners, but that which is received may also include services or satisfaction or conversion of liabilities of the enterprise.

**Distributions to owners** are decreases in net assets of a particular enterprise resulting from transferring assets, rendering services, or incurring liabilities by the enterprise to owners. Distributions to owners decrease ownership interests (or equity) in an enterprise.

**Comprehensive Income** is the change in equity (net assets) of an entity during a period from transactions and other events and circumstances from non owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

**Revenues** are inflows or other enhancements of assets of an equity or settlement of its liabilities (or a combination of both) during a period from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operation.

**Expenses** are outflows or other using up of assets or incurrence of liabilities (or a combination of both) during a period from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

**Gains** are increases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity during a period except those that result from revenues or investments by owners.

**Losses** are decreases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and



circumstances affecting the entity during a period except those that result from revenues or distributions by owners.

### **3.2. 12. Operational Guidelines**

In its conceptual framework, the FASB recognized the need for operating guidelines. We classify these guidelines as assumptions, principles, and modifying conventions (constraints). These guidelines are well-established and accepted in accounting.

#### **3.2. 12.1 Underlying Basic Assumptions or concepts**

In developing generally accepted accounting principles, certain basic assumptions are made. These assumptions provide a foundation for the accounting process. Four main assumptions are as follows:

##### **Business Entry Assumption**

The business entity concept assumes that each business has a separate existence from its owners, creditors, employee, customers, interested parties, and other business. A business entity may be made up of several different legal entities. For instance, a large business may consist of several separate corporations; each of which has a separate legal entity. For reporting purpose, the corporations may be considered as one business entity because they have a common ownership.

##### **Money Measurement / Monetary Unit Assumption**

The economic activity of a business is normally recorded and reported in money terms i.e., the monetary unit assumption requires that only transaction data that can be expressed in terms of money be included in the accounting records. As per money measurement concept, money is used as a unit of transaction. Without a monetary unit, it would be impossible to add such item as building, equipment, and inventory on a balance sheet.

### **Going Concern Concept**

When accountants record business transactions for an entity, they assume it is a going concern. The going concern assumption states that an entity will continue to operate indefinitely unless strong evidence exists that the entity will terminate. In other words, it holds that the business enterprise will have a long lifetime i.e., business will run for the foreseeable future. Accountants often cite the going concern assumption to justify using historical costs rather than market values in measuring assets.

“Going concern concept” presumes that the business enterprise will continue in operation for the foreseeable future, and that there is neither the necessity nor the intention to liquidate. A business, unless otherwise known, will continue to operate for an indefinitely long period of time (Basu & Das: 1999-2000).

### **Periodicity Assumptions / Time Period Assumption**

The periodicity assumption implies that the economic activities of an enterprise can be divided into artificial time periods. Those time periods vary, but the most common are monthly, quarterly, and yearly. According to the periodicity assumption, accountants divide an entity’s life into months or years to report its economic activities. Then, accountants attempt to prepare accurate reports on the entity’s activities for these periods. The periodicity assumption requires preparing adjusting entries under the accrual basis rather than the cash basis of accounting. Under the cash basis, we record revenues when cash is received and expenses when cash is paid. Under the accrual basis, we record revenues when services are rendered or products are sold and expenses when incurred.

### **Other Basic Concept**

Other basic concepts that affect accounting for entities are discussed below:

#### **General- Purpose Financial Statements**

Accountants prepare general purpose financial statement at regular intervals to meet many of the information needs of external parties and top-level internal managers. In contrast, accountants can gather special purpose financial information for a specific decision, usually on a one-time basis.

#### **Substance Over Form**

In some business transactions, the economic substance of the transaction conflicts with its legal form. According to this concept, accountants should record the economic substance of a transaction rather than its legal form. For example, an apparent lease transaction that has all the characteristics of a purchase should be recorded as a purchase.

#### **Consistency**

Consistency generally requires that a company use the same accounting principles and reporting practice throughout the time. This concept prohibits indiscriminate switching of accounting principles or methods. It does not mean that a company cannot change in accounting principles. If the company makes a change in accounting principles, the nature of the change, reasons for the change and effect of the change on current or past income should be disclosed clearly in the financial statement.

### **Double Entry**

Under this approach, every transaction has a two side effect on each party engaging in the transaction. Thus, to record a transaction, each party debits at least one account and credits at least one account. The total debits equal the total credits in each journal entry.

### **Articulation**

Financial statements are fundamentally related and articulated with each other. For example, we carry the amount of net income from the income statement to the statement of retained earnings. Then we carry the ending balance on the statement of retained earnings to the balance sheet to bring total assets and total equities into balance.

### **3.2. 12.2 Major Principles**

Principles are specific rules that indicate how economic events should be reported in the accounting process. Generally Accepted Accounting Principles (GAAP) set forth standards or methods for presenting financial accounting information. A standardized presentation format enables users to compare the financial information of different companies more easily. Generally accepted accounting principles have been either developed through accounting practice or established by authoritative organizations. Organizations that have contributed to the development of the principles are the American Institute of Certified Public Accounting (AICPA), the Financial Accounting Standards Board (FASB), the Securities & Exchange Commission (SEC), the American Accounting Association (AAA), the Financial Executives Institute (FEI), and the Institute of Management Accounting (IMA). This section will explain some major principles:

### **Exchange Price (or Cost) Principle**

The Exchange price (or cost) principle requires an accountant to record the transfers of resources at prices agreed on by the parties to the exchange at the time of exchange. This principle is often called the cost principle. It dictates that purchased or self-constructed assets are initially recorded at historical cost. Historical cost is the amount paid or the fair market value of the liability incurred or other resources surrendered, to acquire an asset and place it in a condition and position for its intended use. For instance, when the cost of a plant asset is recorded, its cost includes the net purchase price plus any costs of reconditioning, testing, transporting and placing the asset in the location for its intended use. Accountants prefer the term exchange price principle to cost principle because it seems inappropriate to refer to liabilities, stockholders' equity, and such assets as cash and accounts receivable as being measured in terms of cost.

### **Matching Principle**

Using the matching principle, we determine net income of a period by associating or relating revenues earned with expenses incurred to generate those revenues. The logic underlying this principle is that whenever economic resources are used, someone wants to know what was accomplished and at what cost. Every evaluation of economic activity involves matching benefit with sacrifice. Matching Principle indicates that all of the expenses incurred in generating revenue should be identified or matched with the revenue generated, period by period.

### **Revenue Recognition Principle**

Revenue is not difficult to define or measure; it is the inflow of assets from the sale of goods & services to customers, measured by the cash expected to be received from customers. However, the crucial question for the accountant is when to record

revenue. Under the revenue recognition principle, revenues should be earned and realized before they are recognized (recorded). The measurability of the asset value, the existence of substantial transaction and the completion of the earning process are criteria for recognition of revenue (Kam, 1986).

### **Expense Recognition Principle**

Expenses should be recognized (recorded) as they are incurred to produce revenues. An expense is the outflows or using up of assets in generation of revenue. Firms voluntarily incur expense to produce revenue.

### **Gain and Loss Recognition Principle**

Gain and loss recognition principle states that we record gains only when realize, but losses when they first become evident. Thus, we recognize losses at an earlier point than gains. Gains typically result from the sale of long term assets for more than their book value. Firms should not recognize gains until they are realized through sale or exchange. Losses consume assets but do not produce revenue. Losses are usually involuntary.

### **Full disclosure principle**

The full disclosure principles states that information important enough to influence the decisions of an informed user of the financial statements should be disclosed. Depending on its nature, companies should disclose this information either in the financial statements, in the notes to the financial statements, or in the supplement statements. For instance, a lawsuit against company should be disclosed either in notes or in supplement statements as it has an impact on decision.

### **3.2. 12.3 Modifying Constraints (or Conventions)**

Constraints on the accounting process allow for a relaxation of the principles under certain circumstances. Constraints permit a company to modify generally accepted accounting constraints without reducing the usefulness of the reported information. Three modifying conventions are cost-benefit, materiality, and conservatism.

**Cost-Benefit:** The cost-benefit constraint involves deciding whether the benefits of including optional information in financial statements exceed the cost of providing the information. Users tend to think that information is cost free since they incur none of the costs of providing the information. Preparers realize that providing information is costly. The benefits of using information should exceed the costs of providing it.

**Materiality:** Materiality is a modifying constraint that allows accountants to deal with immaterial items in an expedient but theoretically incorrect manner. Under this constraint, accountants should record all material items in a theoretically correct manner and may record immaterial items in a theoretically incorrect manner simply because it is more convenient and less expensive to do so. For example, they may debit the cost of a wastebasket to an expense account rather than an asset account even though the wastebasket has an expected useful life of 30 years. It simply is not worth the cost of recording depreciation expense on such a small item over its life.

**Conservatism:** Conservatism means being cautious or prudent and making sure that net assets and income are not overstated. We apply conservatism when the lower-of-cost or market price rule is used for inventory. 'Anticipate all possible losses but no profit' is the slogan of this convention.

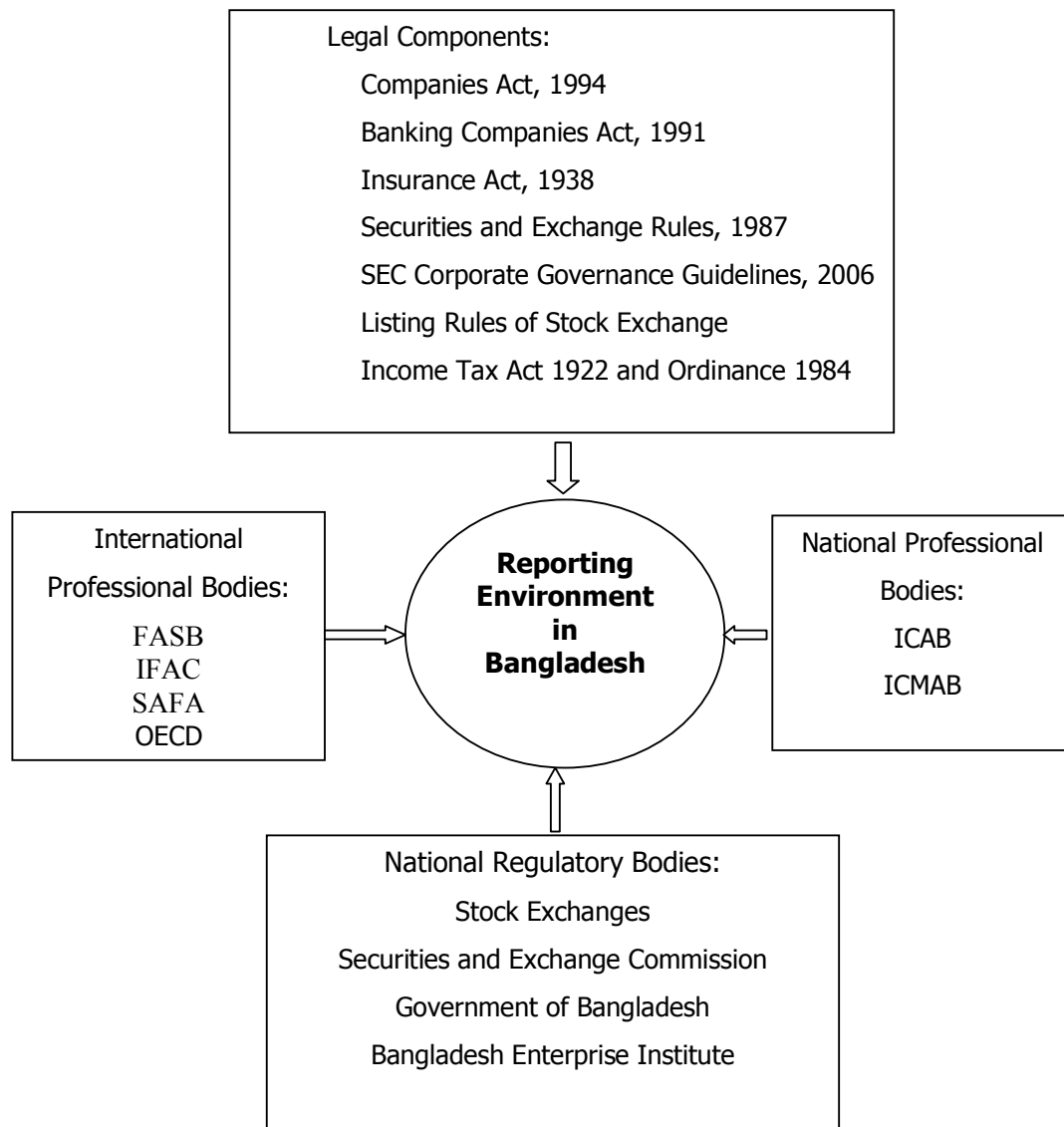
### **3.3 Institutional and Legal Framework of Disclosure**

In order to serve the public interest, continue to strengthen the accountancy profession and harmonize practice of accounting principles a large number of national components are working to develop a strong accounting environment by establishing various Acts and rules, adopting and promoting the high-quality professional standards, and speaking out on public interest issues where the profession's expertise is most relevant. The national components who are actively engaged in developing legal framework are two categories i.e., institutional and professional. The institutional components that have a great contribution in this field are Registrar of Joint Stock Companies, Stock Exchanges, Bangladesh Securities and Exchange Commission, Bangladesh Enterprise Institute (BEI), Public Accounts Committee of the Parliament, the Office of the Comptroller and Auditor General of Bangladesh and concern Ministry of Government of Bangladesh. Different Acts and Rules such as Companies Act, 1994, Banking Companies Act, 1991, Insurance Act, 1938, Security and Exchange Rules, 1987, Income Tax Ordinance, 1984 have been enacted and enforced by these institutions and the two Professional Accounting Bodies are the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB). In pursuing the mission, the professional bodies are doing a proactive role to develop and issue a sound professional ethics, code of conduct and other pronouncements for their professional accountants. As a leader of professional bodies ICAB is always making liaison with various professional bodies and/or associations of the world like the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), International Federation of Accountants (IFAC), American Accounting Association (AAA), Securities and Exchange Commission (SEC) of USA and the Institute of Chartered Accountants in England and Wales. The Institute of



Cost & Management Accountants of Bangladesh (ICMAB) and the Institute of Chartered Accountants of Bangladesh (ICAB) have no power to promulgate any standard. But as member of the International Federation of Accountants (IFAC) and the South Asian Federation of Accountants (SAFA), ICAB is playing a proactive role to adopt International Accounting Standards (IASs) and International Standards on Auditing (ISA). Besides, ICAB is conducting training courses, continuing professional education (CPE) seminars and workshops for its members and regular coaching classes for the students of professional examinations to develop, to enhance and coordinate of the accountancy profession in Bangladesh.

Figure 3.3: Reporting Environment in Bangladesh



Source: Prepared by researcher on the basis of relevant information collected

It is seen that the financial reporting environment of Bangladesh has been developed by the collective contributions of professional, private and public institutions. They have developed a legal environment by enacting, adopting and enforcing Acts, Rules and Standards making collaboration with some international components. To protect

shareholders and creditors from misuse of their funds by company directors and officers, financial reporting and disclosures are mainly treated in Bangladesh as a function of legal requirements. That is, companies must have to show due respects of existing laws in accomplishing the task of disclosures. On the other hand, various standards, norms or conventions are also followed in accounting and disclosure practices of companies in this country. Companies listed in different stock exchanges are to follow the Securities and Exchange Rules and Provisions along with the mandatory requirements stated in the Companies Act, 1994. Besides, the Government of Bangladesh (GOB), from time to time, may order to public or private limited companies and international corporations to act as per the orders for accounting and disclosure practices. Moreover, some International Accounting Standards (IASs) are also applied in Bangladesh.

This section is designed for giving an outline of these institutions and their disclosure requirements.

### **3. 3.0 International Professional Bodies:**

#### **3. 3. 1 Financial Accounting Standards Board (FASB)**

The Financial Accounting Standards Board (FASB) is a private sector organization that is designed in 1973 in USA to establish and improve standards of financial accounting and reporting that governs the preparation of financial reports by nongovernmental entities. It also provides decision-useful information to investors and other users of financial reports. It is a seven-member independent board consisting of accounting professionals who establish and communicate brand new standards of financial accounting and reporting in the United States. FASB standards are synonymous as US GAAP which are officially recognized as authoritative by the

Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants. Such standards are important to the efficient functioning of the economy because decisions about the allocation of resources rely heavily on credible, concise, and understandable financial information. The standards-setting process of FASB consists of The Rules of Procedure and A High-level Overview.

A high-level overview of the standards setting process as established by the Rules of Procedure performs the following activities in its standards setting process:

1. The Board identifies a financial reporting issues based on requests/recommendations from stakeholders or through other means.
2. The FASB Chairman decides whether to add a project to the technical agenda, after consultation with FASB Members and others as appropriate, and subject to oversight by the Foundation's Board of Trustees.
3. The Board deliberates at one or more public meetings the various reporting issues identified and analyzed by the staff.
4. The Board issues an Exposure Draft to solicit broad stakeholder input. (In some projects, the Board may issue a Discussion Paper to obtain input in the early stages of a project)
5. The Board holds a public roundtable meeting on the Exposure Draft, if necessary.
6. The staff analyzes comment letters, public roundtable discussion, and any other information obtained through due process activities. The Board redelivers the proposed provisions, carefully considering the stakeholder input received, at one or more public meetings.
7. The Board issues an Accounting Standards Update describing amendments to the Accounting Standards Codification.

Source: FASB website at [www.fasb.org](http://www.fasb.org)

### **3.3. 2. International Accounting Standards Committee (IASC)**

The International Accounting Standards Committee (IASC) was formed in June 1973 in London through an agreement made by professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, and the United States of America. It was responsible for developing the International Accounting Standards and promoting the use and application of these standards. The standard-setting board of the IASC was known as the IASC Board. The IASC Board had 13 country members and up to 3 additional organizational members who operated on a part-time, volunteer basis. After nearly 25 years of achievement, in late 1997 IASC proposed to a Strategy Working Party to change its structure and strategy.

The IASC Board approved the proposals unanimously in December 1999, and the IASC member bodies did the same in May 2000. A new IASB Constitution took effect from 1 July 2000. The standards-setting body was renamed the International Accounting Standards Board (IASB). It would operate under a new International Accounting Standards Committee Foundation (IASCF, now the IFRS Foundation).

Accordingly, from 1 April 2001, the standards-setting work of the IFRS Foundation was then conducted by the International Accounting Standards Board (IASB) and the standards got renamed as the International Financial Reporting Standards (IFRS).

Source: <http://www.investopedia.com>

### **3.3. 3. South Asian Federation of Accountants (SAFA)**

South Asian Federation of Accountants (SAFA) was formed in the year 1984 to serve the accountancy profession in the South Asian Region and uphold its eminence in the world of accountancy. SAFA is an apex body of the South Asian Association for Regional Co-operation (SAARC) and a Regional Grouping of International Federation of Accountants (IFAC). SAFA represents over 170000 accountants having membership of the national chartered accountancy and cost and management accountancy institutions in the South Asian countries namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. SAFA came into existence at the initiative of the accounting professional bodies in the South Asian Region, which has a bond of culture and homogeneity of professional environment.

The concept of SAFA has been born at the third National Conference of Chartered Accountants of Sri Lanka held in December 1982 by Mr. Ashok Kumbhat, the then President of Institution of Chartered Accountants of India (ICAI) and at the meeting of the heads of accountancy bodies from Bangladesh, India, Pakistan and Sri Lanka held in August 1984 at New Delhi, the Constitution of the Body was signed.

As a forum of professional accountancy bodies, the mission SAFA is to be committed to positioning, maintaining and developing the accountancy profession in SAARC region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region.

SAFA is doing the following functions to achieve its mission:

1. To understand the profession in the regional context and continuously work towards its development in keeping with global trends;

2. To participate and play the leadership role on the International Forums;
3. To promote harmonization of accountancy profession in SAARC Region and in keeping with global development;
4. To play promotional role for the countries within its jurisdiction, where the accountancy profession does not exist or is not sufficiently developed;
5. To promote and set professional standards;
6. To act as interface between international bodies and member-bodies;
7. To promote and develop state-of-the-art research compact; and
8. To carry out such other activities as are considered incidental or ancillary to the above or considered expedient in furtherance of the development of accountancy profession in the SAARC region.

Source: <http://www.esafa.org>

### **3.3. 4. Organization for Economic Co-operation and Development (OECD)**

The Organization for Economic Co-operation and Development (OECD) was officially born on 30 September, 1961. Today, 34 OECD member countries worldwide regularly turn to one another to identify problems, discuss and analyze them, and promote policies to solve them. The mission of the Organization for Economic Co-operation and Development (OECD) is to promote policies that will improve the economic and social well-being of people around the world.

OECD looks after the issues that directly affect the lives of ordinary people, like how much they pay in taxes and social security, and how much leisure time they can take. It compares how different countries' school systems are readying their young people for modern life, and how different countries' pension systems will look after their citizens in old age.

OECD also works with business, through the Business and Industry Advisory Committee to the OECD, and with labor, through the Trade Union Advisory Committee. For transparency and accountability of business, OECD issued Corporate Governance Guideline and Code of Ethics of Professional Bodies and its members with the cooperation of regional member.

Source: <http://www.oecd.org>

### **3.4.0 National Regulatory Bodies:**

#### **3.4. 1. Stock Exchanges**

Bangladesh has two Stock Exchanges, Dhaka Stock Exchange (DSE), established in 1954 where trading is conducted by Computerized Automated Trading System and Chittagong Stock Exchange (CSE), established in 1995 which is also conducted by Computerized Automated Trading System . All exchanges are self-regulated, private sector entities which must have their operating rules approved by the BSEC. They establish listing requirements, approves, suspends or removes listing privileges of companies and monitors listed companies in compliance with legal regulatory provisions.

The Dhaka Stock Exchange (DSE) is registered as a public limited company and its activities are regulated by its Articles of Association, rules & regulations and by-laws along with the Securities and Exchange Ordinance, 1969, Companies Act, 1994 & Securities & Exchange Commission Act, 1993. The main function of DSE is to enlist the companies under Listing Regulation, 1996. As a part of general function, DSE performs the act of transferring shares and regulating and monitoring capital markets. In addition to these, it provides the price sensitive information about listed companies through online.



Country's second stock exchange, CSE was formally opened on November 4, 1995. From its inception it is trying to establish a global standard transaction place of securities and financial product. Increasing and restoring market confidence, wealth maximization, capital market policy development and establishment of effective relationship management are the main functions of CSE.

Source: <http://www.dsebd.org> and <http://www.cse.com.bd>

### 3.4.2. Listing Regulations, 1996 of the Dhaka Stock Exchange Limited

The Dhaka Stock Exchange has made a regulation named "Listing Regulations of the Dhaka Stock Exchange Limited" by exercising the powers conferred on it by section 34 (1) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), vide Notification No. SEC/Member-II, Dated 8th April 1996. Before issuing this regulation, DSE has to take the prior approval of the Securities and Exchange Commission. All listed companies and securities, and the applicant-company that has applied for listing should comply with this Regulation.

The important provisions prescribed by this regulation are as follows:

Table 3.1 Important provisions of Listing Regulation,1996

Section	Contents
7.(1)	No company will apply for listing or be listed unless it is registered under the Act as a public limited company or has been set up under a statute and its minimum paid-up capital is twenty million taka.
8. (1)	The prospectus or the offer for sale shall confirm to and in accordance with the requirements and provisions of the Companies Act and/or the Ordinance and any other law or legal requirement of SEC for the time being applicable.
17. (1) & (3)	The company shall send to the Exchange 50 copies each of statutory reports, annual reports and audited accounts not later than 14 days before a meeting of the shareholders is held to consider the same and 50 copies of half yearly accounts as soon as the same are printed and/or published.
19. (1)	A listed company shall hold its annual general meeting and lay before the said meeting, balance sheet, profit and loss account and cash flows statement within nine months following the close of its financial year and in keeping with the provisions of the act
36(A) 15	The issuer shall have website where latest financial statements including balance sheet, profit and loss account and cash flows statement (annual and interim) should be displayed. This website should be linked with DSE website.

36(A) 16	The issuer shall update its website relating to annual and interim financial statements and all other price sensitive information within stipulated time.
37(1,2,3,4&5)	Contents of annual published accounts and reports.

Source: Listing Regulations, 1996 of Dhaka Stock Exchange Limited

Appendix 4.1 displays the items of disclosure as per section 37 of Listing Regulations 1996.

### **3.4. 3. Securities and Exchange Commission of Bangladesh**

The Securities and Exchange Commission of Bangladesh (SEC) was established on 8th June, 1993. The Chairman and Commissioners of the Commission are appointed by the Government and have overall responsibility to formulate securities legislation and regulate the activities of securities markets and the issuer companies. The Commission is a statutory body and attached to the Ministry of Finance. It has fourteen Departments. The mission of the commission is to protect the interests of securities investors, develop and maintain fair, transparent and efficient securities markets and ensure proper issuance of securities and compliance with securities laws. In order to achieve its mission, The Commission performs the functions of registering and regulating the business of the Stock Exchanges, the business of securities market, that of stock-brokers and merchant bankers and managers of issues. It also prohibits the fraudulent and unfair trade practices relating to securities trading in any securities market and prohibits the insider trading in securities. The Capital Issue Department of the Commission accords consent to issue equity and debt securities through initial public offer and also other than public offer. The Capital Market Regulatory Reforms & Compliance (CMRRC) Department drafts amendments of securities laws, suggests reforms of the market and provides clarifications. The Central Depository System (CDS) Department supervises activities of Central Depository Bangladesh Limited (CDBL), activities of depository

participants, dematerialization of listed companies' shares under depository system, issues and transfers of securities in dematerialized form, beneficiary owners (BO) accounts, and issue order/notification etc. related to depository system, under the Depository Act, 1999, the Depository Regulation, 2000 and Depository (User) Regulation 2003.

The Corporate Finance Department (CFD) supervises and monitors the listed companies after issuance of primary shares in the light of the securities laws. Activities of the department are oversight and reporting on issuers of listed securities related to on time submission of audited financial statements, half yearly financial statements and annual reports/minutes, examination of the aforesaid financial statements and reports/minutes, appointment of statutory auditors in compliance with securities laws, utilization of fund (IPO & Rights), compliance of conditions of notification regarding corporate governance, compliance of other securities laws, supervision and follow-up of the special audits conducted by the Commission, and review of existing securities laws, rules and regulations concerning CFD and proposed amendments thereto.

Source: <http://www.secbd.org>

#### **3.4. 4. Securities and Exchange Rules, 1987**

The Ministry of Finance, Government of the People's Republic of Bangladesh dated, Dhaka, the 28th September, 1987 made rule named the Securities and Exchange Rules, 1987 by exercising the powers conferred by section 33 of the Securities and Exchange Ordinance, 1969 (XVII of 1969). The Rules is applicable for Stock Exchange, Member of Stock Exchange Issuer Company and Auditor. For better financial reporting, it issued a schedule containing three parts that described details requirements of Balance Sheet, Profit and Loss Account and Cash Flow Statement

prepared by Issuer Company. For better accountability, it prescribed a format of Audit Report for Independent Auditors. The important provisions and disclosure items prescribed by the Rules are as follows:

Table 3.2 Important provisions of SEC Rules, 1987

Rule	Contents
7	Maintenance of books of account and other documents by stock exchange
8	Maintenance of books of account, etc. by members
9	Submission of periodical returns by stock exchange
10	Submission of annual report by stock exchange
11	Listing of a security
12	Submission of annual report by issuers
12 (1)	The annual report required by section 11 to be furnished by an issuer of a listed security shall include a balance sheet, profit and loss account and cash flows statement, and notes to the accounts, collectively herein after referred to as the financial statements
12 (2)	The financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh
12(3)	The financial statements of an issuer of a listed security shall be audited by a partnership firm of chartered accountants within the meaning of Bangladesh Chartered Accountants Order,1973 (P. O. 2 of 1973) consisting of not less than two partners in practice and that shall be submitted to the Commission and the Stock Exchange within fourteen days.
13	Submission of periodical report by issuer
14	Mode of filing or submission of returns/reports
15	Risk-based capital adequacy requirements

Source: SEC Rules, 1987

Appendix 4.2 displays the items of disclosure as per rules 12(2) of SEC Rules, 1987.

### **3.4. 5. SEC Corporate Governance Guidelines, 2006**

As per Order No. SEC/CMRRCD/2006-158/Admin/02-06 dated the 9th January, 2006, the Securities and Exchange Commission (renamed now as Bangladesh Securities and Exchange Commission) imposed thirty seven conditions under five broad headings to the issue of capital by the companies listed with any stock exchange in Bangladesh. The objective of which is to enhance corporate governance in the interest of investors and the capital market. Provided, however, that these conditions are imposed on 'comply or explain' basis meaning that although the disclosure of

compliance statement was mandatory, companies had the option to comply with individual provision or explain the reasons for non-compliance with any of the provisions . Uddin (2008) stated that corporate governance conditions are mandatory after issuing the Notification No. SEC/CMRRCD/2006-158/Admin/02-06 dated the 9th January, 2006. The companies listed with any stock exchange in Bangladesh should comply with these conditions or shall explain the reasons for non-compliance in accordance with the condition No.5. Appendix 4.3 reports Disclosure Requirements of Corporate Governance Guidelines, 2006.

#### **3.4. 6. Government of Bangladesh**

Bangladesh got her independence on March 26, 1971. Just after one year of the Liberation War of Bangladesh, the Government of Bangladesh nationalized all medium and big companies by issuing a Presidential Order in 1972 as part of the political agenda for a socialist pattern of economy. Some new bodies were created named "Corporations". Though these corporations does not comply the Companies Act 1994, the provisions of their own ordinances for accounting and financial reporting for various corporations are almost the same. The Government of Bangladesh runs its administration under Parliamentary Democracy System. Under this system, Parliament has all legislative power for issuing different laws and orders. To bring accountability and responsibility of public enterprises, Parliament can create a Committee named Public Accounts Committee of the Parliament as a Constitutional provision to scrutinize the annual reports or accounts submitted by the public enterprises. Besides this, the Office of the Comptroller and Auditor General of Bangladesh is also responsible for auditing the government expenditures of various departments of government like civil service, defense, local government, public health, and so on. They can also scrutinize the audited accounts of the public enterprises before going for publication in the official gazette. For the interest of

public, Parliament can formulate a new Act and bring its amendment through proposal of different Ministries concern. Companies Act, 1994, Banking Companies Act, 1991 and Insurance Act, 1938 are the main Acts which were created in Parliament for regulating and monitoring private sectors.

### **3.4. 7. Companies Act, 1994**

Companies Act, 1994 is the main legal framework for companies in Bangladesh. The British Government originally adopted this Act in India on 27 March 1913 that came into force on 1 April 1914 that was modeled on the English Act 1908. The then name of the Act was Indian Companies Act, 1913. The Government of Pakistan adopted Indian Companies Act 1913 as the Pakistan Companies Act 1913 in 1949 after obtaining Independence from India in 1947. Eventually, Bangladesh also adopted the same law as its company law in 1972 soon after its Independence from Pakistan by a bloody Independence War in 1971. From its inception, there have been repeated calls for updating the Companies Act 1913, as "the accounting provisions of the Act of 1913 were 'seriously out of date'" (Parry and Khan, 1984). In response to that calls, the Government of Bangladesh amended the Companies Act 1913 extensively and renamed it as Companies Act, 1994. There are different provisions laid down in the said Act for ensuring better disclosure of financial and non-financial companies.

A very short description of the different important provisions for disclosure of this statute is given below:

Table 3.3 Important provisions of Companies Act, 1994

Section	Contents
181(1)	Provisions for keeping books of accounts and penalty for not keeping them
183(1) & 183(2)	Provisions to reproduce of annual balance by directors to the shareholders, and time for holding annual general meeting, etc
183(3)	Provisions for auditing of accounts and statements e.g. balance sheet and profit and loss statement / income and expenditure, etc
183(4)	Provision regarding determination of Financial Year
184 (1)	Provision in respect to the contents of the directors' report
184(2)	Contents of the directors' report in any material changes of the company's

	position
184(3)	Contents of the directors' report regarding the auditor's observations, etc
185	Format and content of the balance sheet and profit and loss accounts
185 (1)	Requirements of Balance Sheet as per Schedule -X1, Part-I
185 (2)	Requirements of profit and loss accounts as per Schedule – X1, Part-II
186	Balance sheet of holding company to include certain particulars as to its subsidiaries
190	Submission of the audited accounts to the Registrar of the Joint Stock Companies
212	Provision of qualifications and disqualifications of auditors
213	Provision of powers and duties of auditors

Source: Companies Act, 1994

Appendix 4.4 depicts the disclosure requirements of balance sheet as per Schedule-X1, Part-I and appendix 4.5 includes the disclosure requirements of profit and loss accounts as per Schedule-X1, Part-II of Companies Act, 1994.

### 3.4. 8. Banking Companies Act, 1991

The Banking Companies Act 1991 came to enforce 24<sup>th</sup> February, 1991. It is the new version of the previous Banking Companies Ordinance 1962. All local and foreign banks are operated under this Act.

Table 3.4 Important provisions of Banking Companies Act, 1991

Section	Contents
36	Provisions regarding submission of half yearly Balance Sheet at the end of 30 June and 31 December of each financial year
38	Provisions for the preparation of a balance sheet and a profit and loss account at the last working day of the calendar year as per the formats provided in the First Schedule
39	Provision of auditing of balance sheet and a profit and loss account
39(a)	Provision of special auditing of balance sheet and a profit and loss account with direction of Bangladesh Bank
40	Submission of audited report to the Bangladesh Bank within three months after the end of financial year
41	Submission of audited report to the Registrar of the Joint Stock Companies within three months after the end of financial year if the status of Bank is Private Company.

Source: Banking Companies Act, 1991

### 3.4. 9. Insurance Act, 1938

The Insurance Act 1938 was enacted in the then British regime. It was only the legislative framework for insurance companies up to 2010. Now the insurance company is being operated by the new Act named Insurance Act, 2010. If the insurer is not a company, its accounts need to be audited in compliance with the Companies Act 1994. This Act does not specify directly the items of disclosure for insurance

company. However, (Form "A" balance sheet and form "D" Revenue account) as prescribed these laws indirectly provide some indications for disclosure of accounting policies on major particular items of the financial statements of insurance companies. There are some provisions to ensure the disclosure of financial conditions of insurers of Bangladesh. These are enlisted in Table:

Table 3.5 Important provisions of Insurance Act, 1938

Section	Contents
18	Provisions regarding collection of premium
27	Provisions for the preparation of a balance sheet, profit and loss account and revenue account at the last working day of the calendar year as per the formats provided by this Act.
28	Provision of auditing of balance sheet, profit and loss account and revenue account
29	Provision of Special auditing of balance sheet, profit and loss account and revenue account
32	Submission of audited report to the Authority within six months after the end of financial year
131	Provision of regarding false information inclusion in balance sheet and a profit and loss account or any documents.

Source: Insurance Act, 1938

#### **3.4. 10. Bangladesh Enterprise Institute (BEI)**

Bangladesh Enterprise Institute is a non-profit, non-political research centre established in October 2000. BEI is formed particularly to undertake research and policy advocacy work focusing on the issues of foreign policy and security, and the promotion of sustainable growth in domestic trade, commerce and industry. Being conscious of the enormous challenge to securing a fair share for Bangladesh in the global market as well as to address issues of trade and investment promotion, the Bangladesh Enterprise Institute (BEI) was established under the initiative of some leading business personalities of the country. The institute is registered with the Registrar of Joint Stock Companies, Bangladesh, under the Societies Registration Act. It is actively concerned with Corporate Governance and Corporate Social Responsibility issues. The objectives and goals of this institution are as follows:



1. BEI promotes and articulates issues of importance to the private sector and seeks to influence policy and to initiate measures crucial to the development of a market-oriented economy as well as sustainable growth of trade, commerce and industry.
2. BEI responds to the ever-growing demands of the business and industrial community in a rapidly changing world to address how the private sector in Bangladesh can best cope with and derive the maximum benefit from globalization.
3. BEI recognizes the need for transparent and accountable corporate governance practices in all sectors to lay a solid foundation for the growth of capital markets, to attract foreign direct investment and to encourage indigenous investment.
4. BEI lobbies for the integration of Bangladesh in the global market through unrestricted access for her manufactured goods, especially for ready-made garments in North America, Europe and Asia.

To achieve these goals, BEI organizes regular consultations, dialogues, seminars and workshops with stakeholders; conducts research, surveys and reviews on issues, which are considered to be of vital importance to the private sector; disseminates knowledge and information on trade, investment, corporate governance and related fields and formulates policy measures and identifies issues requiring policy intervention for its stakeholders.

Source: <http://www.bei-bd.org>

### 3.4. 11. Income Tax Act, 1922 and Ordinance, 1984

**Origin:** The Income Tax Act, 1922 was taken as the Income Tax Act of Bangladesh in 1971 and it prevailed up to 1984 when the Government adapted Income Tax Ordinance 1984 (Ordinance No. XXXVI of 1984) by a full revision of the Act, 1922. As a result, there are significant changes in the provisions of disclosure in the new Ordinance.

**Contents:** The following Table-3.6 summarizes the various provisions for the financial disclosure of companies of different forms.

Table 3.6 Summary of contents of Income Tax Ordinance 1984

Sections	Contents
10	Provisions for bad and doubtful debts
13	Empowering the National Board of Revenue to prescribe the accounting method
30(1)	Submission of Tax Return with manufacturing, trading and profit and loss account and profit and loss appropriation account with detailed notes on cost of goods sold, gross profit, administration expenses, selling expenses, distribution and other expenses, etc.
35, 43, 44,45	Method of Accounting, Computation of Total Income, Exemption, Exemption of income of an industrial undertakings
79	Production of accounts and documents
83AA	Self-assessment for private limited companies
100	Liability of directors for unrecoverable tax of private companies
110	Information regarding payment of dividend
114	Power to inspect registers of companies

Source: Income Tax Ordinance, 1984

### 3.5. 0 National Professional Bodies

The Institute of Chartered Accountants of Bangladesh (ICAB)

The Institute of Cost and Management Accountants of Bangladesh (ICMAB)

#### 3.5. 1. The Institute of Chartered Accountants of Bangladesh (ICAB)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the National Professional Accounting body of Bangladesh established under the Bangladesh Chartered Accountants Order 1973 (Presidential Order No. 2 of 1973). The Ministry

of Commerce, Government of the People's Republic of Bangladesh is the administrative authority of ICAB. The mission of ICAB is to provide leadership in the development, enhancement and coordination of the Accountancy Profession in Bangladesh in order to enable the profession to provide services of consistently high quality in the public interest. It enjoys monopoly power of acceptance and observance of International Accounting Standards (IASs) and International Standards on Auditing (ISA) and adopts the same as Bangladesh Accounting Standards (BASs) and Bangladesh Standards on Auditing (BSA) respectively. It ensures sound professional ethics and code of conduct by its members and provides specialized training and professional expertise in Accounting, Auditing, Taxation, Corporate Laws, Management Consultancy, Information Technology and related subjects. To develop the efficacy of capital markets and international trade in services it maintains a continuous liaison with various International and Regional accounting bodies like the International Federation of Accountants (IFAC), the International Accounting Standards Board (IASB), the Confederation of Asian and Pacific Accountants (CAPA) and The South Asian Federation of Accountants (SAFA). ICAB became a member of IASC in 1977. It would have adopted the IASC standards without any comment until 1983. In 1983, ICAB circulated the first Accounting Standards to its member inviting comments on them with a view to eventual adaptation. Now, ICAB is moving forward for adopting and implementing IFRSs. The process of adopting IASs by the Institutes in Bangladesh is enlisted below:

Step-1: Consider the IAS /IFRS and ISA by the Research and Technical Committee (TRC) of the ICAB Council.

Step-2: Critically review of the IAS /IFRS and ISA by a nominated sub-committee

Step-3: Exercise stringent vetting procedures to ensure elimination of any anomalies or inconsistencies and ensure conformity with the requirement of the existing legal regulatory requirements.

Step-4: Make recommendation by sub-committee

Step-5: Make necessary modifications by the Research and Technical Committee (TRC)

Step-6: Formulate recommendation and preparation of draft standard by TRC to the Council for adoption.

Step-7: Approve the draft by the Council and sending to the members, Government, Chamber of Commerce, Stock Exchanges, Sector Corporations, Banks, Financial Institutions, Security and Exchange Commission, and other professional and interested groups for comments

Step-8: Examine the comments, suggestions and revision by the TRC

Step-9: Adopt the Standards as own by setting an effective date.

### 3.5. 1.1. Current Status of Bangladesh Accounting Standards (BASs) based on IASs/IFRSs

Adoption Status of International Accounting Standards (IASs) by ICAB as Bangladesh Accounting Standards (BASs) as of 31 December 2010.

Table 3.7 BASs and their effective date

BAS No.	BAS Title	BAS Effective Date
1	Presentation of Financial Statements	on or after 1 Jan 2010
2	Inventories	on or after 1 January 2007
7	Statement of Cash Flows	on or after 1 January 1999
8	Accounting Policies, Changes in Accounting Estimates and Errors	on or after 1 January 2007
10	Events after the Reporting Period	on or after 1 January 1999
11	Construction Contracts	on or after 1 January 1999
12	Income Taxes	on or after 1 January 1999
16	Property, Plant & Equipment	on or after 1 January 2007
17	Leases	on or after 1 January 2007
18	Revenue	on or after 1 January 2007
19	Employee Benefits	on or after 1 January 2013
20	Accounting of Government Grants and Disclosure of Government Assistance	on or after 1 January 1999
21	The Effects of Changes in Foreign Exchange Rates	on or after 1 January 2007
23	Borrowing Costs	on or after 1 January 2010
24	Related Party Disclosures	on or after 1 January 2007
26	Accounting and Reporting by Retirement Benefit Plans	on or after 1 January 2007
27	Separate Financial Statements	on or after 1 January 2013
28	Investments in Associates and Joint Ventures	on or after 1 January 2013
29	Financial Reporting in Hyperinflationary Economics	Not yet adopted by ICAB (Impracticable for Bangladeshi context)
31	Interest in Joint Ventures	on or after 1 January 2007
32	Financial Instruments: Presentation	on or after 1 January 2010
33	Earnings per Share	on or after 1 January 2007
34	Interim Financial Reporting	on or after 1 January 1999
36	Impairment of Assets	on or after 1st January 2005
37	Provisions, Contingent Liabilities and Contingent Assets	on or after 1 January 2007
38	Intangible Assets	on or after 1 January 2005
39	Financial Instruments: Recognition and Measurement	on or after 1 January 2010
40	Investment Property	on or after 1 January 2007
41	Agriculture	on or after 1 January 2007

Source: www.icab.org.bd

Adoption Status of International Financial Reporting Standards (IFRS) by ICAB as Bangladesh Financial Reporting Standards (BFRS) as on 31 December 2010 is shown in table 3.8.

Table 3.8 BFRSs and their effective date

IFRS / BFRS	Title	Effective Date on or after
BFRS 1	First-time adoption of International financial Reporting Standards	1 January 2009
BFRS 2	Share-based Payment	1 January 2007
BFRS 3	Business Combinations	1 January 2010
BFRS 4	Insurance Contracts	1 January 2010
BFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2007
BFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
BFRS 7	Financial Instruments: Disclosures	1 January 2010
BFRS 8	Operating Segments	1 January 2010

Source: [www.icab.org.bd](http://www.icab.org.bd)

**3.5. 1.2 Current Status of Bangladesh Standards on Auditing (BSAs) (as on 31 December 2010) is reported in table.**

Table 3.9 List of BSAs

BSA	Present Title
200	Objective and General Principles Governing and Audit of Financial Statements
210	Terms of Audit Engagements
220	Quality Control for Audits of Historical Finance Information
230	Audit Documentation
240	The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements
250	Consideration of Laws and Regulations in an Audit of Financial Statements
260	Communications of Audit Matters with Those Charged with Governance
300	Planning an Audit of Financial Statements
315	Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
320	Audit materiality
330	The Auditor's Procedures in Response to Assessed Risks
402	Audit Considerations Relating to Entities Using Service Organization
500	Audit Evidence
501	Audit Evidence-Additional Considerations for Specific items
505	External Confirmations
510	Initial Engagements-Opening Balances
520	Analytical Procedures
530	Audit Sampling and Other Means of Testing
540	Audit of Accounting Estimates
545	Auditing Fair Value Measurements and Disclosures
550	Related Parties
560	Subsequent Events
570	Going Concern
580	Management Representations
600	Using the Work of Another Auditor
610	Considering the Work of Internal Auditing
620	Using the Work of an Expert
700	The Independent Auditor's Report on Complete Set of General Purpose Financial Statements
710	Comparatives
720	Other Information in Documents Containing Audited Financial Statements
800	The Auditor's Report on Special Purpose Audit Engagements
1000	Inter-Bank Confirmation Procedures
1004	The Relationship Between Bank Supervisions and Banks' External Auditors
1005	The Special Considerations in the Audit of Small Entities
1014	Reporting by Auditors on Compliance with International Financial Reporting Standards

Source: [www.icab.org.bd](http://www.icab.org.bd)

Appendix 4.6 shows the required items of disclosure as per some important Bangladesh Accounting Standards.

### **3.5. 2. The Institute of Cost and Management of Bangladesh (ICMAB)**

The Institute of Cost and Management Accountants of Bangladesh is the only national institute of the country imparting training and education in the field of cost and management accounting. The Institute is a statutory organization constituted by the Government under the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977) and regulated under the Cost and Management Accountants Regulations, 1980 (as amended up to date). ICMAB upholds high ethical and professional standards to maintain public confidence in the field of Cost and Management Accountancy. It can formulate, adopt and implement Cost Accounting and Auditing Standards (CAAS) in Bangladesh, regulate and develop the Cost and Management Accounting (CMA) profession in Bangladesh. Although, the qualified members of the ICMAB cannot go for professional and practical accounting or auditing firms, it can help development, adoption and implementation of International Financial Reporting Standards (IFRS) in Bangladesh

### **3.6. Conclusion**

The motivation of disclosure is supported by different theories that are used as the basis conceptual framework. The framework of disclosure explains the theories, concepts of interrelated issues, act and statues, rules and regulations, and the activities of national and global regulatory bodies. Based on this framework, hypotheses stated in the next chapter have been developed. The critical examination of Companies Act, 1994; Listing Regulation, 1996; Securities and Exchange Rules, 1987 and Bangladesh Accounting Standards 1, Bangladesh Accounting Standards 7, Bangladesh Accounting Standards 16 was the bases of constructing disclosure index. The important provisions of other statues are given for further information of disclosure requirements.



# CHAPTER 4

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## RESEARCH Methodology

- 4.0 Methodology of the Study
- 4.1 Introduction
- 4.2 Sample Selection of the Study
- 4.3 Construction of Disclosure Index
- 4.4 Scoring the Items of Disclosure Index
- 4.5 Choice of the Study Period
- 4.6 Sources of Data
- 4.7 Collection of Data
- 4.8 Reliability and Validity Test of Data
- 4.9 Tools of Analysis
- 4.10 Dependent Variable, Explanatory Variable and Hypothesis Development
  - 4.10.1 Dependent Variable
  - 4.10.2 Explanatory Variable and Hypothesis Development
- 4.11 Conclusion

# Chapter Four

## Research Methodology

### 4.1 Introduction

Research methodology is the systematic and logical study of the principles guiding research questions. In simple terms, it is a planned and systematic way of doing research. Methodology of the study covers sample selection, sources of data, preparation of questionnaire, methods of data collection, choice of the period, tools of analysis and reliability and validity of data to be followed.

### 4.2 Sample Selection

At the end of December, 2010 the total number of listed companies on the Dhaka Stock Exchange is 251 and they are categorized into twenty sectors i.e., Bank, Cement, Ceramic, Engineering, Financial Institutions, Food and Allied, Fuel and Power, Insurance, IT, Jute, Paper and Printing, Pharmaceuticals & Chemicals, Services and Real Estate, Tannery Industries, Telecommunication, Textile, Travel & Leisure, Mutual Fund, Corporate Bond and Miscellaneous. Among them companies under Bank, Financial Institutions, Insurance, Services and Real Estate, Mutual Fund, Travel & Leisure, Corporate Bond and IT categories are initially excluded from the study. As the study is limited to non financial companies, the number of companies is thus reduced to 113. Again, the reporting date of all 113 companies is not the same. It is seen that the reporting date of 47 companies ends at December 31, 55 companies at June 30, 4 companies at March 31, 1 company at August 31, 5 companies at September 30 and 1 company at October 31. These companies are excluded as the sample covers those companies whose reporting date ends at 31 December. Again data for 9 companies do not cover 5-year study period are hence stopped from the sample. A textile company named Beximco Textile Limited has

been delisted from stock market during this period. Seven companies were excluded from sample because of nonavailability of data. Finally, the sample stands 30. The name of Sample Companies and their symbolic code are provided in Appendix-1. Table 4.1 shows sector wise distribution of samples companies.

Table 4.1 The Sector Wise Distribution of Samples

No.	Name of the Sectors	Population		Sample	
		Number	Percent	Number	Percent
1.	Cement	5	10.64	4	13.33
2.	Ceramic Sector	2	4.26	0	0.00
3.	Engineering	9	19.15	6	20.00
4.	Food and Allied	3	6.38	2	6.67
5.	Fuel and Power	4	8.51	2	6.67
7.	Miscellaneous	4	8.51	4	13.33
9.	Pharmaceuticals & Chemicals	10	21.28	7	23.33
10.	Tannery Industries	3	6.38	2	6.67
11.	Telecommunication	1	2.13	0	0.00
12.	Textile	6	12.77	3	10.00
	Total	47	100.00	30	100.00

### 4.3 Construction of the Disclosure Index

Companies usually disclose corporate information in a number of ways, such as through annual reports, advertisements or articles published detailing a company's activities, corporate websites, interim and quarterly reports, booklets or leaflets to address the social activities of the company, employee reports, environmental reports, special announcement and press releases. But annual reports are still considered as the main authorized and authentic documents for corporate information to construct disclosure index by most of the researchers. As the study is mainly based on data collected from secondary published sources, annual reports audited by the professional auditors have been selected for the validity of data. It is not easy task to select the items of information that are expected to be disclosed by

the companies in their annual reports because information contained in annual reports is not same for all companies. Before preparing a disclosure index, the different laws enacted in Bangladesh and some BASs adopted and approved by ICAB have been critically examined to construct a disclosure checklist. Then it had been sent by e-mail to some professional accountants, charter secretaries of companies and executives of compliance department of stock exchanges to have comment on it and get it final. But nobody replied it positively. Then I got it final with consultation of my supervisors. Finally, a relative unweighted disclosure index of 204 items with some sub-items has been considered which are shown in Appendix -2.

The mandatory disclosure index includes items relevant to the seven main parts of the annual reports. Table 4.2 shows the distribution of the index items with percentage into different parts of the annual report

Table 4.2 Distribution of Disclosure Items into Different Parts of the Annual Report

No.	Name of the Major Parts of Annual Report	Total Items	Percent
1.	General Information	19	9.31
2.	Corporate Governance	30	14.71
3.	Balance Sheet	43	21.08
4.	Income Statement	53	25.98
5.	Cash Flow	08	3.92
6.	Changes in Equity	07	3.43
7.	Accounting Policies and Notes	44	21.57
	Total	204	100.00

#### 4.4 Scoring the Items of Disclosure Index

Prior research uses two approaches- unweighted and weighted while developing disclosure scoring scheme to determine the disclosure level of corporate annual reports. Unweighted approach is based on assumption that each item of the disclosure is equally important while in weighted approach different items of information are weight differently. Cerf (1961) and Singhvi (1967) and others have used weigheted approach to construct the disclosure index. This approach has been

criticized on the ground that it is a subjective approach i.e., respondents may give weight on the same items of information differently. As there is no provision in relevant laws regarding the relative importance, the allocation of weights is done somewhat arbitrarily by the respondents according to their perceptions (Akhtaruddin, 2005<sub>a</sub>). Considering these fact, many prior studies such as Cook (1989), Ahmed and Nicholls (1994), Akhtaruddin (2005<sub>a</sub>), Alam (2007), Karim and Ahmed (2005), Wallace and Naser (1995), Owusu-Ansah (1998) supported the employment unweighted approach. But Akhtaruddin (2005<sub>a</sub>) stated that unweighted approach has also some limitations such as researchers give zero score for non-applicable items and selection of non-applicable items are subjective that leads to bias. Realizing these facts, relative unweighted approach has been considered in consistence with Sejjaaka (2003). Under this approach, a relative mandatory disclosure index (RMDI) for each company is constructed by using a dichotomous procedure where a relevant item scores one if it is disclosed and zero if it is not disclosed. For sub items, a proportionate score obtained dividing one with the number of sub items is assigned. In this way, the total relative disclosure score is obtained by adding up all the items disclosed by the company. A relative unweighted disclosure index is the ratio of the total number of items disclosed by a firm in its annual report to the total number of items applicable to disclose. So, it had to separate non-disclosure and non-applicable items. Then, zero was assigned for non-disclosure items and N/A for non-applicable items. Total number of non-applicable items has been deducted from total selected items to have the total number of items applicable to disclose.

The following formula is used for construction of RMDI:

$$RMDI = \frac{\text{Total Number of Items Disclosed in Annual Report}}{\text{Total Numbers of Items Applicable to Disclose in Annual Report}}$$

$$RMDI = \frac{\sum_{i=1}^{m} dm_i}{\sum_{i=1}^{n} dn_i}$$

Symbolically,

Where d = 1 if a relevant item is disclosed, 0 if that item is not disclosed

m = number of items disclosed

n = maximum number of disclose able items

#### **4.5 Choice of the Study Period**

The period of the study differs with the availability of data and the incidences that affect the ongoing research work. A 5-year (2006-2010) period was fixed with a view to going through the annual reports available. The study period starts from the year 2006 in which issuance of SEC guideline has occurred and it covers the financial year 2010 in which the most of the BFSRs adopted by ICAB have become effective.

#### **4.6 Sources of data**

The study is mainly based on data taken from secondary published sources. The mandatory disclosure items of information were selected by studying thoroughly the disclosure requirements set forth by the regulatory bodies. A survey was conducted on the annual reports of selected companies listed on stock exchange(s). In addition to annual reports of sample companies, different libraries, books, web site, rules and acts of regulatory bodies were considered as documentary sources of data.

#### **4.7 Collection of Data**

Data for research work can be collected by library work method and internet search method. Both methods have been used to collect the necessary data for the present study. For constructing disclosure index and developing the conceptual framework of the study, the library of Dhaka University, Rajshahi University, BIBM, ICMAB, ICAB, SEC and DSE have been used and books, journals, periodicals are thoroughly reviewed. As a new and sophisticated method of data collection, internet search engines like Google, Yahoo and Twitter have also been used to procure the required data that are not available in printed documents.

#### **4.8 Reliability and Validity Test of Data**

For preparing a research report, the reliability and validity test of data are to be ensured. Validity and Reliability Test is possible if primary data is collected with Likert Measurement Scale. As the data used in the present research are secondary in nature and Likert Scale did not use to collect the said data, Validity test is not possible here.

#### **4.9 Tools of Analysis**

To assess the degree of mandatory disclosures made by listed companies of Bangladesh, various statistical measures such as correlation, regression, ANOVA, and multivariate tests have been used to analyze the collected data. As all the independent variables selected in our study are mixed i.e., continuous and dummy and the scores of Binary dependent have been aggregated, the appropriate statistical technique would be Linear Regression.

#### **4.10 Dependent variable, explanatory variable and hypothesis development**

##### **4.10.1 Dependent variable**

Dependent Variable is affected by the manipulation of independent (predictor) variables. It is also called criterion variables that are measured, predicted and otherwise monitored by researchers. Relative Mandatory Disclosure Scores are calculated for each company and used as the dependent variables in the regression models

##### **4.10.2 Explanatory variable and hypothesis development**

A number of firm characteristics have been used in prior researches as explanatory variables to explain the variation of disclosure. In this study sixteen variables i.e., total assets, net annual sales, market capitalization value, debt-equity ratio, net profit margin, return on assets, M/B ratio, P/E ratio, Tobin Q ratio, return on equity, ownership structure, listing age, market category, number of outside shareholders, size of audit firm and quick ratio have been selected from the previous research work

(Ahmed and Nicholls ,1994; Akhtaruddin, 2005<sub>a</sub>; Alam, 2007; Karim and Ahmed, 2005; Wallace and Naser, 1995; Sejjaaka, 2003; Owusu-Ansah, 1998 and Naser et al., 2002) to explain the relationship between firm characteristics and the level of disclosure. The explanatory variables are categorized into three main groups to carry out the test and to develop regression model. The categories of variables are structure related, performance related and market related variables. The variables under each category are explained to develop hypotheses and to fit regression model.

### **Structure related variables**

Structure related variables are relatively stable and represent a firm's capital structure i.e. corporate size and gearing ratio. Corporate size variables commonly studied are net annual sales, total assets, net working capital, paid up capital, shareholders' equity, capital employed, number of employees, the market value of the firm i.e. market capitalization and gearing ratio includes total debt, leverage, and debt/equity ratio i.e. capital structure. The main two variables related to structure such as firm size and leverage have been used in the present study as follows:

**Size of the firm:** The size of the reporting firm has either a positive or a negative impact on the variability of disclosure. Thus, the relationship (positive or negative) between the size of a firm and the comprehensiveness of its disclosure is unclear (Wallace, Naser and Mora, 1994). There are several reasons for expecting a positive/negative relationship between the size of a firm and the comprehensiveness of its disclosure. The firms are reluctant to disclose more because of the societal demands for the exercise of social responsibility, the greater regulation such as price controls, the higher corporate taxes and the threat of nationalization. In addition to



these, disclosure of sales information may result in the entrance of competitors into the market that lessens profits of individual firms. On the other hand, the firms want to disclose more because they want to have increased external funds from stock markets, to reduce agency costs and information asymmetries. Besides, the costs of preparing and disseminating highly-detailed corporate annual reports may be too burdensome for small firms (Buzby, 1975). Beyond this controversy, Singhvi and Desai (1971) suggest that a smaller firm is more likely to feel, than a larger firm, that greater disclosure would be detrimental to its competitiveness. But most of the researchers (Ahmed and Nicholls, 1994; Akhtaruddin, 2005<sub>a</sub>; Alam, 2007; Karim and Ahmed, 2005 and Wallace and Naser, 1995) find a significant positive relationship between the firm size and the extent of disclosure.

Firm size can be measured in a number of ways and there is no overriding reason to prefer one over another(s) (Cooke, 1991). Several measures of size have been used by different researchers such as turnover, total assets, fixed assets, paid up capital, shareholders' equity, capital employed, number of employees and the market value of the firm. The present study includes total assets, net annual sales and market capitalization value as the explanatory variables. The market capitalization value is the product of market price per share and the weighted average number of common stock outstanding. It can therefore be hypothesized in alternative form in consistence with the above researchers that:

H<sub>A-5a</sub> Firms listed on DSE with large asset size disclose more financial information than the firms with small asset size.

H<sub>A-5b</sub> Firms listed on DSE with high net annual sales disclose more financial information than the firms with small net annual sales.

H<sub>A-5c</sub> Firms listed on DSE with large market capitalization will disclose more financial information than the firms with small market capitalization.

**Leverage:** Some measurers have been used to represent leverage as debt-equity ratio, capital gearing ratio and debt to total assets. In this study the debt-equity ratio has been empirically assessed to examine the relationship between leverage and extent of disclosure and is measured as follows:

$$\text{Debt-Equity Ratio} = \frac{\text{Book Value of Debt}}{\text{Common Stockholders' Equity}}$$

In prior researches the predictor variable 'leverage' has been used in different manners and has shown mixed results. Seijaaka (2003), Ahmed and Nicholls (1994), and Wallace and Naser (1995), Raffournier (1995) and Inchausti (1997) have found no association between the disclosure level and the leverage of the firm while Belkaoui and Kahl (1978) have observed a significant negative relationship between the two variables. On the other hand, Karim and Ahmed (2005), Naser et al. (2002), and Naser and Al-Khatib (2002) have noticed a positive association between the disclosure level and the leverage of the firm. It is argued that if the leverage increases, disclosure level also increases because debt increases the number of stakeholders who have a strong self-interest in monitoring the disclosures of the firm. So, under the pressure of debt holders, managers are bound to provide more information. Now, an alternative hypothesis is developed as:

H<sub>A-5d</sub> Firms listed on DSE with high debt-equity ratio are expected to disclose more financial information than the firms with low debt-equity ratio.

### **Performance related variables**

Performance related variables are time period specific information that vary from time to time and represent information to which management and accounts users may have great interest. They include net profit to sales, liquidity, earnings return, return on assets, earnings growth, dividend growth, return on capital employed and profit margin. All performance related variables are concerned with the measurement

of profitability of the firm and the efficiency of its management. So, these are the important determinants of disclosure and affect the firm's disclosure in many ways. Among all performance related variables the net profit margin, return on assets, M/B ratio, P/E ratio, Tobin's Q ratio and return on equity have been assessed as proxies for profitability and quick ratio as for liquidity.

The profitability related variables such as net profit to sales, earnings growth, dividend growth and dividend stability, rate of return and earning margin, return on assets, return on capital employed and profit margin have been used by many researches i.e., Naser et al. (2002), Karim and Ahmed (2005), Alam (2007), Sejjaka (2003), Akhtaruddin (2005<sub>a</sub>), Singhvi and Desai (1971), Inchausti (1997), and Wallace and Naser (1995). The empirical results from these researches are mixed. Naser et al. (2002) and Karim and Ahmed (2005) have found positive association while Wallace and Naser (1995) has got negative association between profitability and the level of disclosure. On the other hand, Alam (2007) and Sejjaka (2003) have not found any association between two variables. Moreover, the finding of Akhtaruddin (2005<sub>a</sub>) has revealed a low association between corporate disclosure and profitability. The variables used in this research to measure the performance of the sampled companies are profit margin, return on equity, return on assets, M/B ratio, P/E ratio, Tobin Q ratio and liquidity ratio. The opinions of the proponents of these variables are that: (a) profitability is a measure of management performance, management of profitable companies is likely to disclose more information to support its claim for higher compensation; (b) managers of high profit earning companies tend to disclose more in order to assure stakeholders and to strengthen their management position and to claim increased compensation (Singhvi and Desai, 1971); (c) profit is the 'good news' of business due to better performance. So management with high profit will disclose more information than that with 'bad news'

(Inchausti, 1997). The counter opinion is that low profitable or unprofitable companies will disclose more information in their annual reports to defend their weak or unsatisfactory performance (Owusu-Ansah, 1998) as quoted in Naser et al. (2002).

**Net Profit margin:**

It is a measure of percentage of sales revenue on profit. Moreover, it is the ratio of the profitability on sales and is computed by dividing net profit by net sales. A firm's higher profit margin indicates better performance and the better performing firms disclose more financial information in their annual report. So, it is hypothesized (in alternative form) that:

H<sub>A-5e</sub> Firms listed on DSE with high profit margin may disclose more financial information than the firms with low profit margin.

**Return on Equity:**

Return on equity measures the profit earned on the common stockholders' investment in the firm that indicates how common stockholders' investment is utilized in producing profit. The higher the firm's return on equity indicates better performance and the better performing firms disclose more financial information in their annual reports. Naser (1998) and Wallace, Naser and Mora (1994) did not find any significant association between the extent of disclosure and return on equity. In consistence with the proponents of this variable, it can also be hypothesized (in alternative form) that:

H<sub>A-5f</sub> Firms listed on DSE with higher return on equity may disclose more financial information than the firms with lower return on equity.

**Tobin's Q Ratio:**

James Tobin (1969) of Yale University, a Nobel laureate in economics devised Tobin's Q as ratio of the market value of a company to the replacement value of the firm's assets. The original Tobin's Q was calculated by James Tobin as:

$$\text{Tobin's Q} = \frac{\text{Total market value of the firm}}{\text{Total replacement value of the firm's assets}}$$

The research work of Nor, Said and Redzuan (1999) revealed that the Tobin's Q is the ratio of market value of debt and equity of the firm to the replacement cost of the firm. But in Malaysia, replacement cost information was not available. So, Nor et al. (1999) have used modified form of Tobin's Q which was calculated by dividing year end market capitalization by the book value of total assets. Sanda, Mikailu and Garba (2005) have examined a relationship between corporate governance mechanisms and firm's financial performance in Nigeria by using modified form of Tobin's Q. The modification of Tobin Q was measured by Lee, Lev and Yeo (2005) as the book value of total assets less book of equity plus market value of common equity divided by book value of total assets to measure firm performance. As Tobin's Q equates the market value and the recorded assets of a company, it would be 1. A Tobin's Q > 1 indicates the greater market value of common equity than the value of the company's recorded assets. This suggests that the market value reflects some unmeasured or unrecorded assets of the company. Thus, high Tobin's Q values encourage investors to invest more in capital because they are worth more than the price they paid for them. On the other hand, Tobin's Q < 1 implies that the market value is less than the recorded value of the assets of the company. This suggests that the market may be undervalued by the company. In consistence with the above researchers, a modified form of Tobin's Q ratio is used that is computed as follows:

$$\text{Tobin's Q ratio} = \frac{\text{The yearend market capitalization}}{\text{The book value of total assets}}$$

A Tobin's Q >1 is a good news for investors and also increases the capital market efficiency of firm. So, it is suggested that a firm with high Tobin's Q ratio discloses more information in its annual report and can be hypothesized (in alternative form) that:

H<sub>A-5g</sub> Firms listed on DSE with high Tobin's Q ratio disclose more financial information than the firms with low Tobin's Q.

**Return on total Assets (ROA):** ROA is the ratio that measures the overall effectiveness of the management in generating profits with its available assets. The higher the firm's total assets better the performance. This measure enables the investors to evaluate the firm's net earnings with respect to a given level of assets. Owners, creditors, and management pay close attention to boosting profits because of the great importance placed on earnings in the marketplace. Inchausti (1997) has found a significant positive association between return on total assets and the extent of disclosure while Hossain et al. (2006) have not found any association between return on total assets and the extent of disclosure of Bangladeshi companies. So, it needs further investigation.

The return on total assets is calculated as follows:

$$\text{Return on total assets} = \frac{\text{Earnings available for common stockholders}}{\text{Book value of total assets}}$$

From the above discussion it is clear that the performance related variable ROA can change the extent of disclosure and an alternative form of hypothesis is drawn as:

H<sub>A-5h</sub> Firms listed on DSE with high ROA may disclose more financial information than the firms with low ROA.

**Market/Book Ratio:** The market/book (M/B) ratio provides an assessment of how investors view the firm's performance. It indicates what amount the investors are willing to pay more than its book value for the firm's common share. It also measures the value of a firm (Hassan, Romilly, Giorgioni and Power, 2009). A firm with high M/B ratio sells its stock at high price in the market place than its book value of common stock. Investors want the firms to increase profits as well as to increase the market price. The market/book (M/B) ratio is measured by applying the following formula:

$$\text{Market/Book ratio} = \frac{\text{Market price per share of common stock}}{\text{Book value per share of common stock}}$$

As the M/B ratio measures the investors' perception on firms' performance, it is expected that a firm with high M/B ratio disclose more information in its annual report. Thus, another hypothesis (in alternative form) is made as follows:

H<sub>A-5j</sub> Firms listed on DSE with high M/B ratio disclose more financial information than the firms with low M/B ratio.

**Price/Earnings Ratio:** The Price/Earnings Ratio is the ratio of market price per share to earnings per share. It measures the amount that investors are willing to pay for one taka of a firm's earnings. The P/E ratio is calculated as follows:

$$\text{Price/Earnings Ratio} = \frac{\text{Market price per share of common stock}}{\text{Earnings per share of common stock}}$$

Thus, P/E ratio measures the price of stock in relation to earnings per share. The level of the Price/Earnings ratio indicates the degree of confidence of investors in the firm's future performance. The higher the P/E ratio, the greater is investor's confidence. To protect the investors' confidence and management position, a firm

with high P/E ratio discloses more information in its annual report. Now it is a position to state an alternative hypothesis is that:

H<sub>A-5j</sub> Firms listed on DSE with high P/E ratio disclose more financial information than the firms with low P/E ratio.

**Quick ratio:**

Liquidity ratios measure the ability of management for meeting firm’s short-term financial obligations without having to liquidate its long-term assets or cease operations. It tests the operational efficiency of working capital management. It is an important factor for creditors to evaluate asset management policy of firms because the inability of the firm is a weak signal of financial position in one hand. On the other hand, the firms with high liquidity may mean the block of capital in idle way. However, the serious shortage of liquid money may treat the firm as insolvent and may ruin the relationship between creditors and firms. This is also the threat of going concern assumption. Researchs on the association between liquidity and disclosure provide mix results. Seijaaka (2003) has not found any link between liquidity and the level of disclosure while Wallace and Naser (1995) and Naser et al. (2002) have found a positive association between liquidity and the level of disclosure in the corporate annual report and argued that the firms with a high liquidity ratio presents more disclosure in their annual reports. In the present study, quick ratio is used as a predictor of disclosure because it is considered a more stringent measure of corporate liquidity and can be measured as follows:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Total current Liabilities- Bank over Draft}}$$

In line with the prior researchers it can be said that quick ratio has a positive impact on disclosure and be hypothesized (in alternative form) that:



H<sub>A-5k</sub> Firms listed on DSE with high quick ratio disclose more financial information than the firms with low quick ratio.

### **Market related variables**

Market related variables are qualitative in nature (Wallace et al., 1994) unlike the previous two categories that are quantitative. Market related variables are time-period specific and/or relatively stable over time and are either within or outside the control of the firm. They represent a firm's behavior that results from its association with other firms in its operational environment. The market-related variables incorporated into our analysis are ownership structure, listing age, market category, number of outside shareholders, and size of audit firm. Each of them is now discussed below:

#### **Ownership structure:**

Ownership structure means the share of ownership by the different parties. It is generally measured by the percentage of share owned by director (sponsor), resident shareholder, nonresident shareholder and institution. Foreign ownership structure is the structure where there is a participation of foreign shareholders. The foreign shareholders generally put pressure on the corporate board to disclose more information in the annual reports as they are mostly dependent on information incorporated in annual reports. Few studies have adopted this variable to see the variation of disclosure and revealed mixed results. A study by Naser et al. (2002) has reported an insignificant relationship between the level of disclosure and ownership structure while the studies of Owusu-Ansah (1998) & Wallace and Naser (1995) show a positive association between the level of disclosure and ownership structure. Under these circumstances, an alternative form hypothesis is developed as under:

H<sub>A-5l</sub> Firms listed on DSE with foreign ownership structure tend to disclose more financial information than the firms with non-foreign ownership structure.

**Market category:**

Karim and Ahmed (2005), Alam (2007) and Ahmed and Miya (2007) have explained the variable 'market category' to see the level of disclosure. They have found a significant association between the level of disclosure and category of market. It is seen that five categories of companies such as A, B, G, N and Z are enlisted on stock exchanges. The companies have been categorized by DSE and CSE based on some criteria like regularity of holding AGMs, payment of dividend and fees, positive profits, market capital, positive EPS, and volume of daily transactions etc. The corporate disclosure is influenced by market category as it is an evidence of performance of the firm. In addition, the B & other category companies are likely to present less information in their annual reports. The variable can be quantified as 1 for companies under 'A' category and 0 for companies under other categories. At this point a hypothesis (in alternative form) is developed as under:

H<sub>A-5m</sub> Firms listed on DSE under 'A' category tend to disclose more financial information than the firms under other categories.

**Listing Age:** Company age is an important factor for affecting the level of disclosure. Owusu-Ansah (1998) finds a positive association between the level of disclosure and company age. Similar result has also been found by Alam (2007) taking year of incorporation as explanatory variable. In contrast, Akhtaruddin (2005<sub>a</sub>) finds no association. Thus previous research provides mix results. In this study, the year of listing with stock exchange has been treated as company age. It is expected that an earlier listed company discloses more than a later listed company. This leads to hypothesize as under:

H<sub>A-5n</sub> The earlier listed firms disclose more financial information than the newer listed firms.

**Size of Audit Firm:** There is no standard and legal criterion for determining the audit firm size. In this study, the size of audit firm represents the number of chartered accountants who are actively engaged in a firm. The audit firm consisting more than four chartered accountants is considered as large audit firm and the firm having four and less than four chartered accountants is considered as small audit firm. The large audit firms have a good national and global reputation and they have many alternatives to choose the clients and audit jobs. So, they give more emphasis on quality audit and can put pressure on their clients to disclose adequate and correct information in their annual reports. Karim and Ahmed (2005) and Naser et al. (2002) have measured this variable proxied by international affiliation of audit firm and have found significant association with disclosure level. In Bangladesh, among all the registered audit firms only four firms have international affiliation with international Big four firms. So, it is more logical to choose the size of audit firm instead of status of audit firm and the variable can also be quantified as 1 for large audit firm and 0 for small audit firm. Considering the aforesaid studies, a hypothesis is stated (in alternative form) as under:

H<sub>A-5o</sub> Firms listed on DSE having large audit firm tend to disclose more financial information than the firms that have small audit firm.

**Number of outside shareholders:** Shareholders are the pivotal elements of companies. They have direct interest in the company. As a principal they can change management (agent) if they see any wrong doing of them. Singhvi (1967) found that disclosure quality was significantly associated with number of outside shareholders. So, it is expected in line with prior researcher that the more number of outside shareholders can pressurize management to disclose more information. The total

shareholders appeared at the year-end consider as number of outside shareholders.

Now, an alternative form of hypothesis is developed as under:

$H_{A-5p}$  The large number of outside shareholders disclose more information than the small number of outside shareholders.

## Regression Model

The following regression model is used to test the association between corporate characteristics and the extent of disclosure.

$$RMDI = \alpha + \beta_1 TA + \beta_2 NAS + \beta_3 MCV + \beta_4 DER + \beta_5 NPM + \beta_6 ROE + \beta_7 ROA + \beta_8 MBR + \beta_9 PER + \beta_{10} TOBINQ + \beta_{11} QR + \beta_{12} DFO + \beta_{13} AGE + \beta_{14} SA + \beta_{15} NS + \beta_{16} DMC + \varepsilon$$

### Where:

RMDI= Total relative mandatory disclosure score received from each company

$\alpha$  = The constant

TA = Total assets

NAS= Net annual sales

MCV= Market capitalization value

DER= Debt-Equity Ratio

NPM= Net Profit margin

ROE= Return on Equity

QR= Quick Ratio

ROA= Return on total assets

MB= Market/Book Ratio

PER= Price/Earnings Ratio

TQ= Tobin's Q Ratio

DFO=Dummy of Foreign Ownership, 1 if firm has foreign owner in its capital structure, 0 otherwise.

AGE= Listing Age

DSA= Dummy of Size of Audit Firm, 1 if the audit firm has more than 4 auditors, 0 otherwise.

NS= Number of outside shareholders

DMC= Dummy of Market Category, 1 if the firm falls under A category, 0 otherwise.

$\varepsilon$  = The error term

#### **4.11 Conclusion**

This section has outlined the ways of doing research. Either weighted or unweighted or both approaches are used by prior researchers to construct disclosure index. This study has used a relative unweighted disclosure index for the first in Bangladesh. A number of uncommon variables such as Tobin's Q, market capitalization, audit size, number of outside shareholders, M/B ratio and market category have been used to have a new insight about the level of disclosure and to add the value of this thesis.

The measurement of the variables and the suitable explanations of them are provided to draw the hypotheses. The findings of prior researches help the researcher to consider the different variables as explanatory variables. The logics of different theories related to disclosure provide the support for the development of hypotheses.

# CHAPTER 5

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## ANALYSIS & INTERPRETATION OF DISCLOSURE

- 5.1 Introduction
- 5.2 Year-wise Disclosure of the Sample Companies
- 5.3 Graphical Presentation of Year-wise Average Disclosure
- 5.4 Year-wise Overall Disclosure Trend
- 5.5 Ranking of Sample Companies under the Relative Un-weighted Disclosure Index
- 5.6 Distribution of Disclosure by Sample Companies
- 5.7 Disclosure Items by Different Parts of Annual Report
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- 5.14 Year-wise Disclosure of Income Statement Items of the Sample Companies
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  - 5.23.2 Multicollinearity Test
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# Chapter Five

## *Analysis & Interpretation of Disclosure*

### **5.1 Introduction**

This chapter provides an overview of descriptive statistics of disclosure scores and their trends throughout the period 2006 to 2010. One Hundred and Fifty firm-year observations have been surveyed to have an insight on the disclosure level of thirty sampled companies. The finding of the study is resulted by a rigorous study on disclosure incorporated in annual reports. Before going through the annual reports, a disclosure checklist (Index) of 204 items was prepared by examining some legal and institutional requirements enforcing in Bangladesh. To determine the level of corporate disclosure each item of annual report was given equal importance in conformity with unweighted disclosure index approach. Under this approach, a relative mandatory disclosure index (RMDI) for each company is constructed by using a dichotomous procedure where a relevant item scores one if it is disclosed and zero for non disclosure. The next part of this part focuses on the survey of annual reports, analyses and measurement of the level of disclosure and testing the hypotheses formulated.

## **5.2 Year-wise Disclosure of the Sample Companies**

Table 5.1 shows the overall un-weighted disclosure scores (year-wise) of individual sample companies operating in Bangladesh for the year 2006 to 2010. The mean score of the periods indicates that highest disclosure level is found in the year 2010 and the lowest disclosure level is observed in 2007. Overall mean disclosure score of sample companies is 59.25 percent in 2006 while it is 59.66 percent in 2010. It is seen from the table that the mean disclosure scores of the sample companies are increasing. However, the percentage of its increase over the period under study is quite low. Again, yearly average rate of increase is 0.23 percent, 0.18 percent, and 0.63 percent in 2008, 2009 and 2010 respectively. The 5-year average mean score is 59.28%. In the year 2006, 2007 and 2008 the mean scores of 59.25, 59.05 and 59.18 respectively are below the average mean while the mean score 59.66 of the year 2010 is above the average mean score. The  $Q_3$  indicates that 75% companies have overall disclosure scores of 63.72 percent, 63.88 percent, 63.26 percent, 63.88 percent and 63.79 percent over 5-year period. The highest disclosure score i.e., 71.58 is seen in the year 2010 and the lowest disclosure score i.e., 45.34 is seen in year 2006 over study period.

The highest standard deviation and co-efficient of variation of the disclosure score are also observed in 2010 and lowest of those are unveiled in 2006.



Table 5.1 Year-wise disclosure of the sample companies (in percentage)

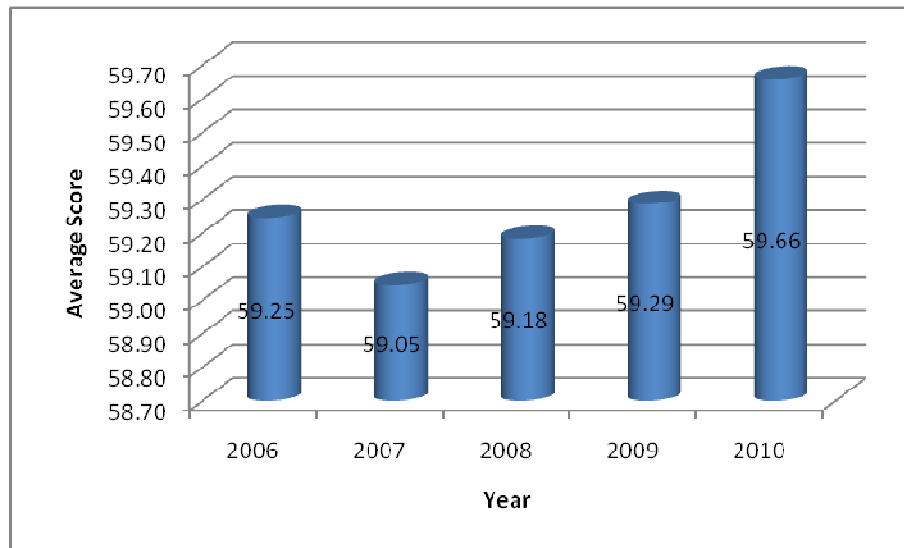
Code	2006	2007	2008	2009	2010
S_1	63.14	62.65	63.77	63.84	63.32
S_2	59.39	58.87	60.89	58.41	60.49
S_3	60.11	50.76	51.34	50.88	50.17
S_4	56.29	56.29	56.29	56.22	56.57
S_5	52.01	50.96	51.48	52.53	53.05
S_6	65.20	65.58	64.33	65.80	65.79
S_7	45.91	49.54	51.89	51.92	52.34
S_8	61.99	62.70	61.95	62.89	62.03
S_9	56.20	55.68	55.16	55.16	52.57
S_10	65.04	65.55	65.04	66.44	67.46
S_11	59.71	59.20	59.30	58.27	59.81
S_12	52.19	50.93	50.93	50.37	50.93
S_13	64.04	63.36	62.85	63.32	63.37
S_14	65.74	65.92	66.88	67.23	66.62
S_15	59.81	59.91	59.75	59.71	60.23
S_16	56.56	54.51	52.93	53.65	55.15
S_17	63.61	63.61	62.58	63.10	63.54
S_18	67.46	69.35	70.90	70.38	71.58
S_19	56.23	57.80	58.16	58.23	58.06
S_20	65.55	66.53	66.02	67.82	67.35
S_21	58.97	59.49	59.49	59.49	60.53
S_22	61.50	64.68	63.09	63.99	64.52
S_23	59.46	59.50	59.50	59.96	59.96
S_24	66.74	66.74	66.79	66.23	68.29
S_25	57.23	55.50	55.01	55.01	56.06
S_26	54.20	53.17	54.20	54.20	54.20
S_27	63.00	61.93	61.88	63.19	63.19
S_28	57.39	58.34	57.34	57.39	58.44
S_29	45.34	46.53	47.96	47.29	48.35
S_30	57.34	55.78	57.79	55.68	55.78
Mean	59.25	59.05	59.18	59.29	59.66
SD	5.58	5.89	5.64	5.93	5.99
Variance	31.18	34.72	31.79	35.15	35.93
C.V.	9.42	9.98	9.53	10.00	10.05
Minimum	45.34	46.53	47.96	47.29	48.35
Maximum	67.46	69.35	70.90	70.38	71.58
Q 1	56.28	55.25	54.81	54.81	54.91
Q3	63.72	63.88	63.26	63.88	63.79

*Source: Author's Compilation*

### 5.3 Graphical Presentation of Year-wise Average Disclosure

The Graph 5.1 exhibits the year wise average disclosure of the sample companies and reflects the increasing trend over the year under study. Lowest score is observed in the year 2007 and highest score is observed in the year 2010. Thus, the graph tells that there is a little variation of disclosure score of sample companies over the years.

Graph 5.1 Year-wise disclosure of the sample companies

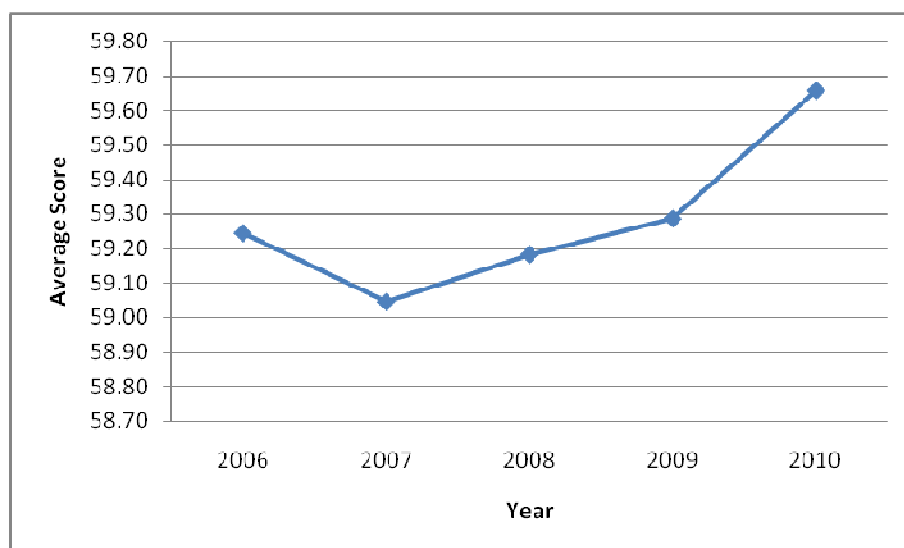


Source: Author's Compilation

#### 5.4 Year-wise Overall Disclosure Trend

Graph 5.2 shows the trend of disclosure of the selected sample companies during the period under study. Peak point of the trend line is seen in 2010 and the trough point is seen in 2007. From the trough point the trend is increasing sharply over the period of four year i.e., 2007-2010.

Graph: 5.2 Disclosure trend of the sample companies



Source: Author's Compilation

### 5.5 Ranking of Sample Companies under Relative Un-weighted Disclosure Index

Table 5.2 shows the ranking of the sample firms and disclosure scores made by sample companies under 5-year period. The highest score is obtained by ACI Limited followed by Reneta Ltd., Beximco Pharma and Summit Power Ltd. The Table also shows the minimum score obtained by Safko Spinning Mills Ltd. which ranked thirtieth.

Table 5.2 Ranking of the sample companies

Code	5 -Year Average Score	Rank
S_18	69.93	1
S_24	66.96	2
S_20	66.65	3
S_14	66.48	4
S_10	65.91	5
S_6	65.34	6
S_22	63.55	7
S_13	63.39	8
S_1	63.35	9
S_17	63.29	10
S_27	62.64	11
S_8	62.31	12
S_15	59.88	13
S_23	59.68	14
S_2	59.61	15
S_21	59.60	16
S_11	59.26	17
S_28	57.78	18
S_19	57.70	19
S_30	56.48	20
S_4	56.33	21
S_25	55.76	22
S_9	54.95	23
S_16	54.56	24
S_26	53.99	25
S_3	52.65	26
S_5	52.01	27
S_12	51.07	28
S_7	50.32	29
S_29	47.09	30

Source: Author's Compilation

### 5.6 Distribution of Disclosure by Sample Companies

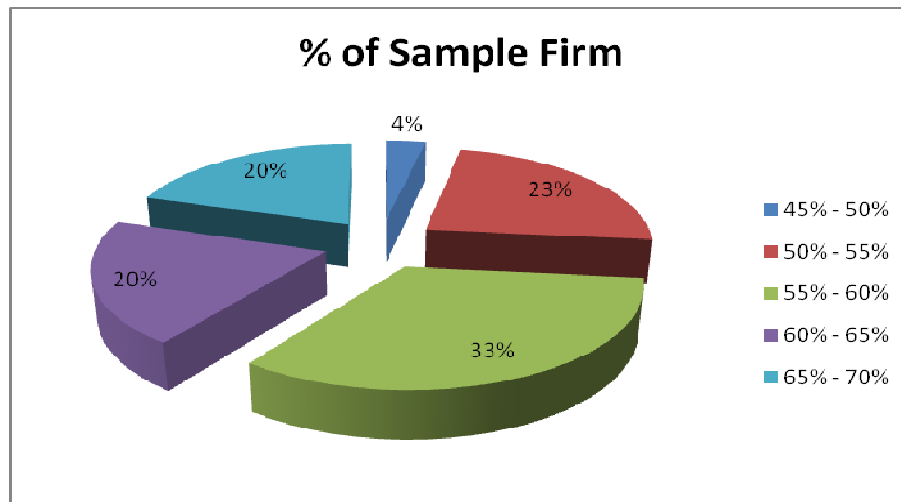
The Table 5.3 and Pie-chart 5.1 both present the distribution of disclosure made by different sample companies. It expresses in percentage of sample companies that fall in a specific score range. It is seen that 33% of sample companies show disclosure performance in between 55% - 60% and 23% of the sample are in the range of 50%-55%. Highest and second highest score range have been attained by 20% and 20% sample companies respectively. But no firm secures below 45% score.

Table 5.3 Disclosure score by the sample companies

Score Range	Number of Company	Percentage in the sample
less than 45%	0	0.00%
45% - 50%	1	3.33%
50% - 55%	7	23.33%
55% - 60%	10	33.33%
60% - 65%	6	20.00%
65% and above	6	20.00%
Total	30	100%

Source: Author's Compilation

Pie-chart 5.1 Disclosure score by the sample companies



Source: Author's Compilation

### 5.7 Disclosure Items by Different Parts of Annual Report

An annual report disseminates different types of information for different users. All the users do not use single information for taking different decisions. They want to have separate disclosure for their variability of demand. Considering the different needs of users, 204 mandatory disclosure items have been categorized into seven major groups. The groups of disclosure items based on the information provided in annual report enable users to know the extent of part-wise disclosure.

Table 5.4 Part-wise distribution of disclosure items

Major Group of Disclosure Items	No. of items considered	Share of % of total items
General Information Disclosure (GID)	19	9.31
Corporate Governance Disclosure (CGD)	30	14.71
Balance Sheet Disclosure (BSD)	43	21.08
Income Statement Disclosure (ISD)	53	25.98
Cash Flow Disclosure (CFD)	8	3.92
Equity Statement Disclosure (ESD)	7	3.43
Accounting Policies and Notes Disclosure (APND)	44	21.57
Total	204	100

Source: Author's Compilation

### 5.8 Average disclosure scores of different parts of annual reports

The 5-year average scores of the different parts of annual reports are shown in table below:

Table 5.5 Average disclosure of the different parts of RMDI

Code	GID	CGD	BSD	ISD	CFD	ESD	APND
S_1	14.00	17.60	23.59	30.40	5.17	5.00	24.60
S_2	13.80	18.25	18.92	31.20	5.09	5.00	22.19
S_3	17.00	22.80	17.36	14.60	5.12	2.00	23.80
S_4	13.20	14.80	15.19	31.00	4.68	5.20	24.65
S_5	17.00	15.00	13.06	27.20	4.79	4.00	18.80
S_6	15.00	19.80	18.58	37.80	5.20	5.00	27.99
S_7	16.20	16.85	15.20	22.20	4.99	4.00	19.60
S_8	15.00	23.80	17.20	33.30	4.93	3.80	23.60
S_9	14.60	14.60	16.25	28.40	5.08	4.00	22.03
S_10	17.00	22.80	15.04	36.25	6.23	6.00	25.86

S_11	14.40	24.20	11.88	34.40	4.89	5.00	20.19
S_12	15.00	7.00	13.77	29.20	4.84	5.00	23.65
S_13	17.00	19.80	13.81	38.20	4.23	5.00	26.20
S_14	18.00	23.00	19.55	28.45	5.77	6.00	27.40
S_15	15.00	20.40	14.98	38.80	5.68	5.00	22.19
S_16	15.80	18.00	19.16	26.40	4.19	5.00	18.60
S_17	18.00	22.80	15.71	37.10	3.97	5.00	20.20
S_18	17.00	26.40	19.16	37.10	6.56	6.20	23.39
S_19	16.00	22.00	11.18	31.00	3.94	5.00	21.20
S_20	15.80	18.00	19.16	26.40	4.19	5.00	18.60
S_21	16.00	18.80	16.28	30.00	5.94	5.00	23.00
S_22	16.00	23.60	15.81	31.40	6.33	4.20	23.80
S_23	16.00	19.05	18.02	32.25	4.19	5.00	22.46
S_24	16.40	25.00	15.61	35.50	6.00	5.00	26.39
S_25	16.00	20.00	14.23	28.80	1.75	5.00	20.40
S_26	15.00	20.20	15.08	30.30	5.83	5.00	12.79
S_27	16.60	21.00	13.78	37.20	5.80	5.00	22.39
S_28	14.40	19.40	16.26	29.80	6.12	4.00	19.80
S_29	11.80	7.00	16.28	26.80	5.32	5.00	17.00
S_30	14.80	22.15	18.52	22.00	6.32	6.00	22.60

*Source Author's Compilation*

### 5.9 Descriptive Statistics of Different Parts of Disclosure Index

Table 5.6 shows the average disclosure scores (in percentage) of different parts of disclosure index for the year 2006 to 2010. From the Table, it is observed that the highest and lowest mean disclosure score are seen in the parts 'General Information Disclosure (GID)' and 'Balance Sheet Disclosure (BSD)' of RMDI respectively. Maximum statistic indicates that General Information Disclosure (GID) part has the highest of maximum disclosure score while the lowest of maximum disclosure score has been shown by the part 'Accounting policies and Notes (APND)'. Similarly, minimum statistic states that the highest of minimum disclosure has been shown by the part General Information Disclosure (GID) and the lowest minimum disclosure score by the Cash Flow Disclosure part. The statistic, standard deviation and coefficient of variation, dictates that the highest variation of part-wise disclosure score

is observed in 'Corporate Governance Disclosure (CGD) and lowest variation of that is seen in General Information Disclosure (GID).

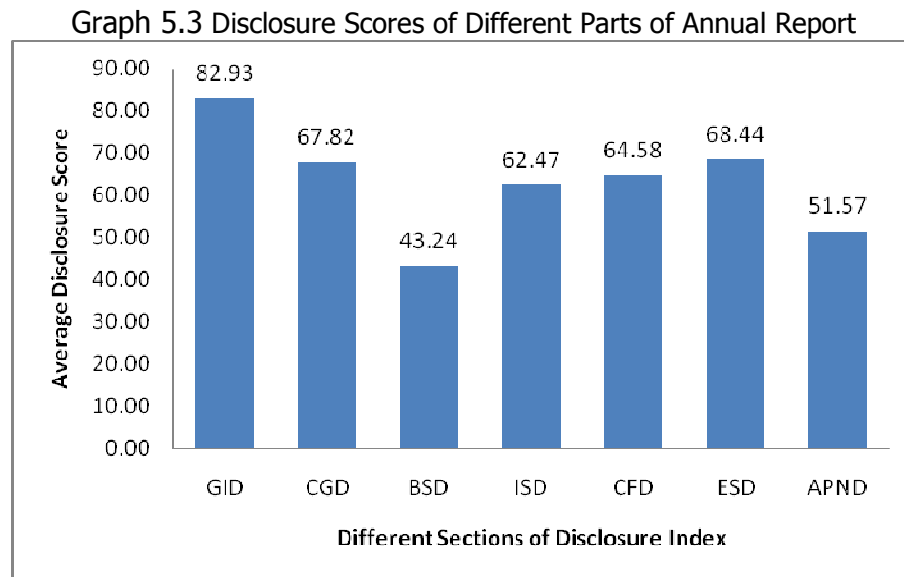
Table 5.6 Descriptive statistics of the different parts of RMDI (in percentage)

Code	GID	CGD	BSD	ISD	CFD	ESD	APND
S_1	77.78	62.86	67.39	60.80	64.63	71.43	55.91
S_2	76.67	65.18	51.14	61.18	63.63	71.43	51.61
S_3	89.47	78.62	45.67	29.20	64.00	28.57	54.08
S_4	69.47	51.03	42.19	62.00	58.50	74.29	56.02
S_5	89.47	51.72	34.37	55.51	59.88	57.14	43.72
S_6	78.95	68.28	46.46	74.12	64.98	71.43	63.62
S_7	85.26	58.10	40.01	44.40	62.38	57.14	44.55
S_8	83.33	82.07	41.96	67.96	61.65	54.29	54.64
S_9	76.84	50.34	45.14	56.80	63.50	57.14	52.45
S_10	89.47	78.62	41.10	72.50	77.88	75.00	58.77
S_11	75.79	83.45	33.00	67.45	61.13	71.43	45.89
S_12	78.95	24.14	38.25	58.65	60.55	71.43	53.75
S_13	89.47	68.28	35.40	76.40	52.88	71.43	59.55
S_14	94.74	79.31	51.46	56.00	72.08	85.71	63.17
S_15	78.95	70.34	40.18	77.60	71.00	58.14	51.60
S_16	83.16	62.07	48.24	52.80	52.38	71.43	42.67
S_17	94.74	78.62	42.46	72.75	49.63	71.43	46.98
S_18	89.47	91.03	51.49	74.20	82.00	88.57	53.16
S_19	84.21	75.86	31.75	62.00	49.25	71.43	49.30
S_20	84.21	75.17	42.12	78.80	82.85	71.43	56.80
S_21	84.21	64.83	41.74	62.50	74.25	71.43	53.49
S_22	88.89	84.29	43.92	63.31	79.08	60.00	55.34
S_23	84.21	65.69	46.42	64.50	52.38	71.43	51.05
S_24	86.32	86.21	42.19	71.00	74.98	71.43	61.37
S_25	84.21	68.97	39.08	58.78	14.41	71.43	48.57
S_26	78.95	69.66	40.76	60.60	72.88	71.43	29.75
S_27	87.37	72.41	37.39	74.40	72.55	71.43	51.36
S_28	80.00	66.90	46.46	60.82	76.53	57.14	46.05
S_29	65.56	24.14	43.25	54.69	66.53	71.43	40.48
S_30	77.89	76.38	46.30	42.31	78.98	85.71	51.36
Mean	82.93	67.82	43.24	62.47	64.58	68.44	51.57
SD	6.71	15.69	6.82	11.14	13.55	11.31	7.16
CV	8.10	23.13	15.77	17.84	20.98	16.52	13.88
Maximum	94.74	91.03	67.39	78.80	82.85	88.57	63.62
Minimum	65.56	24.14	31.75	29.20	14.41	28.57	29.75

Source: Author's Compilation

### 5.10 Graphical Presentation of Disclosure of Different Parts of Annual Report

The graph 5.3 presents the average disclosure scores of various parts of overall disclosure index. The highest mean disclosure is seen in the part GID and the lowest disclosure score is observed in the part BSD. It also dictates that five of seven parts have disclosed more than 60% disclosure items that are low compared to mandatory requirements.



### 5.11 Year-wise General Information Disclosure (GID) of the Sample Companies

Table 5.7 portrays the disclosure scores (year-wise) on general information items of individual sample companies for the study period 2006 to 2010. The mean disclosure scores of the beginning and the ending year of the sample companies is 83.26 percent and 83.11 percent respectively that indicate declining trend of disclosure in this part. By examining the statistic, it is seen that almost a unique maximum and minimum disclosure scores are observed over the period. The standard deviation of the disclosure scores has decreased from 7.33 in 2006 to 6.85 in 2010. The percentage of decrease is 6.62. The highest co-efficient of variation is observed in



the year 2006 and the lowest in 2008. It implies inconsistent variation of disclosure score during the period.

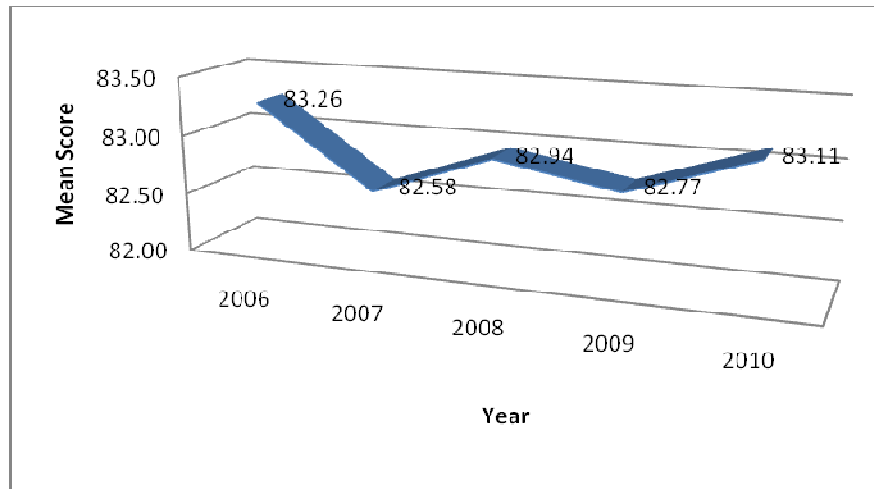
**Table 5.7 Year-wise disclosure on general information (in percentage)**

Code	2006	2007	2008	2009	2010
S_1	77.78	77.78	77.78	77.78	77.78
S_2	72.22	77.78	77.78	77.78	77.78
S_3	89.47	89.47	89.47	89.47	89.47
S_4	73.68	68.42	68.42	68.42	68.42
S_5	89.47	89.47	89.47	89.47	89.47
S_6	78.95	78.95	78.95	78.95	78.95
S_7	89.47	84.21	84.21	84.21	84.21
S_8	83.33	83.33	83.33	83.33	83.33
S_9	78.95	78.95	73.68	73.68	78.95
S_10	89.47	89.47	89.47	89.47	89.47
S_11	73.68	73.68	78.95	73.68	78.95
S_12	78.95	78.95	78.95	78.95	78.95
S_13	89.47	89.47	89.47	89.47	89.47
S_14	94.74	94.74	94.74	94.74	94.74
S_15	78.95	78.95	78.95	78.95	78.95
S_16	89.47	84.21	78.95	78.95	84.21
S_17	94.74	94.74	94.74	94.74	94.74
S_18	89.47	89.47	89.47	89.47	89.47
S_19	84.21	84.21	84.21	84.21	84.21
S_20	84.21	84.21	84.21	84.21	84.21
S_21	84.21	84.21	84.21	84.21	84.21
S_22	88.89	88.89	88.89	88.89	88.89
S_23	84.21	84.21	84.21	84.21	84.21
S_24	84.21	84.21	84.21	89.47	89.47
S_25	84.21	84.21	84.21	84.21	84.21
S_26	78.95	78.95	78.95	78.95	78.95
S_27	89.47	84.21	84.21	89.47	89.47
S_28	77.78	77.78	83.33	83.33	77.78
S_29	61.11	66.67	66.67	66.67	66.67
S_30	84.21	73.68	84.21	73.68	73.68
Mean	83.26	82.58	82.94	82.77	83.11
SD	7.33	6.81	6.57	7.16	6.85
CV	8.81	8.24	7.92	8.65	8.24
Maximum	94.74	94.74	94.74	94.74	94.74
Minimum	61.11	66.67	66.67	66.67	66.67

*Source: Author's Compilation*

The Graph 5.4 depicts the decreasing trend of year-wise disclosure scores on general information items of the selected sample companies during the period under study.

Graph 5.4 Year-wise disclosure trend on general information items



### 5.12 Year-wise Disclosure of Corporate Governance Information Items

Table 5.8 displays the year-wise disclosure of corporate governance items of information for the sample companies during the study period (2006 - 2010). The mean disclosure scores of beginning and ending year of the sample companies is 66.27 percent and 67.66 percent respectively that indicate increasing trend of disclosure in this part. While examining the statistic, it is seen that all the years show a unique maximum and minimum disclosure scores over the period except the year 2006. The standard deviation of the disclosure scores has increased from 15.57 in 2006 to 16.86 in 2010. The percentage of increase is 8.26. The highest co-efficient of variation is observed in the year 2010 and the lowest in 2006 indicating a consistent variation of disclosure score during the period.

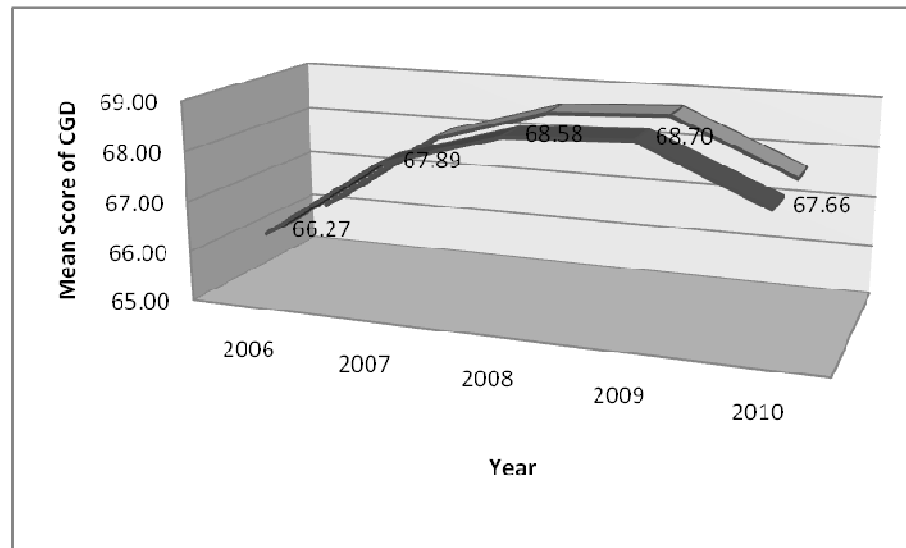
Table 5.8 Year-wise disclosure on corporate governance information (in percentage)

Code	2006	2007	2008	2009	2010
S_1	64.29	60.71	64.29	64.29	60.71
S_2	65.18	65.18	65.18	65.18	65.18
S_3	79.31	79.31	79.31	79.31	75.86
S_4	48.28	51.72	51.72	51.72	51.72
S_5	51.72	48.28	48.28	55.17	55.17
S_6	65.52	68.97	68.97	68.97	68.97
S_7	49.14	52.59	62.93	62.93	62.93
S_8	82.76	82.76	82.76	82.76	79.31
S_9	55.17	55.17	55.17	55.17	31.03
S_10	75.86	79.31	79.31	79.31	79.31
S_11	86.21	82.76	82.76	79.31	86.21
S_12	24.14	24.14	24.14	24.14	24.14
S_13	65.52	68.97	68.97	68.97	68.97
S_14	75.86	82.76	79.31	79.31	79.31
S_15	68.97	68.97	68.97	72.41	72.41
S_16	65.52	62.07	58.62	62.07	62.07
S_17	75.86	79.31	79.31	79.31	79.31
S_18	82.76	93.10	93.10	93.10	93.10
S_19	65.52	75.86	79.31	79.31	79.31
S_20	72.41	75.86	75.86	75.86	75.86
S_21	62.07	65.52	65.52	65.52	65.52
S_22	78.57	85.71	85.71	85.71	85.71
S_23	62.93	66.38	66.38	66.38	66.38
S_24	86.21	86.21	86.21	86.21	86.21
S_25	68.97	68.97	68.97	68.97	68.97
S_26	68.97	65.52	72.41	72.41	68.97
S_27	72.41	72.41	72.41	72.41	72.41
S_28	68.97	68.97	65.52	65.52	65.52
S_29	20.69	24.14	27.59	24.14	24.14
S_30	78.45	75.00	78.45	75.00	75.00
Mean	66.27	67.89	68.58	68.70	67.66
SD	15.57	16.11	15.62	15.49	16.86
CV	23.49	23.73	22.78	22.55	24.91
Maximum	86.21	93.10	93.10	93.10	93.10
Minimum	20.69	24.14	24.14	24.14	24.14

*Source: Author's Compilation*

Graph 5.5 shows the increasing trend of disclosure scores on corporate governance of during the period under study.

Graph 5.5 Year-wise disclosure trend on corporate governance information



### 5.13 Year-wise Disclosure of Balance Sheet Items of the Sample Companies

Table 5.9 shows year-wise disclosure on balance sheet items of sample companies for the study period of 2006 to 2010. The mean disclosure scores of beginning and ending year of the sample companies is 42.96 percent and 43.92 percent respectively indicating an increasing trend of disclosure in this part. From the analysis, it is seen that a mixed pattern of maximum and minimum disclosure scores are observed over the period. The standard deviation of the disclosure scores has increased from 6.68 in 2006 to 7.33 in 2010. The percentage of decrease is 9.70. The highest co-efficient of variation is observed in the year 2008 and the lowest in 2006. It implies an inconsistent variation of disclosure score during the period.

Table 5.9 Year-wise disclosure scores on balance sheet items (in percentage)

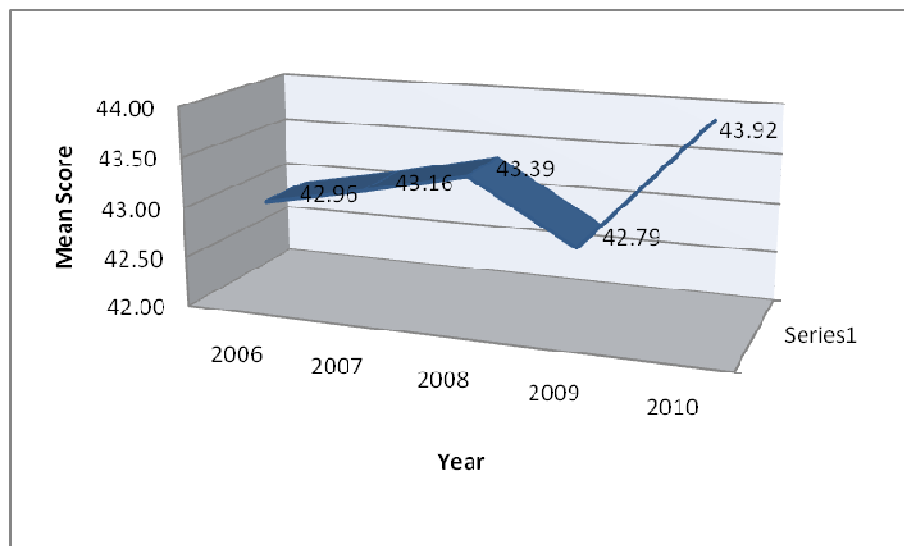
Code	2006	2007	2008	2009	2010
S_1	66.29	66.49	69.71	67.23	67.23
S_2	49.24	51.95	54.32	47.92	52.24
S_3	47.08	46.47	44.21	44.50	46.11
S_4	42.53	42.53	42.53	42.14	41.25
S_5	34.37	34.37	34.37	34.37	34.37
S_6	46.80	46.18	46.00	46.80	46.53
S_7	38.63	38.82	42.68	40.21	39.71
S_8	41.83	42.00	42.00	41.83	42.12

S_9	45.19	45.19	45.19	45.19	44.94
S_10	41.46	41.46	38.76	41.92	41.92
S_11	33.00	33.00	33.00	33.00	33.00
S_12	38.25	38.25	38.25	38.25	38.25
S_13	36.10	35.26	35.26	35.08	35.31
S_14	48.76	47.05	52.13	54.76	54.58
S_15	36.68	37.19	36.32	36.14	54.58
S_16	51.34	51.34	46.39	46.12	46.00
S_17	42.54	42.54	42.54	42.54	42.16
S_18	49.97	49.97	55.38	49.97	52.16
S_19	32.17	32.17	32.00	31.66	30.74
S_20	41.27	41.27	41.27	43.29	43.50
S_21	40.21	40.21	42.77	40.21	45.33
S_22	43.72	43.92	44.11	43.92	43.92
S_23	45.95	46.13	44.71	47.92	47.41
S_24	42.19	42.19	42.19	42.19	42.19
S_25	39.24	39.24	38.97	38.97	38.97
S_26	42.92	42.92	40.22	37.51	40.22
S_27	35.86	35.67	35.36	40.03	40.03
S_28	44.29	49.43	47.14	44.29	47.14
S_29	44.56	45.29	47.65	39.36	39.36
S_30	46.30	46.30	46.30	46.30	46.30
Mean	42.96	43.16	43.39	42.79	43.92
SD	6.68	6.87	7.62	6.92	7.33
CV	15.55	15.92	17.55	16.18	16.69
Maximum	66.29	66.49	69.71	67.23	67.23
Minimum	32.17	32.17	32.00	31.66	30.74

Source: Author's Compilation

Graph 5.6 presents the increasing trend of disclosure scores on balance sheet items of sample companies during the period under study.

Graph 5.6 Year-wise disclosure trend on balance sheet items



### 5.14 Year-wise Disclosure of Income Statement Items of the Sample Companies

Table 5.10 portrays the disclosure (year-wise) on income statement items of sample of sample companies for the study period 2006 to 2010. The mean disclosure scores of beginning and ending year of the sample companies is 63.79 percent and 62.90 percent respectively that indicate declining trend of disclosure in this part. It is seen from the table that almost a unique maximum and minimum disclosure scores are observed over the period. The standard deviation of the disclosure scores has increased from 9.47 in 2006 to 11.98 in 2010. The percentage of increase is 26.52. The highest co-efficient of variation is observed in the year 2007 and the lowest in 2006. It implies an inconsistent variation of disclosure score during the period.

Table 5.10 Year-wise disclosure of income statement items (in percentage)

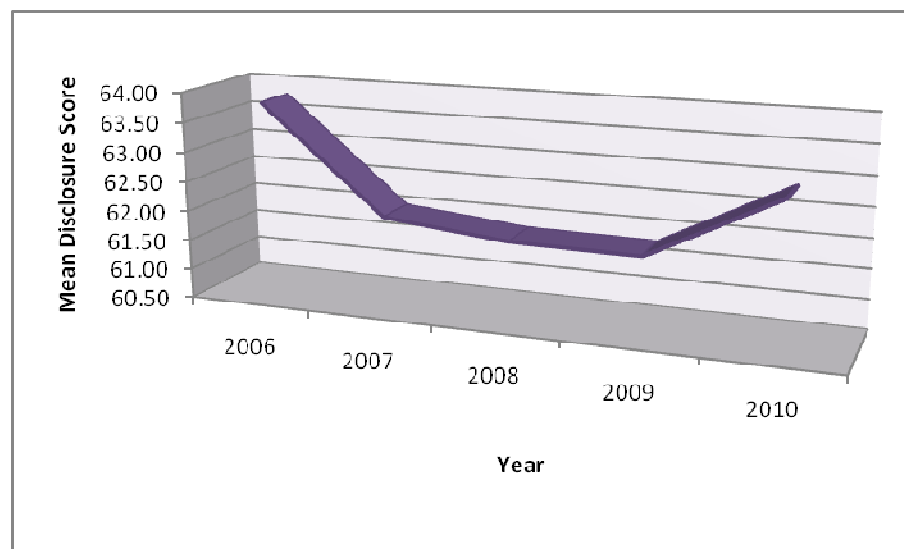
Code	2006	2007	2008	2009	2010
S_1	60.00	60.00	60.00	62.00	62.00
S_2	62.75	56.86	62.75	60.78	62.75
S_3	56.00	22.00	24.00	22.00	22.00
S_4	62.00	62.00	62.00	62.00	62.00
S_5	55.10	55.10	55.10	55.10	57.14
S_6	74.51	74.51	72.55	74.51	74.51
S_7	42.00	42.00	44.00	46.00	48.00
S_8	68.37	70.41	66.33	66.33	68.37
S_9	58.00	56.00	56.00	56.00	58.00
S_10	70.50	70.50	70.50	74.50	76.50
S_11	68.63	68.63	66.67	66.67	66.67
S_12	63.27	58.00	58.00	56.00	58.00
S_13	78.00	76.00	76.00	76.00	76.00
S_14	57.35	55.39	57.35	55.39	54.50
S_15	78.00	78.00	78.00	76.00	78.00
S_16	54.00	52.00	52.00	52.00	54.00
S_17	75.49	73.53	69.61	71.57	73.53
S_18	73.00	73.00	75.00	75.00	75.00
S_19	62.00	62.00	62.00	62.00	62.00
S_20	78.00	80.00	78.00	80.00	78.00
S_21	62.50	62.50	62.50	62.50	62.50
S_22	62.00	64.00	62.00	63.27	65.31
S_23	64.50	64.50	64.50	64.50	64.50
S_24	71.00	71.00	71.00	67.00	75.00
S_25	61.22	59.18	57.14	57.14	59.18
S_26	61.00	61.00	61.00	59.00	61.00
S_27	76.00	74.00	74.00	74.00	74.00
S_28	61.22	61.22	59.18	61.22	61.22

S_29	55.10	55.10	55.10	53.06	55.10
S_30	42.31	42.31	42.31	42.31	42.31
Mean	63.79	62.02	61.82	61.80	62.90
SD	9.47	12.22	11.52	11.93	11.98
CV	14.84	19.69	18.64	19.31	19.05
Maximum	78.00	80.00	78.00	80.00	78.00
Minimum	42.00	22.00	24.00	22.00	22.00

Source: Author's Compilation

Graph 5.7 depicts the arc pattern of disclosure scores on income statement items of sample companies during the period under study.

Graph 5.7 Year-wise disclosure trend on income statement items



### 5.15 Year-wise Disclosure of Cash Flow Items of the Sample Companies

Table 5.11 exhibits the disclosure (year-wise) on cash flow items of individual sample companies for the study period 2006 to 2010. The mean disclosure scores of beginning and ending year of the sample companies is 65.34 percent and 65.43 percent respectively that indicate increasing trend of disclosure in this part. By examining the statistic, it is seen that almost a unique minimum disclosure scores is observed over the period except the year 2006 and the extent of disclosure is very low. The highest of maximum disclosure is observed in the year 2009 and lowest of

that is seen in the year 2008. The standard deviation of the disclosure scores has increased from 10.98 in 2006 to 14.87 in 2010. The percentage of increase is 35.50. The highest co-efficient of variation is observed in the year 2009 and the lowest in 2006. It implies an inconsistent variation of disclosure score during the period.

Table 5.11 Year-wise disclosure on cash flow items (in percentage)

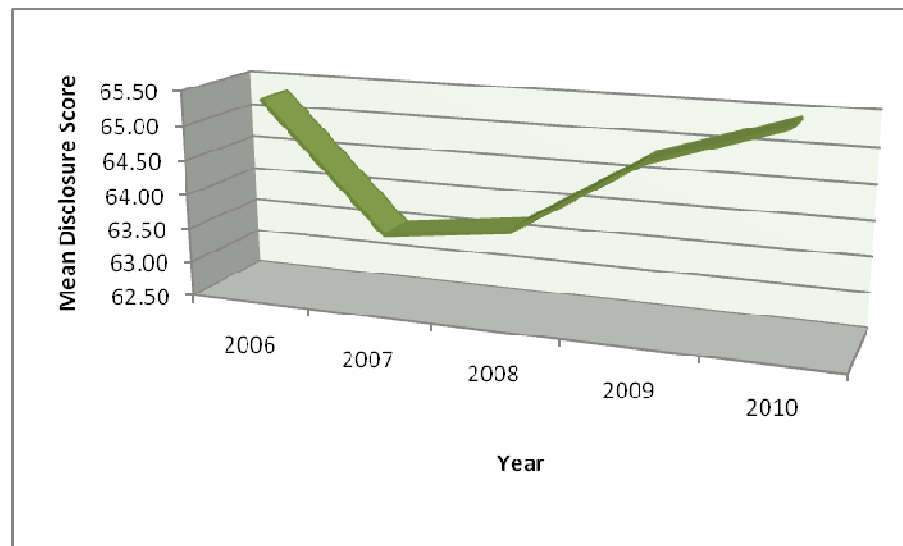
Code	2006	2007	2008	2009	2010
S_1	64.63	64.63	64.63	64.63	64.63
S_2	64.63	64.63	64.63	59.63	64.63
S_3	64.00	64.00	64.00	64.00	64.00
S_4	58.50	58.50	58.50	58.50	58.50
S_5	59.88	59.88	59.88	59.88	59.88
S_6	64.75	64.75	59.75	67.25	68.38
S_7	63.50	61.25	62.38	62.38	62.38
S_8	62.88	62.13	61.00	59.88	62.38
S_9	63.50	63.50	63.50	63.50	63.50
S_10	75.38	75.38	75.38	75.38	87.88
S_11	59.63	59.63	62.13	62.13	62.13
S_12	59.88	61.00	61.00	59.88	61.00
S_13	52.88	52.88	52.88	52.88	52.88
S_14	73.75	73.75	72.63	68.75	71.50
S_15	71.00	71.00	71.00	71.00	71.00
S_16	44.88	44.88	57.38	57.38	57.38
S_17	49.63	49.63	49.63	49.63	49.63
S_18	79.50	79.50	79.50	92.00	79.50
S_19	49.25	49.25	49.25	49.25	49.25
S_20	83.75	82.63	82.63	82.63	82.63
S_21	74.25	74.25	74.25	74.25	74.25
S_22	79.00	79.00	77.88	79.75	79.75
S_23	50.88	50.88	50.88	53.38	55.88
S_24	74.75	74.75	75.88	74.75	74.75
S_25	44.88	6.79	6.79	6.79	6.79
S_26	75.38	62.88	62.88	87.88	75.38
S_27	74.00	74.00	74.00	70.38	70.38
S_28	76.75	76.75	75.63	76.75	76.75
S_29	64.25	64.25	63.13	64.25	76.75
S_30	80.38	79.25	79.25	76.75	79.25
Mean	65.34	63.52	63.74	64.85	65.43
SD	10.98	14.67	14.23	15.32	14.87
CV	16.80	23.10	22.33	23.63	22.73
Maximum	83.75	82.63	82.63	92.00	87.88
Minimum	44.88	6.79	6.79	6.79	6.79

Source: Author's Compilation

Graph 5.8 shows the increasing trend of disclosure scores on cash flow items of the selected sample companies during the period under study.



Graph 5.8 Year-wise disclosure trend on cash flow items



### 5.16 Year-wise Disclosure of the Equity Statement Items of the Sample Companies

Table 5.12 shows the year-wise disclosure scores on equity statement items of sample companies for the study period 2006 to 2010. The mean disclosure scores of beginning and ending year of the sample companies is 68.21 percent and 69.17 percent respectively that indicate increasing trend of disclosure in this part. By examining the statistic, it is seen that almost a unique maximum and minimum disclosure scores are observed over the period except the 2010 where the maximum highest disclosure score is 100 percent. The standard deviation of the disclosure scores has increased from 11.73 in 2006 to 13.08 in 2010. The percentage of increase is 11.53. The highest co-efficient of variation is observed in the year 2010 and the lowest in 2009. It implies a consistent variation of disclosure score during the period.

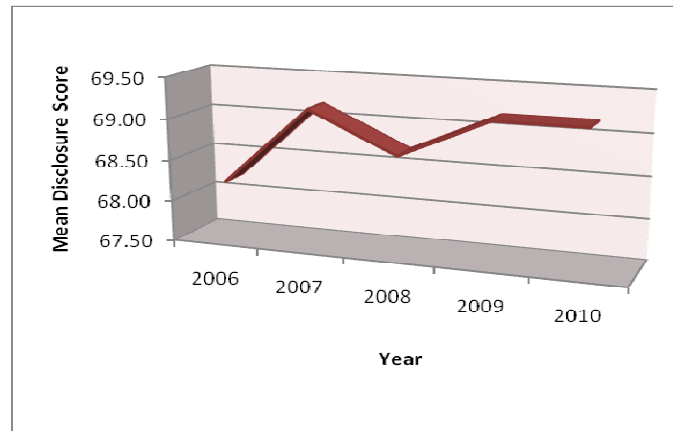
Table 5.12 Year-wise disclosure on equity statement items (in percentage)

Code	2006	2007	2008	2009	2010
S_1	71.43	71.43	71.43	71.43	71.43
S_2	71.43	71.43	71.43	71.43	71.43
S_3	28.57	28.57	28.57	28.57	28.57
S_4	71.43	71.43	71.43	71.43	85.71
S_5	57.14	57.14	57.14	57.14	57.14
S_6	71.43	71.43	71.43	71.43	71.43
S_7	57.14	57.14	57.14	57.14	57.14
S_8	42.86	57.14	57.14	71.43	42.86
S_9	57.14	57.14	57.14	57.14	57.14
S_10	75.00	75.00	75.00	75.00	75.00
S_11	71.43	71.43	71.43	71.43	71.43
S_12	71.43	71.43	71.43	71.43	71.43
S_13	71.43	71.43	71.43	71.43	71.43
S_14	85.71	85.71	85.71	85.71	85.71
S_15	71.43	71.43	71.43	71.43	71.43
S_16	71.43	71.43	71.43	71.43	71.43
S_17	71.43	71.43	71.43	71.43	71.43
S_18	85.71	85.71	85.71	85.71	100.00
S_19	71.43	71.43	71.43	71.43	71.43
S_20	71.43	71.43	71.43	71.43	71.43
S_21	71.43	71.43	71.43	71.43	71.43
S_22	57.14	71.43	57.14	57.14	57.14
S_23	71.43	71.43	71.43	71.43	71.43
S_24	71.43	71.43	71.43	71.43	71.43
S_25	71.43	71.43	71.43	71.43	71.43
S_26	71.43	71.43	71.43	71.43	71.43
S_27	71.43	71.43	71.43	71.43	71.43
S_28	57.14	57.14	57.14	57.14	57.14
S_29	71.43	71.43	71.43	71.43	71.43
S_30	85.71	85.71	85.71	85.71	85.71
Mean	68.21	69.17	68.69	69.17	69.17
SD	11.73	10.71	10.93	10.71	13.08
CV	17.19	15.49	15.91	15.49	18.91
Maximum	85.71	85.71	85.71	85.71	100.00
Minimum	28.57	28.57	28.57	28.57	28.57

Source: Author's Compilation

Graph 5.9 is explaining the increasing trend of disclosure scores on equity items of sample companies depicts during the period under study.

Graph 5.9 Year-wise disclosure trend on equity items



### 5.17 Year-wise Disclosure of Accounting Policies and Notes of the Sample Companies

Table 5.13 demonstrates the year-wise disclosure scores on accounting policies and notes information items of individual sample companies for the study period 2006 to 2010. The mean disclosure scores of beginning and ending year of the sample companies is 51.43 percent and 52.22 percent respectively that indicate a slight increasing trend of disclosure in this part. By examining the statistic, it is seen that almost a unique maximum and minimum disclosure scores are observed over the period. The standard deviation of the disclosure scores has decreased from 7.32 in 2006 to 7.24 in 2010. The percentage of decrease is 1.06. The highest co-efficient of variation is observed in the year 2007 and the lowest in 2008. It implies an inconsistent variation of disclosure score during the period.

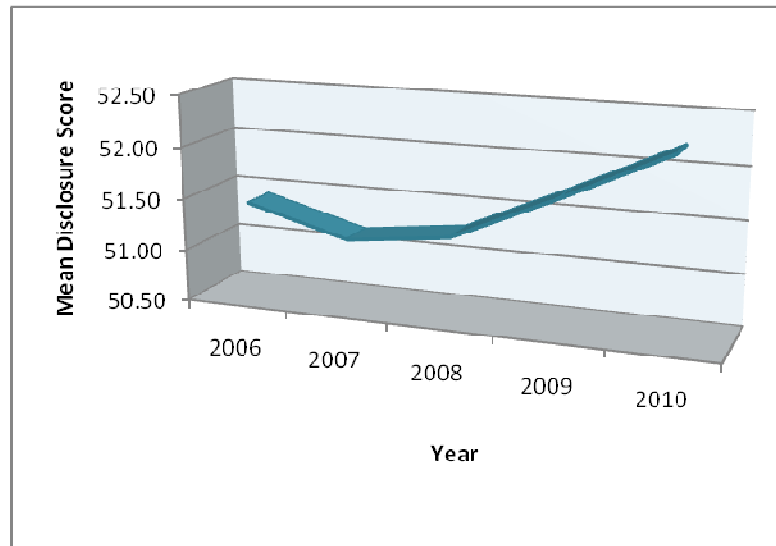
Table 5.13 Year-wise disclosure on accounting policies and notes information (in percentage)

Code	2006	2007	2008	2009	2010
S_1	55.91	55.91	55.91	55.91	55.91
S_2	52.07	52.07	52.07	49.77	52.07
S_3	55.00	52.73	54.98	54.98	52.73
S_4	56.02	56.02	56.02	56.02	56.02
S_5	44.19	41.86	44.19	44.19	44.19
S_6	64.07	64.07	61.82	64.07	64.07
S_7	45.91	45.91	43.64	43.64	43.64
S_8	53.95	52.73	53.95	56.28	56.28
S_9	52.38	52.38	52.38	52.38	52.74
S_10	58.77	58.77	58.77	58.77	58.77
S_11	45.89	45.89	45.89	45.89	45.89
S_12	53.75	53.75	53.75	53.75	53.75
S_13	61.82	59.55	57.27	59.55	59.55
S_14	61.82	61.82	61.82	64.07	66.34
S_15	51.60	51.60	51.60	51.60	51.60
S_16	43.64	41.36	41.36	42.33	44.65
S_17	46.98	46.98	46.98	46.98	46.98
S_18	52.70	52.70	52.70	52.70	54.98
S_19	49.30	49.30	49.30	49.30	49.30
S_20	54.98	54.98	54.98	59.52	59.52
S_21	53.95	53.95	51.63	53.95	53.95
S_22	52.09	56.74	54.42	56.72	56.72
S_23	52.41	50.14	52.41	50.14	50.14
S_24	61.37	61.37	61.37	61.37	61.37
S_25	48.10	48.10	48.10	48.10	50.48
S_26	28.37	28.37	30.67	30.67	30.67
S_27	50.89	50.89	50.89	52.07	52.07
S_28	45.12	45.12	45.12	45.12	49.77
S_29	39.05	39.05	41.43	41.43	41.43
S_30	50.91	50.91	53.18	50.91	50.91
Mean	51.43	51.17	51.29	51.74	52.22
SD	7.32	7.43	6.82	7.33	7.24
CV	14.22	14.52	13.29	14.17	13.86
Maximum	64.07	64.07	61.82	64.07	66.34
Minimum	28.37	28.37	30.67	30.67	30.67

Source: Author's Compilation

Graph 5.10 depicts the increasing trend of year-wise disclosure on accounting policies and notes items of sample companies during the period under study.

Graph 5.10 Year-wise disclosure trend on accounting policies and notes items



### 5.18 Company-wise Disclosure of the Sample Companies

Table 5.14 reveals some indications to make comments on company wise total disclosure score of selected sample companies within the period of five year i.e., 2006-2010. The means of the total disclosure score of sample companies as indicator of overall disclosure levels of 30 sample companies states that the highest mean disclosure score is obtained by the sample company 18 i.e., ACI Limited and the least score by the sample company 29 i.e., Safko Spinning Mills Limited. The overall disclosure is relatively poor because the highest scorer represents only 69.93% of maximum attainable of 204 mandatory items of the disclosure index. Among 30 companies only 5 companies show an increasing trend of disclosure items while others show the mixed pattern of disclosure. The highest and lowest variation of standard deviation and co-efficient variation are seen in the sample 3 and 4 i.e., Lafarge Surma Cement Limited and Meghna Cement Limited.

The mean of five year average for all sample companies is 59.28. Fifty three (16 companies) percent of the selected sample companies have more than this average

disclosure score while 47 (14 companies) percent of the selected sample companies have below average disclosure scores.

The highest of maximum and the highest of minimum disclosure score both are observed in case of the sample number 18 while the highest of minimum and the lowest of minimum disclosure score i.e., 67.46 is seen in 2006 while minimum highest disclosure score both are identified in case of sample company 29. As the maximum and minimum mean disclosure lies in between 69.93 to 47.09, the extent of overall disclosure is viewed poor.

Table 5.14 Company-wise disclosure scores (in percentage)

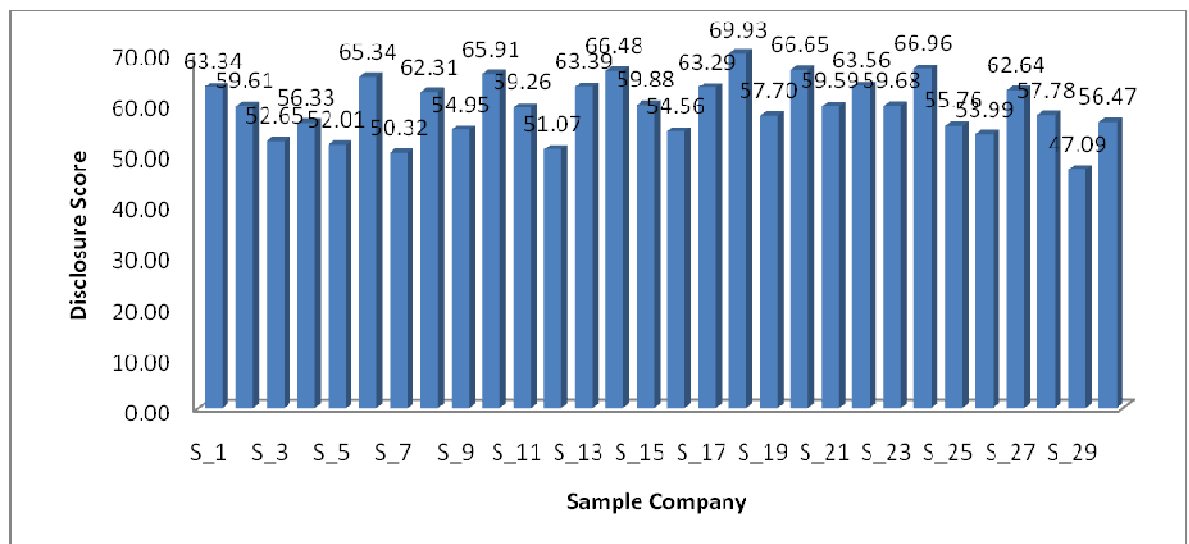
	S_1	S_2	S_3	S_4	S_5	S_6	S_7	S_8	S_9	S_10	S_11	S_12	S_13	S_14	S_15	S_16	S_17	S_18	S_19	S_20	S_21	S_22	S_23	S_24	S_25	S_26	S_27	S_28	S_29	S_30
Y_2006	63.14	59.39	60.11	56.29	52.01	65.20	45.91	61.99	56.20	65.04	59.71	52.19	64.04	65.74	59.81	56.56	63.61	67.46	56.23	56.56	58.97	61.50	59.46	66.74	57.23	54.20	63.00	57.39	45.34	57.34
Y_2007	62.65	58.87	50.76	56.29	50.96	65.58	49.54	62.70	55.68	65.55	59.20	50.93	63.36	65.92	59.91	54.51	63.61	69.35	57.80	54.51	59.49	64.68	59.50	66.74	55.50	53.17	61.93	58.34	46.53	55.78
Y_2008	63.77	60.89	51.34	56.29	51.48	64.33	51.89	61.95	55.16	65.04	59.30	50.93	62.85	66.88	59.75	52.93	62.58	70.90	58.16	52.93	59.49	63.09	59.50	66.79	55.01	54.20	61.88	57.34	47.96	57.79
Y_2009	63.84	58.41	50.88	56.22	52.53	65.80	51.92	62.89	55.16	66.44	58.27	50.37	63.32	67.23	59.71	53.65	63.10	70.38	58.23	53.65	59.49	63.99	59.96	66.23	55.01	54.20	63.19	57.39	47.29	55.68
Y_2010	63.32	60.49	50.17	56.57	53.05	65.79	52.34	62.03	52.57	67.46	59.81	50.93	63.37	66.62	60.23	55.15	63.54	71.58	58.06	55.15	60.53	64.52	59.96	68.29	56.06	54.20	63.19	58.44	48.35	55.78
Mean	63.34	59.61	52.65	56.33	52.01	65.34	50.32	62.31	54.95	65.91	59.26	51.07	63.39	66.48	59.88	54.56	63.29	69.93	57.70	66.65	59.59	63.56	59.68	66.96	55.76	53.99	62.64	57.78	47.09	56.47
S.D	0.49	1.05	4.19	0.14	0.83	0.61	2.70	0.45	1.40	1.04	0.61	0.67	0.42	0.63	0.21	1.40	0.45	1.60	0.84	0.93	0.57	1.36	0.28	0.78	0.93	0.46	0.67	0.56	1.26	1.01
C.V	0.77	1.77	7.96	0.24	1.59	0.94	5.37	0.72	2.55	1.58	1.03	1.31	0.67	0.95	0.35	2.57	0.71	2.29	1.45	1.40	0.96	2.06	0.44	1.16	1.66	0.85	1.08	0.97	2.55	1.79
Max	63.84	60.89	60.11	56.57	53.05	65.80	52.34	62.89	56.20	67.46	59.81	52.19	64.04	67.74	60.23	56.56	63.61	71.58	58.23	67.82	60.53	64.68	59.96	68.29	57.23	54.20	63.19	58.44	48.35	57.79
Min	62.65	58.41	50.17	56.22	50.96	64.33	45.91	61.95	52.16	65.04	58.27	50.37	62.85	65.74	59.71	52.93	62.58	67.46	56.23	56.56	58.97	61.50	59.46	66.74	55.01	53.17	61.88	57.34	45.34	55.68

Source: Author's Compilation

### 5.19 Graphical Presentation of Company-wise Average Disclosure

Graph 5.11 presents the company-wise average disclosure. The average of the disclosure scores of sample companies during the period under study implies that highest score is observed in the case of sample 18 and lowest for sample 29. Disclosure scores of different sample companies are very close to each other as the mean variation is 0.95%. Taking 60% (as overall sample mean 59.28) of disclosure score as standard, only 12 companies are practicing standard level of disclosure among sample companies. Thus, it can be inferred that overall disclosure is relatively low.

Graph 5.11 Company-wise average disclosure scores.



### 5.20 Variation of Disclosure over the Years

To test the variation of disclosure level over the study period the following hypothesis is restated as follows:

$H_{A-1}$  : There is a significant variation of the extent of mandatory disclosure over the years.

In order to test whether there is any significant difference in the total mean disclosure scores (year wise) of sample companies, paired sample t-test have been



used. Table 5.15 shows that t values are significant at 5% level for pair 4, 9 and 10. Hence, the null hypothesis is rejected for the three cases. Therefore, it can be concluded that there are significant difference between the extent of disclosure practices of 2007-2010, 2008-2010, and 2009-2010. Another point is noted that only in 30 percent of the cases, a statistical significant difference in the disclosure scores in their annual reports is seen over the period i.e., only in 30 percent of the cases null hypothesis is rejected. Thus, the test signifies that there is no significant difference in the un-weighted disclosure score of companies during the period under study.

Table 5.15 Result of paired sample t-test of total disclosure Score (Year-wise)

		Paired Differences					t	df	Sig. (2-tailed)
		95% Confidence Interval of the Difference							
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	Y_2006 - Y_2007	.19967	2.16622	.39550	-.60921	1.00855	.505	29	.617
Pair 2	Y_2007 - Y_2008	-.13767	1.05106	.19190	-.53014	.25480	-.717	29	.479
Pair 3	Y_2008 - Y_2009	-.10367	.94933	.17332	-.45815	.25082	-.598	29	.554
Pair 4	Y_2009 - Y_2010	-.37167	.95453	.17427	-.72809	-.01524	-2.133	29	.042
Pair 5	Y_2006 - Y_2010	-.41333	2.71376	.49546	-1.42667	.60000	-.834	29	.411
Pair 6	Y_2006 - Y_2008	.06200	2.40598	.43927	-.83641	.96041	.141	29	.889
Pair 7	Y_2006 - Y_2009	-.04167	2.49305	.45517	-.97259	.88925	-.092	29	.928
Pair 8	Y_2007 - Y_2009	-.24133	.85799	.15665	-.56171	.07905	-1.541	29	.134
Pair 9	Y_2007 - Y_2010	-.61300	1.10400	.20156	-1.02524	-.20076	-3.041	29	.005
Pair 10	Y_2008 - Y_2010	-.47533	1.10063	.20095	-.88631	-.06435	-2.365	29	.025

Source: Annual Author's Compilation

### 5.21 Variation of Disclosure among the sample firms

To test the variation of disclosure level among the sample firms the following hypothesis is restated as follows:

H<sub>A-2</sub> : There is also a significant variation of the extent of mandatory disclosure among the sample firms.

Hypothesis  $H_{A-2}$  has been tested by applying paired sample t-test of company wise total disclosure score. The Table in appendix 3 presents the results of paired sample T-test to see whether there is any significant difference in the total mean disclosure scores (company wise) among the companies. It is evident from the table that t values of 380 pairs out of 435 pairs are significant at 5% level. Eighty seven percent of sample companies have shown a significant difference in the disclosure scores in their annual reports and an insignificant difference has been revealed by only 13 percent sample companies. Hence, the alternative hypothesis is accepted at 87 percent cases. Therefore, it may be concluded that there are significant differences in the extents of disclosure practices among the sample companies.

### **5.22 Disclosure trend across the industrial sectors**

To test the trend of disclosure across the industrial sectors the following hypothesis is restated as follows:

$H_{A-3}$  : There is a significant positive trend of mandatory disclosure across the industrial sectors.

One-way ANOVA has been used to test hypothesis  $H_{A-3}$  i.e., the trend of disclosure across the industrial sectors. Table 5.16 shows the results of F-test. The probabilities of F-test for all years are greater than 0.05 values. Hence, the test is insignificant at 0.05 level that rejects the alternative hypothesis,  $H_{A-3}$ . It indicates that there is no significant variation of disclosure over the industrial sectors. The Tukey's HSD test is provided in the Table 5.17 which indicates that the Power and Fuel and Pharma & Chemical sectors have the highest and second highest means which are not significantly different from other industrial sectors for all years.

Table 5.16 Statistical Test Results of Disclosure Score across Industrial Sectors

Year	2006	2007	2008	2009	2010
1-way ANOVA: F Ratio	1.352	1.632	1.646	1.925	1.685
P-value	.274	.179	.175	.114	.165

\*\*All insignificant at 5 % critical level

Means for groups in homogeneous subsets are displayed in Table 5.17.

Table 5.17 Result of Tukey HSD<sup>a,b</sup> test

Type of Company	N	Subset for alpha = 0.05				
		2006	2007	2008	2009	2010
=Textile	3	53.3567	53.5500	54.3633	53.4533	54.1900
Food and Allied	2	55.9500	55.0650	55.1150	54.3200	55.3700
=Engineering	6	57.7250	57.1425	57.3650	57.3375	57.6375
=Miscellaneous	4	58.5450	57.8000	58.0725	57.6650	58.2800
=Cement	4	59.7325	58.3350	58.3083	59.1000	58.8733
=Tannery	2	60.1150	58.7150	58.4450	59.1233	59.6250
=Pharma & Chemical	7	62.2729	63.4414	63.4214	63.7286	64.3271
=Power and Fuel	2	64.8900	64.6400	64.8650	65.2750	64.9950
Sig.		.192	.252	.261	.171	.292

a. Uses Harmonic Mean Sample Size = 3.027. b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

### 5.23 Firm-specific Characteristics and the Extent of Mandatory Disclosure

The fair and full disclosures make a firm good corporate citizen. So, corporate managers have to face a dilemma to what extent the corporate disclosure should be made in annual reports and disseminated to stakeholders. Under these circumstances, many researchers have tried to test the extent of disclosure analytically and empirically. The aim of this part is to examine the association between company characteristics and the extent of disclosures of selected companies in their annual reports. In this study sixteen variables have been categorized into three main groups. The variables such as total assets, net annual sales, debt-equity ratio, market capitalization value, net profit margin, return on assets, M/B ratio, P/E ratio, Tobin Q ratio and return on equity, quick ratio, ownership structure, listing

age, market category, number of outside shareholders, and size of audit firm selected from the previous research works are explained to develop hypotheses and to fit regression model. With a view to examine the association between company characteristics and the extent of disclosures the following hypotheses are restated below:

H<sub>A-4</sub> : There is a significant correlation between the dependent variable and independent variables.

H<sub>A-5</sub> : There is a significant association of the extent of mandatory disclosure and the selected characteristics of the companies.

### **5.23.1 Descriptive Statistics**

Table 5.18 presents descriptive statistics for all variables used in this study. The Table indicates that the mean level of disclosure reported in the annual reports of listed companies is 59.28 percent with a range of 45.34% to 71.85%. Twenty five percent of sample companies disclose on an average of 55.16 percent items and seventy five percent companies reported 63.61 percent items of disclosure. This result is very close to the result of Ahmed and Nicholls (1994) where the mean score is 58.7 percent. The companies of developing countries like Bangladesh do not confirm 100% disclosure practice in their annual reports. For example, the average mandatory disclosure for Zimbabwe firms is 74.43% (Owusu-Ansah, 1998), for Pakistan is 81%, (Ali, Ahmed and Henry 2004) and for India is 81% (Ahmed and Miya, 2007). Our findings i.e., average mean disclosure 59.28% is better than the findings (43.53%) of Akhtaruddin (2005<sub>a</sub>) and the findings (37.60) of Alam (2007). However, the research results of Hossain (2000) where the mean score is 69.05 percent, Owusu-Ansah (1998) where the mean score is 74.43 percent, Ali et al. (2004) where the mean score is 78 percent revealed more satisfactory level of disclosure which focuses on disclosure of accounting standards. So, our research work shows some improvement of the quality of disclosure compared to the research works of Akhtaruddin (2005<sub>a</sub>) and Alam (2007).

Table 5.18 Result of descriptive statistics for all variables

	Minimum	Maximum	Mean	Std. Deviation	25 <sup>th</sup> Percentile	75 <sup>th</sup> Percentile
Total Disclosure Score	45.34	71.58	59.2837	5.73489	55.16	63.61
No. of Shareholders	378	97540	9816.77	15699.292	1912	9674.75
Dummy for Foreign Ownership	0	1	.29	.457	0	1
Listing Age	0	34	18.03	8.779	11	24
Dummy for Market Category	0	1	.81	.391	1	1
Dummy for Size of Audit Firm	0	1	.48	.501	0	1
Net Annual Sales (Figure in '000')	2015.00	20946040	2554500	3370250	396112.3	3740000
Total Assets Size (Figure in '000')	104752.0 0	24768786	3443200	4809920	646897.5	3250000
Return on total assets	-12.79	47.92	7.3958	8.24263	2.4575	11.52
Price/Earnings Ratio	-32.88	177.44	30.7826	37.10536	10.195	37.285
Market/Book Ratio	-1.55	514.80	12.5329	53.19625	1.505	6.39
Tobin's Q Ratio	.22	34.76	2.3637	3.03737	1.205	2.61
Market capitalization value (Figure in '000')	3548.80	96603864	7844200	13043700	908663.5	8410000
Debt-Equity Ratio	-6.71	36.13	2.5585	4.90052	0.63	3.2375
Return on Equity	-.52	4.61	.2378	.52594	0.06	0.295
Quick Ratio	.04	8.79	.9019	.96821	0.42	1.05
Net Profit Margin	-2368.34	87.50	-9.1221	198.68006	2.735	13.51

The result of bivariate analysis is depicted in the Table 5.20 which exposes the coefficients of correlation between dependent and independent variables for the 5-year period. The analysis reveals that the dependent variable, total relative mandatory disclosure scores (RMDS), is positively associated with number of outside shareholders (NS), listing age (AGE), dummy of market category (DMC), net annual sales (NAS), return on total assets (ROA), return on equity (ROE), Tobin's q ratio (TOBINQ), net profit margin (NPM), and quick ratio (QR). It shows a significant correlation with number of outside shareholders (NS), listing age (AGE), dummy of market category (DMC), and return on total assets (ROA) at 0.01 level. Moreover, it has also a significant correlation with net annual sales (NAS), net profit margin (NPM) and quick ratio (QR) at 0.05 level.

It is evident from the Table 5.19 that there is a significant positive correlation among the independent variables like number of outside shareholders (NS) and dummy of foreign ownership (DFO), number of outside shareholders (NS) and net annual sales (NAS), quick ratio (QR) and number of outside shareholders (NS), listing age (AGE) and net annual sales (NAS), listing age (AGE) and dummy of market category (DMC), listing age (AGE) and return on total assets (ROA), market capitalization value (MCV) and net annual sales (NAS), market capitalization value (MCV) and return on total assets (ROA), market capitalization value (MCV) and quick ratio (QR), market capitalization value (MCV) and net profit margin (NPM), net annual sales (NAS) and return on total assets (ROA), net annual sales (NAS) and return on equity (ROE), Tobin's q ratio (TOBINQ) and return on total assets (ROA), return on total assets (ROA) and return on equity (ROE), return on total assets (ROA) and net profit margin (NPM), price/earnings ratio (PER) and market/book ratio (MBR), price/earnings ratio (PER) and Tobin's q ratio (TOBINQ), Tobin's q ratio (TOBINQ) and return on equity (ROE), debt-equity ratio (DER) and return on equity (ROE) at 0.01 percent level while a significant negative correlation is observed between market capitalization value (MCV) and debt-equity ratio (DER) at the same level.

The correlation matrix also shows that there is no correlation between dependent variable, total relative mandatory disclosure scores (RMDS), and independent variables, dummy of size of audit firm (DSA), market/book ratio (MBR), price/earnings ratio (PER), debt-equity ratio (DER), and dummy of foreign ownership (DFO).

Table 5.19 Correlation matrix for panel data

Variables	RMDS	NS	DFO	AGE	DMC	DSA	NAS	ROA	PER	MBR	TOBIN Q	DER	ROE	QR	NPM
RMDS	1														
NS	.225**	1													
DFO	.029	.271**	1												
AGE	.297**	.021	.120	1											
DMC	.344**	.192*	.158	.311**	1										
DSA	-.058	.081	.143	-.016	.186*	1									
NAS	.163*	.324**	-.024	.263**	.212**	-.104	1								
ROA	.323**	.120	.018	.286**	.472**	.142	.419**	1							
PER	.059	-.023	-.067	.002	-.039	-.052	-.140	-.132	1						
MBR	.035	.044	-.112	-.030	.085	.156	.000	-.030	.330**	1					
TOBINQ	.137	-.015	-.087	.141	.151	.017	.108	.424**	.260**	.064	1				
DER	.043	-.154	-.087	-.173*	-.215**	-.020	.095	-.064	.022	.037	-.025	1			
ROE	.113	-.042	-.101	.099	.166*	.013	.454**	.459**	-.077	.133	.218**	.422**	1		
QR	.198*	.336**	-.007	.085	.224**	-.023	-.028	.205*	.057	.003	.202*	-.187*	-.007	1	
NPM	.174*	.078	.082	.120	.230**	.068	.079	.257**	.095	.014	.045	-.021	.141	.119	1

Notes: Correlation is significant at the 0.01\*\* percent level and 0.05\* percent level (2-tailed test). RMDS, total relative mandatory disclosure scores for the sample firms; NS, number of outside shareholders; DFO, dummy of foreign ownership; AGE, listing age; DMC, dummy of market category; DSA, dummy of size of audit firm; NAS, net annual sales; ROA, return on total assets; PER, price/earnings ratio; MBR, market/book ratio; TOBINQ, Tobin's q ratio; DER, debt-equity ratio; ROE, return on equity; QR, quick ratio; NPM, net profit margin;

### **5.23.2 Multicollinearity Test**

Multicollinearity explains the degree of collinearity between two independent variables to which any variable's effect can be predicted by the other variable. But the existence of multicollinearity hinders to detect the effect of independent variable on dependent variable. So, it is necessary to identify the multicollinearity problem before running multiple regression. The basic method of multicollinearity detection is a visual inspection of correlation matrix for a set of independent variables (Naser et al., 2002). The examination of correlation matrix shows that there is a high degree of collinearity between certain variables shown in Table 5.20. But this is not an appropriate method of detection of multicollinearity problem. A widely used method to detect for and measure multicollinearity is the Variance Inflation Factor (VIF) for each independent variable. A multicollinearity problem exists where the VIF is above 10 (Silver, 1997). It is observed from the Table 5.21 that there is multicollinearity problem in case of two variables, namely total assets with the VIF of 16.045 and the market capitalization value with the VIF of 15.410 which clearly prove that the VIF is greater than 10. Ordinary Least Square Multiple Regression analysis has been run after excluding these two variables from the analysis.



Table 5.20 Correlation matrix of all independent variables for panel data

Variables	NS	DFO	AGE	DMC	DSA	NAS	TA	ROA	PER	MBR	TOBIN Q	MCV	DER	ROE	QR	NPM
NS	1															
DFO	.271**	1														
AGE	.021	.120	1													
DMC	.192*	.158	.311**	1												
DSA	.081	.143	-.016	.186*	1											
NAS	.324**	-.024	.263**	.212**	-.104	1										
TA	.716**	.147	-.008	-.006	.142	.629**	1									
ROA	.120	.018	.286**	.472**	.142	.419**	.102	1								
PER	-.023	-.067	.002	-.039	-.052	-.140	-.155	-.132	1							
MBR	.044	-.112	-.030	.085	.156	.000	-.004	-.030	.330**	1						
TOBINQ	-.015	-.087	.141	.151	.017	.108	.016	.424**	.260**	.064	1					
MCV	.453**	.020	.030	.035	.042	.524**	.731**	.324**	.048	.032	.622**	1				
DER	-.154	-.087	-.173*	-.215**	-.020	.095	-.042	-.064	.022	.037	-.025	-.014	1			
ROE	-.042	-.101	.099	.166*	.013	.454**	.087	.459**	-.077	.133	.218**	.227**	.422**	1		
QR	.336**	-.007	.085	.224**	-.023	-.028	.170*	.205*	.057	.003	.202*	.324**	-.187*	-.007	1	
NPM	.078	.082	.120	.230**	.068	.079	.022	.257**	.095	.014	.045	.034	-.021	.141	.119	1

Notes: Correlation is significant at the 0.01\*\* percent level and 0.05\* percent level (2-tailed test). NS, number of outside shareholders; DFO, dummy of foreign ownership; AGE, listing age; DMC, dummy of market category; DSA, dummy of size of audit firm; NAS, net annual sales; TA, total asset; ROA, return on total assets; PER, price/earnings ratio; MBR, market/book ratio; TOBINQ, Tobin's q ratio; MCV, market capitalization value; DER, debt-equity ratio; ROE, return on equity; QR, quick ratio; NPM, net profit margin;

Table 5.21 Result of multiple regression including multicollinearity problem

Independent Variables	Main Effects on Dependent Variable: RMDS			
	Coefficients	t-statistics	Sig. level	Variance Inflation Factor
(Constant)	51.680	32.919	.000	
NS	3.482E-5	.709	.479	3.394
DFO	-.950	-.937	.351	1.227
AGE	.159	2.870	.005	1.347
DMC	3.842	2.697	.008	1.773
DSA	-2.403	-2.333	.021	1.524
NAS	-4.263E-7	-1.676	.096	4.203
TA	4.397E-7	1.262	.209	16.045
ROA	.209	2.621	.010	2.472
PER	.013	.929	.354	1.437
MBR	.003	.339	.735	1.261
TOBINQ	.127	.358	.721	6.670
MCV	-8.319E-8	-.661	.510	15.410
DER	.286	2.748	.007	1.487
ROE	-.975	-.851	.396	2.073
QR	.194	.349	.728	1.660
NPM	.001	.529	.597	1.146
F-value			3.439	
P-value of F-test			.000	
Adjusted $R^2$			.208	
$R^2$			.293	

### 5.23.3 Multivariate Test

The results of the multiple regression analysis of panel data showing the association between the company characteristics and the extent of mandatory disclosure in annual reports of sample companies are documented in Table 5.22. These results have been obtained by regressing RMDS as an important measure of disclosure for the sixteen characteristics of firms. It provides the estimated coefficient of the t-statistics of null hypothesis and the summary of the regression model. The coefficients of dummy of foreign ownership (DFO), dummy of size of audit firm (DSA), net annual sales (NAS), Tobin's q ratio (TOBINQ), and return on equity (ROE) are negative while the coefficients of others independent variables such as number

of outside shareholders (NS), return on total assets (ROA), dummy of market category (DMC), quick ratio (QR), market/book ratio (MBR), price/earnings ratio (PER), debt-equity ratio (DER), listing age (AGE), and net profit margin (NPM) are positive. The  $R^2$  of the model indicates the percentages of variability of information explained by independent variables. The  $R^2$  is 0.282, which reveals that the model is capable of explaining 28.2% variability in disclosing information in the annual reports of the selected companies. The analysis also shows that alternative hypotheses are accepted at 35.71% cases. The F statistic of the model explains the variation in mandatory disclosure in annual reports is significant at 0.01 level.

Table 5.22 Multiple regression result excluding multicollinearity problem of Panel Data

Independent Variables	Main Effects on Dependent Variable: RMDS			Variance Inflation Factor
	Coefficients	t-statistics	Sig. level	
(Constant)	52.541	36.682	.000	
NS	8.481E-5	2.500	.014**	1.622
DFO	-.913	-.905	.367	1.215
AGE	.152	2.836	.005**	1.259
DMC	3.268	2.476	.015*	1.522
DSA	-1.703	-1.887	.061	1.170
NAS	-1.882E-7	-1.100	.273	1.900
ROA	.178	2.333	.021*	2.271
PER	.009	.661	.510	1.373
MBR	.003	.287	.775	1.258
TOBINQ	-.039	-.236	.814	1.471
DER	.274	2.640	.009**	1.477
ROE	-1.190	-1.049	.296	2.036
QR	.170	.337	.736	1.359
NPM	.001	.614	.540	1.142
F-value			3.788	
P-value of F-test			.000	
Adjusted $R^2$			.208	
$R^2$			.282	

Notes: Statistically significance at the 0.01\*\* percent level and 0.05\* percent level (Enter Method).

### **Leverage**

There is a significant positive association between debt-equity ratio and the extent of mandatory disclosure as disclosed by Table 5.22. It therefore supports our hypothesis  $H_{A-5d}$  and is expected that firms with high debt-equity ratio disclose more financial information than the firms with low debt-equity ratio. This result is consistent with the study of Karim and Ahmed (2005), Naser et al. (2002), and Naser and Al-Khatib (2002) which revealed a positive association between the disclosure level and the leverage of the firm. It is thus argued that disclosure level increases with leverages because debt increases the number of stakeholders who have a strong self-interest in monitoring the disclosures of the firm.

### **Return on total Assets**

Table 5.22 reports a significant positive association between return on total assets and the extent of mandatory disclosure at 0.05 percent level. This leads to support the arguments for the firms with high return on total assets indicate the better disclosure performance. Thus, under the pressure of owners, creditors, and management, firms disclose more information in their annual reports. This result is supported by an earlier study by Inchausti (1997). So, this result gives support to accept hypothesis  $H_{A-5h}$ .

### **Market category**

It is evident from Table 5.22 that there is a significant positive association between market category and the extent of mandatory disclosure. This result is similar to the findings of Alam (2007), and Karim and Ahmed (2005) where they also found a significant association between the level of disclosure and category of market. Thus, the corporate information disclosure in Bangladesh is influenced by market category. So, it also supports our hypothesis  $H_{A-5m}$ .

### **Listing Age**

Table 5.22 also indicates that there is a significant positive association between listing age and the extent of mandatory disclosure. In this study the year of listing with stock exchange has been treated as company age. The study has revealed a positive association between the level of disclosure and company age. The similar result has been found by Alam (2007), Owusu-Ansah (1998), Sejjaaka (2003) and Siddique and Islam (2010) taking year of incorporation as explanatory variable while the counter result is seen the finding of Akhtaruddin (2005<sub>a</sub>). But his another study finds a little association between age and the extent of mandatory disclosure. So, it is expected that an earlier listed company will disclose more than a later listed company and thus, it supports our hypothesis H<sub>A-5n</sub>.

### **Number of outside shareholders**

The p value of this analysis reported in Table 5.22 indicates that there is a significant positive association between number of outside shareholders and the extent of mandatory disclosure. Thus, disclosure information of a company is affected by the number of outside shareholders as they have direct interest in the company and look after any wrong doing of management. Singhvi (1967) found that disclosure quality was significantly associated with number of outside shareholders. So, our result is consistent with prior research work and it is evident from our study that the more number of outside shareholders can pressurize management to disclose more information. Thus, it also supports the hypothesis H<sub>A-5p</sub>.

### **5.24 Conclusion**

The section of this thesis is the heart of whole research work. An empirical data analysis has been done through tabular analysis, graphical analysis, bivariate, multivariate and other sophisticated tests. The tabular analysis shows part-wise disclosure of sample companies. The descriptive analysis has also shown a true compliance level of disclosure with small variation over the 5-year under study. But a significant variation among the sample is yielded by the t-test analysis and f-test is failed to see any variation of disclosure across the industries. The bivariate analysis and multicollinearity diagnostics results indicate that two important variables named total asset size and market capitalization have a high degree of multicollinearity problems and hence are excluded from the study. The results of linear regression of panel data show that among the fourteen variables, five variables i.e., leverage, return on total assets, market category, listing age and number of outside shareholders are able to affect disclosure compliance.

# CHAPTER 6

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## CONCLUSION

- 6.1 Summary Findings
- 6.2 Reasons for Poor Level of Disclosure in Bangladesh
- 6.3 Suggestions for Improving the Quality of Disclosure
- 6.4 Suggestions for Future Research
- 6.5 Conclusions and Implication

# Chapter Six

## Conclusion

### 6.1 Summary Findings

The aim of this study is to examine the mandatory disclosure compliance level among non-financial listed companies in Bangladesh. It also investigates the firm-specific characteristics that have a significant influence on the level of compliance to mandatory disclosure. In these regards, a survey has been conducted on the different parts of annual reports of selected 30 companies listed on DSE for the year 2006-2010. To assess the degree of mandatory disclosures made by listed companies of Bangladesh, various statistical measures such as correlation, t-test, ANOVA, and multivariate tests have been used. The construction of mandatory disclosure index of 204 items has been made by explaining the legal and institutional arrangements like Companies Act 1994, Securities and Exchange Rules 1987; Securities and Exchange Guidelines 2006, Listing Regulations of DSE 1996, and some important Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards. An un-weighted scoring approach has also been used to have relative mandatory disclosure score (RMDS) which is used as dependent variable. Sixteen characteristics of sample companies have been considered as explanatory variables.

The gathered data have been put into the SPSS for analysis. The descriptive results obtained by running SPSS indicate that none of the sample companies in Bangladesh discloses all mandatory items as the average mean score is 59.28 percent with a range of 47.09% to 69.93%. Fifty three percent of sample companies satisfy average disclosure and 12 out of 30 companies are practicing standard level of disclosure while taking 60% as standard level. The results indicate that the level of disclosure is



relatively low in Bangladesh when compared to the results obtained in other countries. This result is very close to the result of Ahmed and Nicholls (1994) where the mean score is 58.7 percent. The companies of developing countries like Bangladesh do not confirm 100% disclosure practice in their annual reports. For example, the average mandatory disclosure for Zimbabwe firms is 74.43% (Owusu-Ansah, 1998), for Pakistan is 81%, (Ali et al. 2004) and for India is 81% (Ahmed and Miya, 2007). Our findings i.e., average mean disclosure 59.28% is better than the findings (43.53%) of Akhtaruddin (2005<sub>a</sub>) and the findings (37.60%) of Alam (2007). The research results of Hossain (2000) where the mean score is 69.05 percent, Owusu-Ansah (1998) where the mean score is 74.43 percent, Ali et al. (2004) where the mean score is 78 percent have revealed more satisfactory level of disclosure as they have been done on disclosure of accounting standards. So, the present research work shows some improvement over the quality of disclosure compared to the research works of Akhtaruddin (2005<sub>a</sub>) and Alam (2007).

This study has also aimed at examining the trend of disclosure over the years i.e., 2006-2010. In 2006, overall mean disclosure score of sample companies is 59.25 percent while it is 59.66 percent in 2010. It is seen that the mean disclosure scores of the sample companies has increased. But the percentage of its increase from 2006 to 2010 is 0.70 which is very low. The trend of disclosure over the years has also been tested by applying paired sample t-test that indicates a negligible variation of disclosure over the five years. It shows that only in 30% of the cases the test is significant at .05 level.

The analysis shows that highest score i.e., 69.93% is obtained by ACI Limited and it ranked first, followed by Reneta Ltd., Beximco Pharma and Summit Power Ltd., respectively while the lowest score i.e., 47.09% is obtained by Safko Spinning Mills Ltd. and it ranked thirtieth. The variation among the sample companies has also

been tested by applying pair sample t-test that indicates t values of 380 pairs out of 435 pairs in Appendix-3 are significant at 5% level. Thus, it is apparent that 87 percent of sample companies have shown a significant difference in the disclosure scores in their annual reports and an insignificant difference has been revealed by only 13 percent sample companies. Hence, the alternative hypothesis,  $H_{A-2}$  is accepted in 87 percent of the cases. Therefore, it may be concluded that there are significant differences between the extents of disclosure practices of sample companies.

As all the users do not use single information for taking different decisions, 204 mandatory disclosure items are categorized into seven major groups i.e., General Information Disclosure (GID), Corporate Governance Disclosure (CGD), Balance Sheet Disclosure (BSD), Income Statement Disclosure (ISD), Cash Flow Disclosure (CFD), Equity Statement Disclosure (ESD), and Accounting Policies and Notes Disclosure (APND). The highest (82.93) and lowest (43.24) mean disclosure score are seen in the parts GID and BSD of RMDI respectively. Five of seven parts have disclosed more than 60% disclosure items that are low compared to mandatory requirements. Another important finding is that all the parts except GID and ISD show increasing trend of disclosure.

One-way ANOVA has been used to test the flow of disclosure across the industrial sectors. The probabilities of F-test for all year are greater than 0.05 values. Hence, the test is insignificant at 0.05 level that rejects the alternative hypothesis,  $H_{A-3}$ . It indicates that there is no significant variation of disclosure over the industrial sectors. The Tukey's HSD test has shown that the Power & Fuel and Pharmaceutical & Chemical sectors have the highest and second highest mean scores which are not significantly different from that of other industrial sectors for all years.

The result of bivariate analysis exposes the coefficients of correlation between dependent and independent variables for the 5-year period. The analysis reveals that the dependent variable, total relative mandatory disclosure scores (RMDS), is positively associated with number of outside shareholders (NS), listing age (AGE), dummy of market category (DMC), net annual sales (NAS), return on total assets (ROA), return on equity (ROE), Tobin's q ratio (TOBINQ), net profit margin (NPM), and quick ratio (QR). but it has a significant correlation with number of outside shareholders (NS), listing age (AGE), dummy of market category (DMC), and return on total assets (ROA) at 0.01 level. Moreover, it has also a significant correlation with net annual sales (NAS), net profit margin (NPM) and quick ratio (QR) at 0.05 level.

The multiple regression analysis of panel data has been used to show the association between the company characteristics and the extent of mandatory disclosure in annual reports. This analysis has been done taking RMDS as dependent variable and sixteen characteristics of firms i.e., total assets, net annual sales, market capitalization value, debt-equity ratio, net profit margin, return on assets, M/B ratio, P/E ratio, Tobin Q ratio, return on equity, ownership structure, listing age, market category, number of outside shareholders, size of audit firm and quick ratio have been considered as explanatory variables.

It is also observed from the multicollinearity test that a multicollinearity problem exists in case of two variables, namely total assets and the market capitalization value as the VIF is greater than 10. Ordinary least square multiple regression analysis has been run after excluding these two variables from the analysis.

The  $R^2$  of the regression model is 0.282, which reveals that the model is capable of explaining 28.2% variability in disclosing information in the annual reports of the selected companies. An important aspect of this model is that it cannot explain 71.8% of the variability of dependent variables. But this  $R^2$  is consistent with prior

study of Alam, 2007 (0.259); Hossain et al., 2006 (0.314); Karim and Ahmed, 2005(0.364) while a slight higher  $R^2$  is observed in the study of Akhtaruddin, 2005<sub>a</sub> (0.577); Ahmed and Nicholls, 1994 (0.531); and Naser et al., 2002(0.56). The F statistic of the model explaining the variation in mandatory disclosure in annual reports is significant at 0.01 level.

The multiple regression analysis reveals that the extent of mandatory disclosure is positively affected by leverage. This result is consistent with the study of Karim and Ahmed (2005), Naser et al. (2002), and Naser and Al-Khatib (2002). From this analysis it is also seen that there is a significant positive association between return on total assets and the extent of mandatory disclosure at 0.05 percent level. This result is supported by an earlier study by Inchausti (1997). The analysis also shows that there is a significant positive association between market category and the extent of mandatory disclosure. This result is consistent with the findings of Alam (2007), and Karim and Ahmed (2005). The model indicates that there is a significant positive association between listing age and the extent of mandatory disclosure. The similar result is found by Alam (2007), Owusu-Ansah (1998), Sejjaaka (2003) and Siddique and Islam (2010) taking year of incorporation as explanatory variable while the counter result is seen in a study of Akhtaruddin (2005<sub>a</sub>). But Akhtaruddin (2005<sub>b</sub>) in his another study, finds a little association between age and the extent of mandatory disclosure.

## **6.2 Reasons for Poor Level of Disclosure in Bangladesh**

Disclosure practices in the developed parts of the world are made to satisfy the stakeholders by incorporating voluntary in addition to mandatory disclosures in the annual reports of firms whereas the developing countries are still trying to attain the disclosure set by laws. Research works done on this issue are not adequate in developing economy of the world, especially in the SAARC region (Alam 2007). Now-

a-days, some potential researchers are doing their research taking Bangladesh as a country of reference to see the level of disclosure but they are reporting low level of mandatory disclosure. The overall finding of this study reports that Bangladeshi nonfinancial companies are disclosing low level of mandatory information but an improvement of disclosure practice is observed at the end of the study period. This study has revealed some reasons for poor level of disclosure in Bangladesh. These are outlined below:

1. The main explanation for low level of compliance with mandatory disclosure is the lack or non existence of penalties for noncompliance.
2. The people of Bangladesh especially investors is little aware of corporate disclosure.
3. The incentives of research especially in business in Bangladesh are very low. The people involved in research are unorganized, fear of public criticism and non-professional etc.
4. The cost of disclosure is very high.
5. The regulatory and monitoring authorities do not play right role about the issue.
6. The laws related to disclosure are outdated.
7. The implementation of laws in Bangladesh is found dissatisfactory. Besides, if the laws are scattered, overlapping, contradictory, and less clear, the affected persons try to find the loopholes. This complicates the whole legal systems.
8. The institutions are reluctant in updating, forming and reforming, and implementing laws.

9. Only ICAB is playing proactive role in adopting accounting standards and monitoring the accounting system. The accountability systems are thus not praiseworthy.
10. The structures of the institutions and bodies regulating and overseeing market are also very old.
11. Government sectors are found highly ineffective in disclosure that may cause the spread of corruption in public funding and spending.

### **6.3 Suggestions for Improving the Quality of Disclosure**

From the theories of disclosure it is observed that disclosure decisions are culture-driven. So, creating a financial reporting culture at corporate levels should be one of the main considerations of the policy makers. Institutional theory states that companies practice disclosure based on environmental practice and educational, professional and stakeholders' pressure. In addition to this, some important measures and suggestions are numbered below to improve the quality of disclosure:

- a. A good reporting environment needs to be established to ensure accountability and responsibility.
- b. The consequences of nondisclosure of adequate information in the annual reports should be circulated among the corporate citizens.
- c. An institution should be formed to take necessary steps of comprehensive research works for making those laws up to date.
- d. ICAB should adopt and develop a single set of standards to be followed by all types of firms and all firms should be brought under same law. The provisions of laws should be simple and same sets of books of accounts should be kept

- in all the similar type of firms. This will be cost effective and minimize confusions among the firms and also among the stakeholders as well.
- e. Companies should be awarded by the Review Committee for Best Published Accounts and Reports of ICAB (RCPAR) for their disclosures and presentations of the stakeholders' information particularly on performances and prospects of their operations and corporate governance. The committee should give emphasis on BASs and BFRSs. But for improvement of disclosure they should consider a comprehensive statutory requirement of other states.
  - f. There should have an effective and coordinated legal system that will have less or no loopholes.
  - g. A separate National Accounting and Auditing Standards Board should be set up which consists of members from ICAB, ICMAB, University Teachers, professional practitioners, business community, and government officials, etc.
  - h. The accountancy and auditing professions should well be recognized by the legal system. Simultaneously, corrective measures should be taken by appropriate authority for the auditors not honoring the ethics of auditing.
  - i. An amendment of legislation should be brought to make Bangladesh accounting and auditing standards mandatory for all public limited companies
  - j. Financial accountants and managers should be given incentives for better disclosure. They should also be made accountable for non-disclosure. The cost of disclosure should be tax free.
  - k. A separate Financial Regulatory Court should be formed so that would ensure the compliance with the provisions of Companies Act, 1994, SEC rules, SEC notifications, Listing regulations and BASs/ BFRSs of ICAB in Bangladesh.

- l. The Companies Act, 1994 should include the provisions of cash flow statement, value added statement, social reporting activities and highlights of corporate governance activities.
- m. The capital market should be made effective and well structured. A sound financial reporting system with good governance should be established to restore the confidence of the investors.

#### **6.4 Suggestions for Future Research**

For better insights on corporate disclosure practices in Bangladesh, further studies may be conducted on following points:

1. A separate study can be done by considering large number of sample and considering the opinions of respondents categorized into professional accountants/auditors, investors, academicians, security consultants, member of the regulatory bodies like ICAB, ICMA, ACC, DSE and CSE etc.
2. Further studies may be done by constructing the weighted average index of the disclosure items.
3. Other studies may be done on the need for harmonization of international accounting standards, Bangladesh Accounting Standards and FASB standards etc.
4. Similar research works may be conducted by taking the companies whose accounting period ends 30 June or taking the all companies listed with DSE and CSE.
5. Additional research may be needed to assess the quality of composite disclosure (including voluntary and mandatory items of information) practices by the firms.



## **6.5 Conclusions and Implication**

The empirical analysis results that companies in Bangladesh do not confirm 100% disclosure practice in their annual reports. The mean disclosure for the sample companies is 59.28% with a range of 47.09% to 69.93%. In 2006, overall mean disclosure score of sample companies is 59.25 percent while it is 59.66 percent in 2010. This means that disclosure compliance has improved over the period but the percentage of its increase from 2006 to 2010 is 0.70 which is very low. The trend of disclosure over the years and among samples have also been tested by applying paired sample t-test that indicates a negligible variation of disclosure over the periods but there a significant variation of disclosure among the sample companies. The regression results show a positive and significant relationship between mandatory disclosure and some corporate attributes. The model signifies that mandatory disclosure is significantly affected by number of outside shareholders, listing age, market category, return on assets and leverage. The results of this study are expected to assist regulatory bodies in formulating policies towards improving the compliance level, which may further enhance the mandatory compliance among the public listed companies.

In addition to this, the benefit of this study will be acknowledged by the potential researchers, economists, educationists and environmentalists etc.

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# **APPENDIX**

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# Appendix-1

Name of Sample Companies and  
Symbolic Code

**Name of Sample Companies and their symbolic code are displayed below:**

Company Name	Code
Aramit Cement	S_1
Confidence Cement	S_2
Lafarge Surma Cement Ltd.	S_3
Meghna Cement	S_4
Aziz Pipes	S_5
Bangladesh Lamps	S_6
Bd.Thai Aluminium	S_7
Kay and Que	S_8
Rangpur Foundry	S_9
Singer Bangladesh	S_10
BATBC	S_11
National Tea	S_12
BOC Bangladesh	S_13
Summit Power Limited	S_14
Berger Paints Bangladesh Ltd.	S_15
Beximco	S_16
GQ Ball Pen	S_17
ACI Limited	S_18
Ambee Pharma	S_19
Beximco Pharma	S_20
Beximco Synthetics	S_21
The Ibn Sina	S_22
Reckit Benckiser Bangladesh Ltd.	S_23
Renata Ltd.	S_24
Apex Adelchi Footwear Ltd.	S_25
Aramit Limited	S_26
Bata Shoe	S_27
Sonargaon Textiles	S_28
Safko Spinning Mills Ltd.	S_29
Square Textile	S_30



# Appendix -2

## Relative Unweighted Disclosure Index

This Disclosure Index has been made in compliance with Companies Act 1994, Securities and Exchange Commission Rules 1987, Notifications of SEC, Listing Regulation of Stock Exchanges Authorities and BASs & BFRSs adopted by ICAB		
Name of the company: .....Scoring Strategies: We put 1 for full compliance, proportional weight for partial compliance based on personal judgment and assign 0 for noncompliance. We also put 'n/a' for irrelevant item.		Disclosure Score
1	A brief description of the nature and principal activities of the company and subsidiaries	1
2	The country of incorporation and the address of the registered office	1
3	Names of the top executives	1
4	Financial Highlight	1
5	The name of the reporting entity or other means of identification	1
6	Whether the financial statements are of an individual entity or a group of entities	1
7	The date of the end of the reporting period or the period covered by the set of financial statements or notes	1
8	The presentation currency, as defined in BAS 21; and the level of rounding used in presenting amounts in the financial statements	1
9	Audited financial statements: ( given 0.25 for each sub items)	
	a. Statement of Financial position	0.25
	b. Statement of Comprehensive Income	0.25
	c. Statement of Changes in Equity	0.25
	d. Statement of Cash Flows	0.25
10	Audit report	1
11	Report of the chairman or CEO	1
12	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land.	0
13	A statement for each Director whether or not he had an interest in any other body corporate within the group	0
14	Segmental analysis of turnover, operating profit and asset	1
15	The date when the financial statements were authorized for issue and who gave that authorization	1
16	Discussion of major factors which will influence next year's results.	1
17	Forecasting of company performance.	1
18	The proceeds of issuing forfeited share transferred to capital reserve or capital profit	0
19	The corresponding amounts for the immediately preceding year	1
	Sub Total Items of General Information	16
	Percentage of Disclosable Items ( sub)	84.21
<b>Corporate governance</b>		
20	List or name of directors	1
21	Name of independent director (s)	1
22	The separate positions of the Chairman of the Board and the Chief Executive Officer of the companies	1

	Directors' Report:	
23	The state of the company's affairs	1
24	The declaration of fairly presentation of financial statements prepared by the management of the issuer company	1
25	Issue of shares and debentures and the reason for the issue.	
26	Amount proposed to carry to any reserve	1
27	The maintenance of proper books of accounts of the issuer company	1
28	The consistency of appropriate accounting policies	1
29	The adequate disclosure of accounting estimates	1
30	The statement regarding to International Accounting Standards, as applicable in Bangladesh	1
31	The statement about the implementation and monitor of internal control system.	1
32	The assertion of going concern, consistency , accrual and other fundamental principles and assumptions	1
33	The reporting of significant deviations from last year in operating results of the issuer company	1
34	Changes in the classes of business in which the company has an interest	0
35	Material changes and commitment affecting the financial position of the company that occurred between the year and the date of report	0
36	Changes in the nature of the company's business during the year	0
37	Changes in the company's subsidiaries or in the nature of their business	1
38	The summary of key operating and financial data of at least preceding three years	1
39	Recommended dividend	1
40	The sum of contributions made to government approved charities and other charities by the company exceeding Tk. 50,000	
41	The reasons for non-recommendation of dividend	n/a
42	The number of board meetings held during the year and attendance by each director	1
43	Explanation and information of every reservation, qualification, or adverse remark in the auditor's report.	
	The pattern of shareholding and the aggregate number of shares (along with name wise details) held by: ( given 0.25 for each sub items)	
44	i Parent/Subsidiary/Associated companies and other related parties (name wise details);	0.25
	ii Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	0.25
	iii Executives; and	0.25
	iv Shareholders holding ten percent (10%) or more voting interest in the company	0.25
45	The appointment of a Chief Financial Officer (CFO), a Head of Internal Audit and a Company Secretary	1

46	The attendance of CFO and the Company Secretary in the meetings of the Board of Directors	1
47	The Audit Committee and its constitution	1
48	The Chairman of the audit committee and his qualification	1
49	The Report on activities carried out by the Audit Committee	1
50	The duties of external/statutory auditors	1
51	The reporting compliance in the director's report under condition no. 5	1
	Sub Total Items of General Information	25
	Percentage of Disclosable Items ( sub)	86.21
	<b>Balance Sheet Items / Statement of Financial Position</b>	
	Classification of Assets as : ( given 0.20 for each sub items)	
52	i Fixed Assets	0.2
	ii Long-Term Prepayments and Deferred Costs	0
	iii Investments	0.2
	iv Loans and Advances	0
	v Current Assets	0.2
	Classification of liabilities as: ( given 0.25 for each sub items)	
53	a Share Capital	0.25
	b Reserves and Surplus	0.25
	c Long-Term Loans and Deferred Liabilities	0.25
	d Current Liabilities and Provisions	0.25
54	Classification of Fixed Assets as tangible / property, plant and equipment and intangible	0
55	Total carryings amount of property, plant and equipment	1
	Tangible Fixed Assets shall be classified as or property, plant and equipment : ( given 0.11 for each sub items)	
56	a Land (distinction between free-hold and leasehold)	0.11
	b Buildings (distinction between free-hold and leasehold)	0.11
	c Furniture and fittings	0.11
	d Leasehold Properties	0
	e Railway Sidings	0
	f Plant & Machinery	0.11
	g Capital work in progress	0.11
	h Vehicles	0.11
	i Development of Property	
	Intangible Fixed Assets shall be classified as: ( given 0.33 for each sub items)	n/a
57	a Patents, Trademarks and designs	0
	b Goodwill	0
	c Others	0
58	Preliminary Expenses	0
59	The original cost of tangible assets, and the additions thereto and deductions there from and the total depreciation written off under each head	1
60	Long-Term Deposits in details	n/a

61	Long-Term Prepayments in details	n/a
	Deferred Costs:( given 0.12for each sub items)	n/a
	i Preliminary expenses	0
	ii Underwriter commission of issuing share & debentures	0
62	iii Discount on issuing share & debentures	0
	iv Interest paid out of capital during construction	0
	v Pre-operating expenses	0
	vi Unadjusted development expenses	0
63	A full list of investments:( given 0.15 for each sub items)	
	i Investment in subsidiary companies	0
	ii Investment in associated companies	0.15
	iii Investment in quoted and unquoted shares other than group	0.15
	iv Investment in government or Trust securities	0
	v Investment in shares, debentures or bonds showing separately shares fully paid up and partly paid up	0.15
	vi Investment in immovable properties	0
	vii Investment in partnership firms	0
	Long Term Loans and Advances ( distinguish between good and bad or doubtful:	n/a
	a Directors	0
64	b Managing Directors or Chief executive	0
	c Managing agents	0
	d Executives	0
	e Banks	0.2
65	Assets held for discontinued operations and sale	0
66	Biological Assets	0
67	Financial Assets	1
68	The methods of valuation of assets	1
69	A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the period showing additions/disposals/acquisitions/impairment losses	1
70	The existence and amounts of restrictions on title, property, plant and equipment pledged as security for liabilities	0
71	Minority interests / Non-controlling Interest in the consolidated financial statements to be shown separately	1
72	In case of revaluation of property, plant and equipment it should include: the firm's policy on revaluation; the basis used to revalue the assets; and the effective date of revaluations	1
	The classification of current assets as : ( given 0.07 for each sub items)	
	i stores, spare parts and loose tools	0
73	ii Accounts Receivable / Sundry Debtors	0.07
	iii Stock-in-trade	0.07
	iv Loans and advances	0.07
	v Trade deposits and short term prepayments	0.07

	vi Bills receivable	0
	vii Interest accrued or interest outstanding on investment	0
	viii Balances on current account with the managing agents, managers and directors	0
	ix Tax refunds due from Government,	0
	x Cash and bank balances	0.07
	xi Cash balance deposited with Agents	0
	xii Cash balance deposited with Custom Authority payable on demand	0
	xiv Advances recoverable in cash or in kind or value to be received, e.g., rates, taxes, and insurances etc.	0
	Accounts Receivable: ( given 0.25 for each sub items)	
74	a Amount due more than six months	0.25
	b Separation of Good Debt & Bad Debt)	0.25
	c Receivables are analyzed by amount from trade customers, from other members of the group, and from related parties.	0.25
	d Distinguish between secured and unsecured	0.25
	Cash and bank balances / cash and cash equivalent: ( given 0.5 for each sub items)	
75	i Cash in Hand	0.5
	ii Cash at Bank (show separately balance deposited with State or Schedule Banks and others)	0.5
	Short term loans and advances: ( given 0.16 for each sub items)	
76	a Loans given to subsidiary companies	0
	b Loans given to partnership firm	0
	c Loans given to controlled firms	0
	d Loans given to associated undertaking	0
	e Loans given to employees, directors and executives	0
	f Loans given to Directors including Managing Directors, managing agents and managers	0
77	The separation of stores, spare parts and loose tools	
78	The basis and method of valuation of stores, spare parts and loose tools	
	Stock-in-trade / inventory:( given 0.25 for each sub items)	
79	i The total carrying amount of inventories	0.25
	ii Distinguished among raw materials, work-in-process & finished goods	0.25
	iii Inventories carried at net-realizable value.	0.25
	iv Amount of inventories pledged as security for liabilities.	0
	Unadjusted Expenses:( given 0.20 for each sub items)	
80	a Written off portion of Preliminary expenses	0
	b Underwriter commission of issuing share & debentures	0
	c Discount on issuing share & debentures	0
	d Interest paid out of capital during construction	0
	e Unadjusted development expenses	0
81	Debit Balance of Profit & Loss Account	n/a

	A description of the nature and purpose of each reserve:( given 0.2 for each sub items)	
82	a Capital reserve	0.2
	b Capital Redemption	0
	c Share premium	0.2
	d Others reserves less debit balance of Profit & Loss Account	
	e Credit balance of Profit & Loss Account after making Appropriation	0.2
	Deferred liabilities:( given 0.2 for each sub items)	
83	a liability for taxation	0.2
	b liability for consumer's deposits with utility companies	0
	c liability for Workers' Participation Fund	0.2
	d liability for provident fund, pension, gratuity and insurance	0
	e liability for others	0
	Long-term liabilities:( given 0.12 for each sub items)	
84	i secured loans & unsecured loans	0.12
	ii Debentures	0
	iii Loans from banking companies and financial institutions	0.12
	iv Loans from subsidiary companies	0
	v Loans from controlled firms	0
	vi Loans from associated undertaking	0
	vii Loans from employees, directors and executives	0
	viii Loans from Directors including Managing Directors, managing agents and managers	0
	Current Liabilities:( given 0.07 for each sub items)	
85	i Secured short-term loans.	0
	ii Unsecured short-term loans.	0
	iii Unpaid dividends.	0
	iv Trade payables/ Creditors- For Goods & For Services	0.07
	v Deposits	0
	vi Advance payment, unexpired discount & deferred income	0
	vii Provision for proposed dividends	0.07
	viii Current portion of long term loans	0
	xi Accounts Payable- for others	0.07
	x Liabilities to subsidiary companies	0
	xi Unclaimed Dividend	0.07
	xii Unearned Revenue	0
	xiii Accrued interest on secured loans	0.07
	xiv Accrued interest on unsecured loans	
	xv Provision for Provident Fund, Insurance, Pension, gratuity and other employees' welfare fund	0.07
86	Liabilities held for discontinued operations	0
87	Source of Short term loans and advances: ( given 0.12 for each sub items)	
	a Banking company and financial institutions	0.12

	b	Subsidiary companies	0
	c	Controlled firms	0
	d	Associated undertaking and related parts	0
	e	Employees, directors and executives	0
	f	Directors including Managing Directors	0
	g	Installments of long-terms debt	0
	h	Others	0
88		The accounting policies adopted in relation to interest costs	0
89		The amount of borrowing costs capitalized during the period	0
90		The capitalized rate used to determine the amount of borrowing costs eligible for capitalization	0
		Share Capital:( given 0.15 for each sub items)	
	i	Authorized capital with number of shares and face value of each share	0.15
	ii	Issued, subscribed, called up and paid up with number of shares and face value of each share	0.15
	iii	Par value per share, or that the shares have no par value for each class of share capital	0.15
91	iv	Shares in the entity held by the entity or by its subsidiaries or associates; and for each class of share capital	0.15
	v	Shares reserved for issue under options and contracts for the sale of shares, including terms and amounts for each class of share capital	0
	vi	A reconciliation of the number of shares outstanding at the beginning and at the end of the period	0
	vii	The rights, preferences and restrictions for each class of share including restrictions on the distribution of dividends and the repayment of capital	
91		The number of shareholders, and their shareholdings in percentage	0.15
		Particulars of any option or unissued share capital:( given 0.33 for each sub items)	0
92	a	Amount of option	0
	b	Class of shares	0
	c	Issue period and price of option	0
		Sub Total Items of General Information	15.54
		Percentage of Disclosable Items ( sub)	42.00
		<b>Income Statement/ Statement of Comprehensive Income</b>	
93		Turnover and volumes by class of goods / Service Revenue ( servicing concern)	1
94		Commission, brokerage and discount paid on sales	
95		Raw material costs and volumes by item ( manufacturing concern)	1
96		Opening and closing stocks of finished goods ( manufacturing / trading concern)	1
97		Costs and volume of sales and purchases of goods by items ( trading concern)	1
98		Opening and closing stocks of raw materials	1
99		Work in Progress	1



100	Interest paid to managing director, managing agents and managers	0
101	Reserve for redeeming share capital and debts	0
102	Amount withdrawal from this reserve	0
103	Consumption of spares and stores	1
104	Power & Fuel	1
105	Salaries , wages and bonus (and other details )	1
106	Repairs and maintenance to buildings and machinery (separately )	
107	Insurance	1
108	Commission income	1
109	Profit or loss on disposal of investments	1
110	Detailed remunerations or fees of Directors, Managers and auditors	1
111	Auditors' remuneration split by service	0
112	Installed capacity and actual production	1
113	Value of imports by category	1
114	Proportion of local raw materials , spares etc. to total	1
115	Foreign exchange spent on raw material and spares imported	1
116	Foreign exchange spent on royalties, professional fees etc.	1
117	Number of non- resident shareholders, their shareholdings and foreign exchange spent on dividends to them	1
118	Income from sale of share	0
	Income from investments ( show separately):( given 0.25 for each sub items)	
	a Subsidiary company	0.25
119	b Associated undertaking	0
	c Controlled firms	0
	d Other investments	0.25
120	Income by way of interest on loans and advances and other interest	1
121	Profit on sale of items of fixed assets	1
122	Profit in respect of transactions, of an exceptional or non-recurring nature	0
123	Rent, rates and taxes	1
124	Devidend Paid	1
125	Devidend received	1
126	Profit or loss from ordinary activities	1
127	Recognition and depreciation of tangible assets	1
128	Reasons for not recognition and depreciation of tangible assets	n/a
129	Expenditure in foreign currency on account for royalty, know-how professional consultation fees, interest, and other matters	1
130	Amount remitted in foreign currencies on account of dividends to non-resident shareholders, the number of shares held by them, and the year for which the dividend is being paid	1
131	Foreign exchange earnings for export of goods (FOB price, royalty, know-how, professionals and consultation fees, interest and dividends, other income and its nature)	1
132	Financial instrument disclosure	1

133	Basic earnings per share	1
134	Primary and fully diluted earnings per share	0
135	The amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period	1
136	The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other	1
137	Amount of profit and loss accounts for previous year	1
138	Loss on sale of investments	n/a
139	Loss on sale of items of fixed assets	n/a
140	Debts written off as irrecoverable	0
141	Provision for doubtful or bad debts	1
142	Provision for diminution in value of investments	0
143	Provision for losses of subsidiary companies, controlled firms and associated undertakings	0
144	Provision for taxation on income, capital gains and other tax or taxes	0
145	Provision for meeting specific liabilities, contingencies or commitments	0
	Sub Total Items of General Information	35.5
	Percentage of Disclosable Items ( sub)	71.00
	<b>Statement of Cash Flow Items</b>	
146	The requirement of cash flows statement	1
147	Operating, investing and financial activities	1
	Cash flows from operating activities:( given 0.15 for each sub items)	0
	(a) Cash receipts from sales of goods and rendering services;	0.15
	(b) Cash receipts from royalties, fees, commissions and other revenue;	0
	(c) Cash payments to suppliers for goods and services;	0.15
	(d) Cash payments to and on behalf employees;	0.15
148	(e) Cash receipts and payments of insurance premium and benefits, annuities and other policy benefits;	0
	(f) Cash payments or refunds of income taxes, unless they can specifically indentified within the activities of investment or financing, and	0.15
	(g) Cash receipts and payments from contracts held for dealing or trading purposes.	0
149	The major classes of gross cash receipts and gross cash payments from operating activities, using either direct method or indirect method	1
150	Interest paid on short term borrowing	1
151	Taxes on income paid / or deducted at sources	1
	Cash flows from investing activities:( given 0.09 for each sub items)	0
152	a Cash payments for acquisition of property, plant and equipment, intangibles and other long-term assets	0.09
	b Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets	0.09

	c	Cash payments to acquire equity or debt instruments of other companies as well as interests in joint ventures	0
	d	Cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures	0
	e	Cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures	0
	f	Cash advances and loans made to other parties (other than such made by financial institutions);	0
	g	Cash receipts from repayment of loans and advances made to other parties (other than such made by financial institutions);	0
	h	Cash payments under forward contracts, futures, options and swap transaction	0
	i	Cash receipts from forward contracts, futures, options and swap transaction	0
	j	Interest received	0
	k	Government grants received	0
	l	Investment in an associate or a subsidiary company	0
		Cash flows from financing activities:( given 0.20 for each sub items)	0
	a	Cash receipts from issuing shares or other equity instruments	0
	b	Cash payments to owners to acquire or redeem shares of the company	0
153	c	Cash receipts from issuing debentures, notes, loans, bonds, mortgages and other long or short term borrowing;	0.2
	d	Cash payments by the lessee to reduce outstanding debt from a financial lease	0
	e	Interest paid on long-term borrowings	0
		Sub Total Items of General Information	5.98
		Percentage of Disclosable Items ( sub)	74.75
		<b>Statement of Changes in Equity:</b>	0
154		A reconciliation between the carrying amount of Share Capital at the beginning and the end of the period and the changes during the period	1
155		A reconciliation between the carrying amount of each reserve at the beginning and the end of the period and the changes during the period	1
156		Contributions by and distributions to owners and changes in ownership interests in subsidiaries	1
157		The effects of changes in accounting policies and corrections of errors for each component of equity.	
158		The balance of retained earnings at the beginning of the period and the balance sheet date, and the changes during the period	1
159		Net Profit or Loss for the period / total comprehensive income for the period, showing separately the amounts attributable to owners of the parent and to non-controlling interests	1

160	A reconciliation between the carrying amount of each item of other comprehensive income at the beginning and the end of the period and the changes during the period	0
	Sub Total Items of General Information	5
	Percentage of Disclosable Items ( sub)	71.43
	<b>Accounting Policies and Notes to the Financial Statements</b>	
161	Claims against the company not acknowledged as debt	1
162	Uncalled liability on partly shares	
163	Arrears of fixed cumulative dividends on preference shares	
164	The aggregate amount of contracts for capital expenditure	1
165	Any other sum for which the company is contingently liable	1
	Description and amount of guarantees:( given 0.15 for each sub items)	
	a Directors	0
	b Chief executive	0
166	c Managing agents	0
	d Employees	0
	e Associate undertaking/Related parties	0
	f Subsidiaries	0
	g Any other person	0
167	Statement of changes in the share capital	0
168	Change of Accounting Policies and their effects	0
169	Change in the mode of valuation of the stock-in-trade	0
170	Change in the method of charging depreciation	0
171	The basis on which foreign currencies have been converted into taka	1
172	The general nature of any credit facilities available to the company	1
173	The corresponding amounts at the end of the immediately preceding accounting year for all items shown in the balance sheet	1
174	Off balance sheet items / Events after Reporting Period	1
175	Notes for Profit and the loss arising from 'hedge' and 'forward' contracts, trading in 'futures' and 'badla'	0
	Notes for Fees, remuneration, allowances, commission, perquisites or benefits or in any other form or manner:( given 0.20 for each sub items)	0
	a Directors including managing director	0.2
176	b Managing agents and officers by the company	0.2
	c Subsidiary companies	0
	d Controlled firms	0
	e Other associated undertaking	0
	Notes for sale of an item of fixed assets otherwise than through a regular auction:( given 0.33 for each sub items)	0
177	a Original cost	0.33
	b Accumulated depreciation	0.33
	c Written down value	0.33
178	Particulars of the purchasers (e.g. a director or officer, managing agent etc)	0

179	Cost of goods manufactured ( Manufacturing concern)	1
180	The working results of each such unit or line of business	1
181	The measurement basis used in preparing the financial statements	1
182	The reason and nature of a change in an accounting policy	
183	The accounting policies adopted in measuring inventories, including the cost formula used	1
184	The accounting policies adopted for the recognition of revenues	1
185	The accounting policies adopted for Intangible assets	0
186	The amortization methods used and the useful lives or amortization rates used for Intangible assets	0
187	The gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period	0
188	A reconciliation of the carrying amount of intangible assets at the beginning and end of the period showing additions, disposal, increases and decrease due to revaluation, impairment losses and amortization during the period and other changes.	0
189	The measurement bases used for determining the gross carrying amount	1
190	The depreciation methods used	1
191	The useful lives or the depreciation rates used	1
192	Gross carrying amount and accumulated depreciation at the beginning and end of the year	1
193	The sources of issuing bonus share i.e. Reserves, share premium etc.	1
194	Accounting policies for employee benefits	1
195	The methods used to account for investments in associates and interests in joint venture	
196	Accounting for retirement benefits	1
197	Related party disclosure	1
198	Accounting for taxation including deferrals	1
199	Accounting for contingent liabilities / assets	1
200	Separate disclosure for staff remuneration not less Tk. 36,000	1
201	Accounting policies for lease	n/a
202	The amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group.	0
203	The accounting policy adopted for government grants and assistance	1
204	The mode of valuation of investment e.g., Cost or Market Value	1
	Sub Total Items of Disclosure	26.39
	Percentage of Sub Total Disclosable Items	61.37
	Gross Total Items of Disclosure	129.41
	Percentage of Total Disclosable Items	66.71

# Appendix-3

Paired Sample T-test Result of Sample  
Companies

## Paired sample t test result of sample companies

		Paired Differences					t	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference			
					Lower	Upper		
Pair 1	S_1 - S_2	3.73400	1.05182	.47039	2.42799	5.04001	7.938	.001
Pair 2	S_1 - S_3	10.69200	4.31126	1.92805	5.33887	16.04513	5.545	.005
Pair 3	S_1 - S_4	7.01200	.52647	.23544	6.35830	7.66570	29.782	.000
Pair 4	S_1 - S_5	11.33800	.74412	.33278	10.41405	12.26195	34.070	.000
Pair 5	S_1 - S_6	-1.99600	.88945	.39778	-3.10040	-.89160	-5.018	.007
Pair 6	S_1 - S_7	13.02400	2.46999	1.10461	9.95711	16.09089	11.791	.000
Pair 7	S_1 - S_8	1.03200	.68536	.30650	.18101	1.88299	3.367	.028
Pair 8	S_1 - S_9	8.39000	1.56692	.70075	6.44441	10.33559	11.973	.000
Pair 9	S_1 - S_10	-2.56200	1.08550	.48545	-3.90983	-1.21417	-5.278	.006
Pair 10	S_1 - S_11	4.08600	.93759	.41930	2.92182	5.25018	9.745	.001
Pair 11	S_1 - S_12	12.27400	.97777	.43727	11.05994	13.48806	28.070	.000
Pair 12	S_1 - S_13	-.04400	.77842	.34812	-1.01053	.92253	-.126	.906
Pair 13	S_1 - S_14	-3.13400	.31517	.14095	-3.52533	-2.74267	-22.235	.000
Pair 14	S_1 - S_15	3.46200	.59889	.26783	2.71838	4.20562	12.926	.000
Pair 15	S_1 - S_16	8.78400	1.72143	.76985	6.64656	10.92144	11.410	.000
Pair 16	S_1 - S_17	.05600	.88585	.39616	-1.04393	1.15593	.141	.894
Pair 17	S_1 - S_18	-6.59000	1.43597	.64218	-8.37299	-4.80701	-10.262	.001
Pair 18	S_1 - S_19	5.64800	.77183	.34517	4.68965	6.60635	16.363	.000
Pair 19	S_1 - S_20	-3.31000	.89803	.40161	-4.42505	-2.19495	-8.242	.001
Pair 20	S_1 - S_21	3.75000	.72232	.32303	2.85312	4.64688	11.609	.000
Pair 21	S_1 - S_22	-.21200	1.45865	.65233	-2.02316	1.59916	-.325	.761
Pair 22	S_1 - S_23	3.66800	.43894	.19630	3.12298	4.21302	18.686	.000
Pair 23	S_1 - S_24	-3.61400	.98951	.44252	-4.84264	-2.38536	-8.167	.001
Pair 24	S_1 - S_25	7.58200	1.22791	.54914	6.05734	9.10666	13.807	.000
Pair 25	S_1 - S_26	9.35000	.30430	.13609	8.97216	9.72784	68.705	.000
Pair 26	S_1 - S_27	.70600	.71717	.32073	-.18448	1.59648	2.201	.093
Pair 27	S_1 - S_28	5.56400	.94999	.42485	4.38443	6.74357	13.096	.000
Pair 28	S_1 - S_29	16.25000	1.04180	.46591	14.95643	17.54357	34.878	.000
Pair 29	S_1 - S_30	6.87000	1.00623	.45000	5.62060	8.11940	15.267	.000
Pair 30	S_2 - S_3	6.95800	4.43361	1.98277	1.45295	12.46305	3.509	.025
Pair 31	S_2 - S_4	3.27800	.98266	.43946	2.05787	4.49813	7.459	.002
Pair 32	S_2 - S_5	7.60400	1.26536	.56589	6.03285	9.17515	13.437	.000
Pair 33	S_2 - S_6	-5.73000	1.51256	.67644	-7.60810	-3.85190	-8.471	.001
Pair 34	S_2 - S_7	9.29000	2.58754	1.15718	6.07715	12.50285	8.028	.001
Pair 35	S_2 - S_8	-2.70200	1.45692	.65156	-4.51101	-.89299	-4.147	.014
Pair 36	S_2 - S_9	4.65600	2.12617	.95085	2.01602	7.29598	4.897	.008
Pair 37	S_2 - S_10	-6.29600	1.46894	.65693	-8.11993	-4.47207	-9.584	.001
Pair 38	S_2 - S_11	.35200	.80652	.36069	-.64942	1.35342	.976	.384
Pair 39	S_2 - S_12	8.54000	1.16859	.52261	7.08901	9.99099	16.341	.000
Pair 40	S_2 - S_13	-3.77800	1.29038	.57707	-5.38021	-2.17579	-6.547	.003
Pair 41	S_2 - S_14	-6.86800	1.16483	.52093	-8.31432	-5.42168	-13.184	.000

Pair 42	S_2 - S_15	-2.7200	.99314	.44414	-1.50514	.96114	-.612	.573
Pair 43	S_2 - S_16	5.05000	1.87355	.83788	2.72368	7.37632	6.027	.004
Pair 44	S_2 - S_17	-3.67800	1.30310	.58276	-5.29601	-2.05999	-6.311	.003
Pair 45	S_2 - S_18	-10.32400	1.45770	.65190	-12.13397	-8.51403	-15.837	.000
Pair 46	S_2 - S_19	1.91400	1.24536	.55694	.36768	3.46032	3.437	.026
Pair 47	S_2 - S_20	-7.04400	1.61680	.72305	-9.05152	-5.03648	-9.742	.001
Pair 48	S_2 - S_21	.01600	.96015	.42939	-1.17618	1.20818	.037	.972
Pair 49	S_2 - S_22	-3.94600	1.77277	.79281	-6.14719	-1.74481	-4.977	.008
Pair 50	S_2 - S_23	-.06600	1.11753	.49978	-1.45360	1.32160	-.132	.901
Pair 51	S_2 - S_24	-7.34800	.83610	.37392	-8.38616	-6.30984	-19.651	.000
Pair 52	S_2 - S_25	3.84800	1.39161	.62235	2.12009	5.57591	6.183	.003
Pair 53	S_2 - S_26	5.61600	.97123	.43435	4.41006	6.82194	12.930	.000
Pair 54	S_2 - S_27	-3.02800	1.38476	.61929	-4.74741	-1.30859	-4.890	.008
Pair 55	S_2 - S_28	1.83000	1.15994	.51874	.38975	3.27025	3.528	.024
Pair 56	S_2 - S_29	12.51600	1.07770	.48196	11.17786	13.85414	25.969	.000
Pair 57	S_2 - S_30	3.13600	.97790	.43733	1.92178	4.35022	7.171	.002
Pair 58	S_3 - S_4	-3.68000	4.22609	1.88997	-8.92739	1.56739	-1.947	.123
Pair 59	S_3 - S_5	.64600	4.31856	1.93132	-4.71620	6.00820	.334	.755
Pair 60	S_3 - S_6	-12.68800	4.35731	1.94865	-18.09832	-7.27768	-6.511	.003
Pair 61	S_3 - S_7	2.33200	6.74593	3.01687	-6.04418	10.70818	.773	.483
Pair 62	S_3 - S_8	-9.66000	4.38725	1.96204	-15.10749	-4.21251	-4.923	.008
Pair 63	S_3 - S_9	-2.30200	3.59407	1.60732	-6.76462	2.16062	-1.432	.225
Pair 64	S_3 - S_10	-13.25400	4.83358	2.16164	-19.25569	-7.25231	-6.131	.004
Pair 65	S_3 - S_11	-6.60600	4.00315	1.79026	-11.57656	-1.63544	-3.690	.021
Pair 66	S_3 - S_12	1.58200	3.57937	1.60074	-2.86237	6.02637	.988	.379
Pair 67	S_3 - S_13	-10.73600	3.85260	1.72294	-15.51964	-5.95236	-6.231	.003
Pair 68	S_3 - S_14	-13.82600	4.61378	2.06334	-19.55476	-8.09724	-6.701	.003
Pair 69	S_3 - S_15	-7.23000	4.25290	1.90195	-12.51067	-1.94933	-3.801	.019
Pair 70	S_3 - S_16	-1.90800	3.29636	1.47418	-6.00098	2.18498	-1.294	.265
Pair 71	S_3 - S_17	-10.63600	4.06734	1.81897	-15.68627	-5.58573	-5.847	.004
Pair 72	S_3 - S_18	-17.28200	5.64590	2.52492	-24.29231	-10.27169	-6.845	.002
Pair 73	S_3 - S_19	-5.04400	5.00483	2.23823	-11.25832	1.17032	-2.254	.087
Pair 74	S_3 - S_20	-14.00200	4.88940	2.18661	-20.07299	-7.93101	-6.404	.003
Pair 75	S_3 - S_21	-6.94200	4.59456	2.05475	-12.64690	-1.23710	-3.379	.028
Pair 76	S_3 - S_22	-10.90400	5.40993	2.41940	-17.62132	-4.18668	-4.507	.011
Pair 77	S_3 - S_23	-7.02400	4.33022	1.93653	-12.40068	-1.64732	-3.627	.022
Pair 78	S_3 - S_24	-14.30600	4.43476	1.98329	-19.81249	-8.79951	-7.213	.002
Pair 79	S_3 - S_25	-3.11000	3.45034	1.54304	-7.39416	1.17416	-2.016	.114
Pair 80	S_3 - S_26	-1.34200	4.09800	1.83268	-6.43033	3.74633	-.732	.505
Pair 81	S_3 - S_27	-9.98600	4.08253	1.82576	-15.05513	-4.91687	-5.469	.005
Pair 82	S_3 - S_28	-5.12800	4.47621	2.00182	-10.68595	.42995	-2.562	.063
Pair 83	S_3 - S_29	5.55800	5.22527	2.33681	-.93003	12.04603	2.378	.076
Pair 84	S_3 - S_30	-3.82200	3.73997	1.67257	-8.46579	.82179	-2.285	.084
Pair 85	S_4 - S_5	4.32600	.75804	.33901	3.38476	5.26724	12.761	.000
Pair 86	S_4 - S_6	-9.00800	.59124	.26441	-9.74213	-8.27387	-34.068	.000
Pair 87	S_4 - S_7	6.01200	2.66125	1.19015	2.70762	9.31638	5.051	.007
Pair 88	S_4 - S_8	-5.98000	.52730	.23582	-6.63473	-5.32527	-25.359	.000
Pair 89	S_4 - S_9	1.37800	1.52367	.68141	-.51389	3.26989	2.022	.113



Pair 90	S_4 - S_10	-9.57400	.94944	.42460	-10.75288	-8.39512	-22.548	.000
Pair 91	S_4 - S_11	-2.92600	.52852	.23636	-3.58224	-2.26976	-12.379	.000
Pair 92	S_4 - S_12	5.26200	.68156	.30480	4.41574	6.10826	17.264	.000
Pair 93	S_4 - S_13	-7.05600	.44590	.19941	-7.60966	-6.50234	-35.384	.000
Pair 94	S_4 - S_14	-10.14600	.65259	.29185	-10.95630	-9.33570	-34.765	.000
Pair 95	S_4 - S_15	-3.55000	.08602	.03847	-3.65681	-3.44319	-92.278	.000
Pair 96	S_4 - S_16	1.77200	1.36494	.61042	.07720	3.46680	2.903	.044
Pair 97	S_4 - S_17	-6.95600	.42265	.18901	-7.48078	-6.43122	-36.802	.000
Pair 98	S_4 - S_18	-13.60200	1.54259	.68987	-15.51737	-11.68663	-19.717	.000
Pair 99	S_4 - S_19	-1.36400	.82739	.37002	-2.39134	-.33666	-3.686	.021
Pair 100	S_4 - S_20	-10.32200	.91215	.40793	-11.45459	-9.18941	-25.304	.000
Pair 101	S_4 - S_21	-3.26200	.45653	.20417	-3.82886	-2.69514	-15.977	.000
Pair 102	S_4 - S_22	-7.22400	1.26696	.56660	-8.79713	-5.65087	-12.750	.000
Pair 103	S_4 - S_23	-3.34400	.23723	.10609	-3.63856	-3.04944	-31.519	.000
Pair 104	S_4 - S_24	-10.62600	.64306	.28759	-11.42447	-9.82753	-36.949	.000
Pair 105	S_4 - S_25	.57000	.90081	.40285	-.54850	1.68850	1.415	.230
Pair 106	S_4 - S_26	2.33800	.45735	.20453	1.77012	2.90588	11.431	.000
Pair 107	S_4 - S_27	-6.30600	.64400	.28800	-7.10563	-5.50637	-21.896	.000
Pair 108	S_4 - S_28	-1.44800	.47362	.21181	-2.03608	-.85992	-6.836	.002
Pair 109	S_4 - S_29	9.23800	1.13568	.50789	7.82787	10.64813	18.189	.000
Pair 110	S_4 - S_30	-.14200	1.05208	.47050	-1.44833	1.16433	-.302	.778
Pair 111	S_5 - S_6	-13.33400	.75262	.33658	-14.26850	-12.39950	-39.616	.000
Pair 112	S_5 - S_7	1.68600	2.55234	1.14144	-1.48315	4.85515	1.477	.214
Pair 113	S_5 - S_8	-10.30600	.99382	.44445	-11.53999	-9.07201	-23.188	.000
Pair 114	S_5 - S_9	-2.94800	2.06583	.92387	-5.51307	-.38293	-3.191	.033
Pair 115	S_5 - S_10	-13.90000	.63419	.28362	-14.68745	-13.11255	-49.009	.000
Pair 116	S_5 - S_11	-7.25200	1.00345	.44876	-8.49795	-6.00605	-16.160	.000
Pair 117	S_5 - S_12	.93600	1.13085	.50573	-.46814	2.34014	1.851	.138
Pair 118	S_5 - S_13	-11.38200	.85655	.38306	-12.44554	-10.31846	-29.713	.000
Pair 119	S_5 - S_14	-14.47200	.79301	.35465	-15.45666	-13.48734	-40.807	.000
Pair 120	S_5 - S_15	-7.87600	.75553	.33788	-8.81412	-6.93788	-23.310	.000
Pair 121	S_5 - S_16	-2.55400	1.45407	.65028	-4.35947	-.74853	-3.928	.017
Pair 122	S_5 - S_17	-11.28200	.88599	.39622	-12.38210	-10.18190	-28.474	.000
Pair 123	S_5 - S_18	-17.92800	1.49570	.66890	-19.78516	-16.07084	-26.802	.000
Pair 124	S_5 - S_19	-5.69000	1.10973	.49629	-7.06791	-4.31209	-11.465	.000
Pair 125	S_5 - S_20	-14.64800	.80973	.36212	-15.65342	-13.64258	-40.450	.000
Pair 126	S_5 - S_21	-7.58800	.68299	.30544	-8.43604	-6.73996	-24.843	.000
Pair 127	S_5 - S_22	-11.55000	1.49755	.66972	-13.40945	-9.69055	-17.246	.000
Pair 128	S_5 - S_23	-7.67000	.62510	.27955	-8.44616	-6.89384	-27.437	.000
Pair 129	S_5 - S_24	-14.95200	.79270	.35451	-15.93626	-13.96774	-42.177	.000
Pair 130	S_5 - S_25	-3.75600	1.11733	.49969	-5.14335	-2.36865	-7.517	.002
Pair 131	S_5 - S_26	-1.98800	.59776	.26733	-2.73022	-1.24578	-7.437	.002
Pair 132	S_5 - S_27	-10.63200	.36711	.16418	-11.08783	-10.17617	-64.759	.000
Pair 133	S_5 - S_28	-5.77400	.96498	.43155	-6.97218	-4.57582	-13.380	.000
Pair 134	S_5 - S_29	4.91200	1.16330	.52024	3.46757	6.35643	9.442	.001
Pair 135	S_5 - S_30	-4.46800	1.50147	.67148	-6.33232	-2.60368	-6.654	.003
Pair 136	S_6 - S_7	15.02000	2.72462	1.21849	11.63694	18.40306	12.327	.000
Pair 137	S_6 - S_8	3.02800	.50613	.22635	2.39955	3.65645	13.378	.000

Pair 138	S_6 - S_9	10.38600	1.71259	.76590	8.25953	12.51247	13.561	.000
Pair 139	S_6 - S_10	-.56600	.72927	.32614	-1.47150	.33950	-1.735	.158
Pair 140	S_6 - S_11	6.08200	.95565	.42738	4.89540	7.26860	14.231	.000
Pair 141	S_6 - S_12	14.27000	1.02257	.45731	13.00031	15.53969	31.204	.000
Pair 142	S_6 - S_13	1.95200	.59575	.26643	1.21228	2.69172	7.327	.002
Pair 143	S_6 - S_14	-1.13800	.88998	.39801	-2.24306	-.03294	-2.859	.046
Pair 144	S_6 - S_15	5.45800	.55459	.24802	4.76939	6.14661	22.006	.000
Pair 145	S_6 - S_16	10.78000	1.31763	.58926	9.14395	12.41605	18.294	.000
Pair 146	S_6 - S_17	2.05200	.43888	.19628	1.50705	2.59695	10.455	.000
Pair 147	S_6 - S_18	-4.59400	1.69276	.75702	-6.69584	-2.49216	-6.068	.004
Pair 148	S_6 - S_19	7.64400	.99528	.44510	6.40820	8.87980	17.174	.000
Pair 149	S_6 - S_20	-1.31400	.66372	.29683	-2.13812	-.48988	-4.427	.011
Pair 150	S_6 - S_21	5.74600	.65721	.29391	4.92996	6.56204	19.550	.000
Pair 151	S_6 - S_22	1.78400	1.11952	.50067	.39393	3.17407	3.563	.024
Pair 152	S_6 - S_23	5.66400	.48294	.21598	5.06435	6.26365	26.225	.000
Pair 153	S_6 - S_24	-1.61800	.88234	.39459	-2.71357	-.52243	-4.100	.015
Pair 154	S_6 - S_25	9.57800	1.04837	.46884	8.27628	10.87972	20.429	.000
Pair 155	S_6 - S_26	11.34600	.84477	.37779	10.29708	12.39492	30.032	.000
Pair 156	S_6 - S_27	2.70200	.55522	.24830	2.01260	3.39140	10.882	.000
Pair 157	S_6 - S_28	7.56000	.56045	.25064	6.86411	8.25589	30.163	.000
Pair 158	S_6 - S_29	18.24600	1.36840	.61197	16.54690	19.94510	29.815	.000
Pair 159	S_6 - S_30	8.86600	1.59499	.71330	6.88556	10.84644	12.430	.000
Pair 160	S_7 - S_8	-11.99200	2.65294	1.18643	-15.28606	-8.69794	-10.108	.001
Pair 161	S_7 - S_9	-4.63400	3.79003	1.69495	-9.33994	.07194	-2.734	.052
Pair 162	S_7 - S_10	-15.58600	2.23759	1.00068	-18.36434	-12.80766	-15.575	.000
Pair 163	S_7 - S_11	-8.93800	2.97270	1.32943	-12.62910	-5.24690	-6.723	.003
Pair 164	S_7 - S_12	-.75000	3.31173	1.48105	-4.86205	3.36205	-.506	.639
Pair 165	S_7 - S_13	-13.06800	3.06466	1.37056	-16.87328	-9.26272	-9.535	.001
Pair 166	S_7 - S_14	-16.15800	2.18764	.97834	-18.87431	-13.44169	-16.516	.000
Pair 167	S_7 - S_15	-9.56200	2.66005	1.18961	-12.86489	-6.25911	-8.038	.001
Pair 168	S_7 - S_16	-4.24000	3.87963	1.73502	-9.05719	.57719	-2.444	.071
Pair 169	S_7 - S_17	-12.96800	2.96303	1.32511	-16.64709	-9.28891	-9.786	.001
Pair 170	S_7 - S_18	-19.61400	1.18563	.53023	-21.08616	-18.14184	-36.991	.000
Pair 171	S_7 - S_19	-7.37600	1.90726	.85295	-9.74417	-5.00783	-8.648	.001
Pair 172	S_7 - S_20	-16.33400	2.13066	.95286	-18.97957	-13.68843	-17.142	.000
Pair 173	S_7 - S_21	-9.27400	2.32764	1.04095	-12.16415	-6.38385	-8.909	.001
Pair 174	S_7 - S_22	-13.23600	1.98661	.88844	-15.70271	-10.76929	-14.898	.000
Pair 175	S_7 - S_23	-9.35600	2.53715	1.13465	-12.50629	-6.20571	-8.246	.001
Pair 176	S_7 - S_24	-16.63800	2.58855	1.15763	-19.85210	-13.42390	-14.372	.000
Pair 177	S_7 - S_25	-5.44200	3.48956	1.56058	-9.77486	-1.10914	-3.487	.025
Pair 178	S_7 - S_26	-3.67400	2.66476	1.19172	-6.98273	-.36527	-3.083	.037
Pair 179	S_7 - S_27	-12.31800	2.80402	1.25400	-15.79965	-8.83635	-9.823	.001
Pair 180	S_7 - S_28	-7.46000	2.63656	1.17911	-10.73372	-4.18628	-6.327	.003
Pair 181	S_7 - S_29	3.22600	1.59307	.71244	1.24794	5.20406	4.528	.011
Pair 182	S_7 - S_30	-6.15400	3.20176	1.43187	-10.12951	-2.17849	-4.298	.013
Pair 183	S_8 - S_9	7.35800	1.36494	.61042	5.66320	9.05280	12.054	.000
Pair 184	S_8 - S_10	-3.59400	1.05787	.47309	-4.90751	-2.28049	-7.597	.002
Pair 185	S_8 - S_11	3.05400	1.01355	.45327	1.79551	4.31249	6.738	.003

Pair 186	S_8 - S_12	11.24200	1.00758	.45060	9.99092	12.49308	24.949	.000
Pair 187	S_8 - S_13	-1.07600	.64026	.28633	-1.87099	-.28101	-3.758	.020
Pair 188	S_8 - S_14	-4.16600	.68222	.30510	-5.01309	-3.31891	-13.655	.000
Pair 189	S_8 - S_15	2.43000	.54873	.24540	1.74867	3.11133	9.902	.001
Pair 190	S_8 - S_16	7.75200	1.59420	.71295	5.77254	9.73146	10.873	.000
Pair 191	S_8 - S_17	-.97600	.59387	.26559	-1.71339	-.23861	-3.675	.021
Pair 192	S_8 - S_18	-7.62200	1.66389	.74411	-9.68799	-5.55601	-10.243	.001
Pair 193	S_8 - S_19	4.61600	.78913	.35291	3.63616	5.59584	13.080	.000
Pair 194	S_8 - S_20	-4.34200	.74998	.33540	-5.27322	-3.41078	-12.946	.000
Pair 195	S_8 - S_21	2.71800	.76624	.34267	1.76659	3.66941	7.932	.001
Pair 196	S_8 - S_22	-1.24400	1.13275	.50658	-2.65050	.16250	-2.456	.070
Pair 197	S_8 - S_23	2.63600	.43895	.19631	2.09097	3.18103	13.428	.000
Pair 198	S_8 - S_24	-4.64600	1.08701	.48612	-5.99570	-3.29630	-9.557	.001
Pair 199	S_8 - S_25	6.55000	1.21285	.54240	5.04405	8.05595	12.076	.000
Pair 200	S_8 - S_26	8.31800	.78213	.34978	7.34686	9.28914	23.781	.000
Pair 201	S_8 - S_27	-.32600	.79406	.35511	-1.31195	.65995	-.918	.411
Pair 202	S_8 - S_28	4.53200	.68277	.30534	3.68423	5.37977	14.842	.000
Pair 203	S_8 - S_29	15.21800	1.32063	.59060	13.57822	16.85778	25.767	.000
Pair 204	S_8 - S_30	5.83800	1.36472	.61032	4.14347	7.53253	9.565	.001
Pair 205	S_9 - S_10	-10.95200	2.36621	1.05820	-13.89004	-8.01396	-10.350	.000
Pair 206	S_9 - S_11	-4.30400	1.68209	.75225	-6.39259	-2.21541	-5.721	.005
Pair 207	S_9 - S_12	3.88400	1.29826	.58060	2.27200	5.49600	6.690	.003
Pair 208	S_9 - S_13	-8.43400	1.33678	.59783	-10.09383	-6.77417	-14.108	.000
Pair 209	S_9 - S_14	-11.52400	1.75372	.78429	-13.70153	-9.34647	-14.694	.000
Pair 210	S_9 - S_15	-4.92800	1.57681	.70517	-6.88586	-2.97014	-6.988	.002
Pair 211	S_9 - S_16	.39400	1.91257	.85533	-1.98077	2.76877	.461	.669
Pair 212	S_9 - S_17	-8.33400	1.49634	.66918	-10.19195	-6.47605	-12.454	.000
Pair 213	S_9 - S_18	-14.98000	2.84739	1.27339	-18.51551	-11.44449	-11.764	.000
Pair 214	S_9 - S_19	-2.74200	1.96644	.87942	-5.18365	-.30035	-3.118	.036
Pair 215	S_9 - S_20	-11.70000	2.08318	.93163	-14.28661	-9.11339	-12.559	.000
Pair 216	S_9 - S_21	-4.64000	1.96217	.87751	-7.07635	-2.20365	-5.288	.006
Pair 217	S_9 - S_22	-8.60200	2.38612	1.06711	-11.56476	-5.63924	-8.061	.001
Pair 218	S_9 - S_23	-4.72200	1.59854	.71489	-6.70685	-2.73715	-6.605	.003
Pair 219	S_9 - S_24	-12.00400	2.11278	.94486	-14.62736	-9.38064	-12.704	.000
Pair 220	S_9 - S_25	-.80800	1.58541	.70902	-2.77654	1.16054	-1.140	.318
Pair 221	S_9 - S_26	.96000	1.59626	.71387	-1.02202	2.94202	1.345	.250
Pair 222	S_9 - S_27	-7.68400	1.76826	.79079	-9.87958	-5.48842	-9.717	.001
Pair 223	S_9 - S_28	-2.82600	1.78483	.79820	-5.04216	-.60984	-3.540	.024
Pair 224	S_9 - S_29	7.86000	2.46726	1.10339	4.79650	10.92350	7.123	.002
Pair 225	S_9 - S_30	-1.52000	1.34620	.60204	-3.19153	.15153	-2.525	.065
Pair 226	S_10 - S_11	6.64800	1.22177	.54639	5.13097	8.16503	12.167	.000
Pair 227	S_10 - S_12	14.83600	1.49251	.66747	12.98281	16.68919	22.227	.000
Pair 228	S_10 - S_13	2.51800	1.15684	.51735	1.08160	3.95440	4.867	.008
Pair 229	S_10 - S_14	-.57200	.96259	.43048	-1.76721	.62321	-1.329	.255
Pair 230	S_10 - S_15	6.02400	.90409	.40432	4.90142	7.14658	14.899	.000
Pair 231	S_10 - S_16	11.34600	1.72523	.77155	9.20384	13.48816	14.706	.000
Pair 232	S_10 - S_17	2.61800	1.01396	.45346	1.35900	3.87700	5.773	.004
Pair 233	S_10 - S_18	-4.02800	1.22577	.54818	-5.55000	-2.50600	-7.348	.002

Pair 234	S_10 - S_19	8.21000	.96910	.43339	7.00671	9.41329	18.944	.000
Pair 235	S_10 - S_20	-.74800	.57006	.25494	-1.45582	-.04018	-2.934	.043
Pair 236	S_10 - S_21	6.31200	.61067	.27310	5.55375	7.07025	23.112	.000
Pair 237	S_10 - S_22	2.35000	1.01546	.45413	1.08915	3.61085	5.175	.007
Pair 238	S_10 - S_23	6.23000	.80722	.36100	5.22771	7.23229	17.258	.000
Pair 239	S_10 - S_24	-1.05200	.80126	.35834	-2.04690	-.05710	-2.936	.043
Pair 240	S_10 - S_25	10.14400	1.47485	.65957	8.31273	11.97527	15.380	.000
Pair 241	S_10 - S_26	11.91200	1.05381	.47128	10.60352	13.22048	25.276	.000
Pair 242	S_10 - S_27	3.26800	.81362	.36386	2.25776	4.27824	8.981	.001
Pair 243	S_10 - S_28	8.12600	.85149	.38080	7.06874	9.18326	21.339	.000
Pair 244	S_10 - S_29	18.81200	1.00433	.44915	17.56497	20.05903	41.884	.000
Pair 245	S_10 - S_30	9.43200	1.91653	.85710	7.05232	11.81168	11.005	.000
Pair 246	S_11 - S_12	8.18800	.51183	.22890	7.55248	8.82352	35.771	.000
Pair 247	S_11 - S_13	-4.13000	.62221	.27826	-4.90258	-3.35742	-14.842	.000
Pair 248	S_11 - S_14	-7.22000	1.11707	.49957	-8.60703	-5.83297	-14.452	.000
Pair 249	S_11 - S_15	-.62400	.50491	.22580	-1.25092	.00292	-2.763	.051
Pair 250	S_11 - S_16	4.69800	1.14012	.50988	3.28236	6.11364	9.214	.001
Pair 251	S_11 - S_17	-4.03000	.60287	.26961	-4.77856	-3.28144	-14.947	.000
Pair 252	S_11 - S_18	-10.67600	1.79897	.80452	-12.90971	-8.44229	-13.270	.000
Pair 253	S_11 - S_19	1.56200	1.24849	.55834	.01180	3.11220	2.798	.049
Pair 254	S_11 - S_20	-7.39600	1.37322	.61412	-9.10108	-5.69092	-12.043	.000
Pair 255	S_11 - S_21	-.33600	.72631	.32482	-1.23784	.56584	-1.034	.359
Pair 256	S_11 - S_22	-4.29800	1.59194	.71194	-6.27465	-2.32135	-6.037	.004
Pair 257	S_11 - S_23	-.41800	.74119	.33147	-1.33832	.50232	-1.261	.276
Pair 258	S_11 - S_24	-7.70000	.54649	.24440	-8.37856	-7.02144	-31.506	.000
Pair 259	S_11 - S_25	3.49600	.67537	.30204	2.65741	4.33459	11.575	.000
Pair 260	S_11 - S_26	5.26400	.74490	.33313	4.33908	6.18892	15.802	.000
Pair 261	S_11 - S_27	-3.38000	.92766	.41486	-4.53184	-2.22816	-8.147	.001
Pair 262	S_11 - S_28	1.47800	.65048	.29090	.67033	2.28567	5.081	.007
Pair 263	S_11 - S_29	12.16400	1.38735	.62044	10.44138	13.88662	19.605	.000
Pair 264	S_11 - S_30	2.78400	.97328	.43527	1.57551	3.99249	6.396	.003
Pair 265	S_12 - S_13	-12.31800	.44841	.20053	-12.87477	-11.76123	-61.426	.000
Pair 266	S_12 - S_14	-15.40800	1.23577	.55265	-16.94241	-13.87359	-27.880	.000
Pair 267	S_12 - S_15	-8.81200	.70108	.31353	-9.68251	-7.94149	-28.105	.000
Pair 268	S_12 - S_16	-3.49000	.94599	.42306	-4.66460	-2.31540	-8.249	.001
Pair 269	S_12 - S_17	-12.21800	.63021	.28184	-13.00051	-11.43549	-43.351	.000
Pair 270	S_12 - S_18	-18.86400	2.17027	.97058	-21.55875	-16.16925	-19.436	.000
Pair 271	S_12 - S_19	-6.62600	1.49068	.66665	-8.47692	-4.77508	-9.939	.001
Pair 272	S_12 - S_20	-15.58400	1.53063	.68452	-17.48453	-13.68347	-22.766	.000
Pair 273	S_12 - S_21	-8.52400	1.06737	.47734	-9.84932	-7.19868	-17.857	.000
Pair 274	S_12 - S_22	-12.48600	1.89048	.84545	-14.83335	-10.13865	-14.768	.000
Pair 275	S_12 - S_23	-8.60600	.85667	.38311	-9.66969	-7.54231	-22.463	.000
Pair 276	S_12 - S_24	-15.88800	.99558	.44523	-17.12417	-14.65183	-35.685	.000
Pair 277	S_12 - S_25	-4.69200	.41985	.18776	-5.21331	-4.17069	-24.989	.000
Pair 278	S_12 - S_26	-2.92400	.76869	.34377	-3.87845	-1.96955	-8.506	.001
Pair 279	S_12 - S_27	-11.56800	.91179	.40777	-12.70014	-10.43586	-28.369	.000
Pair 280	S_12 - S_28	-6.71000	.94818	.42404	-7.88732	-5.53268	-15.824	.000
Pair 281	S_12 - S_29	3.97600	1.74666	.78113	1.80723	6.14477	5.090	.007

Pair 282	S_12 - S_30	-5.40400	.83772	.37464	-6.44417	-4.36383	-14.424	.000
Pair 283	S_13 - S_14	-3.09000	.97399	.43558	-4.29936	-1.88064	-7.094	.002
Pair 284	S_13 - S_15	3.50600	.45742	.20456	2.93804	4.07396	17.139	.000
Pair 285	S_13 - S_16	8.82800	1.01102	.45214	7.57265	10.08335	19.525	.000
Pair 286	S_13 - S_17	.10000	.29479	.13183	-.26603	.46603	.759	.490
Pair 287	S_13 - S_18	-6.54600	1.96062	.87682	-8.98043	-4.11157	-7.466	.002
Pair 288	S_13 - S_19	5.69200	1.22634	.54844	4.16929	7.21471	10.379	.000
Pair 289	S_13 - S_20	-3.26600	1.13297	.50668	-4.67277	-1.85923	-6.446	.003
Pair 290	S_13 - S_21	3.79400	.82670	.36971	2.76752	4.82048	10.262	.001
Pair 291	S_13 - S_22	-.16800	1.57177	.70292	-2.11961	1.78361	-.239	.823
Pair 292	S_13 - S_23	3.71200	.52950	.23680	3.05454	4.36946	15.676	.000
Pair 293	S_13 - S_24	-3.57000	.89275	.39925	-4.67849	-2.46151	-8.942	.001
Pair 294	S_13 - S_25	7.62600	.57752	.25828	6.90891	8.34309	29.527	.000
Pair 295	S_13 - S_26	9.39400	.61468	.27489	8.63078	10.15722	34.173	.000
Pair 296	S_13 - S_27	.75000	.57101	.25536	.04100	1.45900	2.937	.043
Pair 297	S_13 - S_28	5.60800	.70790	.31658	4.72903	6.48697	17.714	.000
Pair 298	S_13 - S_29	16.29400	1.56046	.69786	14.35644	18.23156	23.349	.000
Pair 299	S_13 - S_30	6.91400	1.10801	.49552	5.53823	8.28977	13.953	.000
Pair 300	S_14 - S_15	6.59600	.70148	.31371	5.72499	7.46701	21.026	.000
Pair 301	S_14 - S_16	11.91800	1.92657	.86159	9.52585	14.31015	13.833	.000
Pair 302	S_14 - S_17	3.19000	1.00322	.44865	1.94434	4.43566	7.110	.002
Pair 303	S_14 - S_18	-3.45600	1.19249	.53330	-4.93667	-1.97533	-6.480	.003
Pair 304	S_14 - S_19	8.78200	.51693	.23118	8.14014	9.42386	37.988	.000
Pair 305	S_14 - S_20	-.17600	.68446	.30610	-1.02586	.67386	-.575	.596
Pair 306	S_14 - S_21	6.88400	.67792	.30318	6.04225	7.72575	22.706	.000
Pair 307	S_14 - S_22	2.92200	1.23455	.55211	1.38910	4.45490	5.292	.006
Pair 308	S_14 - S_23	6.80200	.49792	.22267	6.18376	7.42024	30.547	.000
Pair 309	S_14 - S_24	-.48000	1.03892	.46462	-1.76999	.80999	-1.033	.360
Pair 310	S_14 - S_25	10.71600	1.46391	.65468	8.89832	12.53368	16.368	.000
Pair 311	S_14 - S_26	12.48400	.57064	.25520	11.77546	13.19254	48.919	.000
Pair 312	S_14 - S_27	3.84000	.83460	.37324	2.80371	4.87629	10.288	.001
Pair 313	S_14 - S_28	8.69800	.95557	.42735	7.51150	9.88450	20.354	.000
Pair 314	S_14 - S_29	19.38400	.83632	.37401	18.34557	20.42243	51.827	.000
Pair 315	S_14 - S_30	10.00400	1.27630	.57078	8.41927	11.58873	17.527	.000
Pair 316	S_15 - S_16	5.32200	1.33665	.59777	3.66234	6.98166	8.903	.001
Pair 317	S_15 - S_17	-3.40600	.38175	.17072	-3.88000	-2.93200	-19.951	.000
Pair 318	S_15 - S_18	-10.05200	1.53431	.68617	-11.95710	-8.14690	-14.650	.000
Pair 319	S_15 - S_19	2.18600	.83710	.37436	1.14661	3.22539	5.839	.004
Pair 320	S_15 - S_20	-6.77200	.90159	.40320	-7.89148	-5.65252	-16.795	.000
Pair 321	S_15 - S_21	.28800	.41027	.18348	-.22142	.79742	1.570	.192
Pair 322	S_15 - S_22	-3.67400	1.22431	.54753	-5.19418	-2.15382	-6.710	.003
Pair 323	S_15 - S_23	.20600	.26283	.11754	-.12035	.53235	1.753	.155
Pair 324	S_15 - S_24	-7.07600	.58321	.26082	-7.80015	-6.35185	-27.130	.000
Pair 325	S_15 - S_25	4.12000	.89149	.39869	3.01307	5.22693	10.334	.000
Pair 326	S_15 - S_26	5.88800	.51973	.23243	5.24267	6.53333	25.332	.000
Pair 327	S_15 - S_27	-2.75600	.64956	.29049	-3.56254	-1.94946	-9.487	.001
Pair 328	S_15 - S_28	2.10200	.39493	.17662	1.61163	2.59237	11.901	.000
Pair 329	S_15 - S_29	12.78800	1.13308	.50673	11.38110	14.19490	25.236	.000

Pair 330	S_15 - S_30	3.40800	1.11473	.49852	2.02388	4.79212	6.836	.002
Pair 331	S_16 - S_17	-8.72800	1.05353	.47115	-10.03613	-7.41987	-18.525	.000
Pair 332	S_16 - S_18	-15.37400	2.73838	1.22464	-18.77415	-11.97385	-12.554	.000
Pair 333	S_16 - S_19	-3.13600	2.15395	.96327	-5.81048	-.46152	-3.256	.031
Pair 334	S_16 - S_20	-12.09400	1.93348	.86468	-14.49473	-9.69327	-13.987	.000
Pair 335	S_16 - S_21	-5.03400	1.58006	.70662	-6.99590	-3.07210	-7.124	.002
Pair 336	S_16 - S_22	-8.99600	2.29840	1.02787	-11.84984	-6.14216	-8.752	.001
Pair 337	S_16 - S_23	-5.11600	1.46287	.65421	-6.93239	-3.29961	-7.820	.001
Pair 338	S_16 - S_24	-12.39800	1.38464	.61923	-14.11725	-10.67875	-20.022	.000
Pair 339	S_16 - S_25	-1.20200	.54979	.24587	-1.88466	-.51934	-4.889	.008
Pair 340	S_16 - S_26	.56600	1.46469	.65503	-1.25266	2.38466	.864	.436
Pair 341	S_16 - S_27	-8.07800	1.22630	.54842	-9.60066	-6.55534	-14.730	.000
Pair 342	S_16 - S_28	-3.22000	1.39424	.62352	-4.95118	-1.48882	-5.164	.007
Pair 343	S_16 - S_29	7.46600	2.35868	1.05483	4.53731	10.39469	7.078	.002
Pair 344	S_16 - S_30	-1.91400	1.73506	.77594	-4.06836	.24036	-2.467	.069
Pair 345	S_17 - S_18	-6.64600	1.85647	.83024	-8.95111	-4.34089	-8.005	.001
Pair 346	S_17 - S_19	5.59200	1.13489	.50754	4.18285	7.00115	11.018	.000
Pair 347	S_17 - S_20	-3.36600	1.03300	.46197	-4.64863	-2.08337	-7.286	.002
Pair 348	S_17 - S_21	3.69400	.69212	.30953	2.83462	4.55338	11.934	.000
Pair 349	S_17 - S_22	-.26800	1.34634	.60210	-1.93970	1.40370	-.445	.679
Pair 350	S_17 - S_23	3.61200	.51095	.22850	2.97757	4.24643	15.807	.000
Pair 351	S_17 - S_24	-3.67000	.76368	.34153	-4.61823	-2.72177	-10.746	.000
Pair 352	S_17 - S_25	7.52600	.70294	.31437	6.65318	8.39882	23.940	.000
Pair 353	S_17 - S_26	9.29400	.76150	.34055	8.34847	10.23953	27.291	.000
Pair 354	S_17 - S_27	.65000	.65242	.29177	-.16008	1.46008	2.228	.090
Pair 355	S_17 - S_28	5.50800	.45899	.20527	4.93809	6.07791	26.834	.000
Pair 356	S_17 - S_29	16.19400	1.47714	.66060	14.35989	18.02811	24.514	.000
Pair 357	S_17 - S_30	6.81400	1.29295	.57823	5.20859	8.41941	11.784	.000
Pair 358	S_18 - S_19	12.23800	.92096	.41187	11.09448	13.38152	29.714	.000
Pair 359	S_18 - S_20	3.28000	1.23181	.55088	1.75051	4.80949	5.954	.004
Pair 360	S_18 - S_21	10.34000	1.18368	.52936	8.87027	11.80973	19.533	.000
Pair 361	S_18 - S_22	6.37800	1.18405	.52952	4.90781	7.84819	12.045	.000
Pair 362	S_18 - S_23	10.25800	1.45349	.65002	8.45326	12.06274	15.781	.000
Pair 363	S_18 - S_24	2.97600	1.41300	.63191	1.22152	4.73048	4.709	.009
Pair 364	S_18 - S_25	14.17200	2.33703	1.04515	11.27019	17.07381	13.560	.000
Pair 365	S_18 - S_26	15.94000	1.57709	.70529	13.98179	17.89821	22.600	.000
Pair 366	S_18 - S_27	7.29600	1.74918	.78226	5.12411	9.46789	9.327	.001
Pair 367	S_18 - S_28	12.15400	1.52477	.68190	10.26075	14.04725	17.824	.000
Pair 368	S_18 - S_29	22.84000	.43110	.19280	22.30471	23.37529	118.468	.000
Pair 369	S_18 - S_30	13.46000	2.13912	.95665	10.80393	16.11607	14.070	.000
Pair 370	S_19 - S_20	-8.95800	.68889	.30808	-9.81337	-8.10263	-29.077	.000
Pair 371	S_19 - S_21	-1.89800	.67251	.30076	-2.73303	-1.06297	-6.311	.003
Pair 372	S_19 - S_22	-5.86000	.80985	.36217	-6.86556	-4.85444	-16.180	.000
Pair 373	S_19 - S_23	-1.98000	.72791	.32553	-2.88382	-1.07618	-6.082	.004
Pair 374	S_19 - S_24	-9.26200	1.07125	.47908	-10.59213	-7.93187	-19.333	.000
Pair 375	S_19 - S_25	1.93400	1.72330	.77069	-.20577	4.07377	2.509	.066
Pair 376	S_19 - S_26	3.70200	.98182	.43908	2.48291	4.92109	8.431	.001
Pair 377	S_19 - S_27	-4.94200	1.17578	.52583	-6.40193	-3.48207	-9.399	.001

Pair 378	S_19 - S_28	-.08400	.88379	.39524	-1.18137	1.01337	-.213	.842
Pair 379	S_19 - S_29	10.60200	.63259	.28290	9.81654	11.38746	37.476	.000
Pair 380	S_19 - S_30	1.22200	1.55595	.69584	-.70996	3.15396	1.756	.154
Pair 381	S_20 - S_21	7.06000	.73861	.33032	6.14289	7.97711	21.373	.000
Pair 382	S_20 - S_22	3.09800	.88030	.39368	2.00497	4.19103	7.869	.001
Pair 383	S_20 - S_23	6.97800	.69798	.31214	6.11135	7.84465	22.355	.000
Pair 384	S_20 - S_24	-.30400	1.11834	.50014	-1.69260	1.08460	-.608	.576
Pair 385	S_20 - S_25	10.89200	1.61905	.72406	8.88169	12.90231	15.043	.000
Pair 386	S_20 - S_26	12.66000	1.00913	.45130	11.40700	13.91300	28.052	.000
Pair 387	S_20 - S_27	4.01600	.85196	.38101	2.95816	5.07384	10.541	.000
Pair 388	S_20 - S_28	8.87400	.92705	.41459	7.72291	10.02509	21.404	.000
Pair 389	S_20 - S_29	19.56000	1.01496	.45391	18.29976	20.82024	43.093	.000
Pair 390	S_20 - S_30	10.18000	1.85621	.83012	7.87522	12.48478	12.263	.000
Pair 391	S_21 - S_22	-3.96200	.99748	.44609	-5.20054	-2.72346	-8.882	.001
Pair 392	S_21 - S_23	-.08200	.43373	.19397	-.62054	.45654	-.423	.694
Pair 393	S_21 - S_24	-7.36400	.42665	.19080	-7.89376	-6.83424	-38.595	.000
Pair 394	S_21 - S_25	3.83200	1.18831	.53143	2.35652	5.30748	7.211	.002
Pair 395	S_21 - S_26	5.60000	.69505	.31084	4.73698	6.46302	18.016	.000
Pair 396	S_21 - S_27	-3.04400	.76526	.34224	-3.99420	-2.09380	-8.894	.001
Pair 397	S_21 - S_28	1.81400	.43776	.19577	1.27045	2.35755	9.266	.001
Pair 398	S_21 - S_29	12.50000	.80960	.36206	11.49475	13.50525	34.524	.000
Pair 399	S_21 - S_30	3.12000	1.38903	.62119	1.39529	4.84471	5.023	.007
Pair 400	S_22 - S_23	3.88000	1.18792	.53125	2.40500	5.35500	7.303	.002
Pair 401	S_22 - S_24	-3.40200	1.29939	.58111	-5.01541	-1.78859	-5.854	.004
Pair 402	S_22 - S_25	7.79400	2.01690	.90198	5.28969	10.29831	8.641	.001
Pair 403	S_22 - S_26	9.56200	1.58031	.70673	7.59979	11.52421	13.530	.000
Pair 404	S_22 - S_27	.91800	1.53882	.68818	-.99270	2.82870	1.334	.253
Pair 405	S_22 - S_28	5.77600	.98307	.43964	4.55536	6.99664	13.138	.000
Pair 406	S_22 - S_29	16.46200	1.10189	.49278	15.09382	17.83018	33.406	.000
Pair 407	S_22 - S_30	7.08200	2.19520	.98173	4.35629	9.80771	7.214	.002
Pair 408	S_23 - S_24	-7.28200	.72875	.32590	-8.18686	-6.37714	-22.344	.000
Pair 409	S_23 - S_25	3.91400	1.03060	.46090	2.63434	5.19366	8.492	.001
Pair 410	S_23 - S_26	5.68200	.43476	.19443	5.14217	6.22183	29.224	.000
Pair 411	S_23 - S_27	-2.96200	.52428	.23447	-3.61298	-2.31102	-12.633	.000
Pair 412	S_23 - S_28	1.89600	.55617	.24873	1.20542	2.58658	7.623	.002
Pair 413	S_23 - S_29	12.58200	1.06704	.47719	11.25710	13.90690	26.367	.000
Pair 414	S_23 - S_30	3.20200	1.20246	.53776	1.70894	4.69506	5.954	.004
Pair 415	S_24 - S_25	11.19600	1.03142	.46127	9.91532	12.47668	24.272	.000
Pair 416	S_24 - S_26	12.96400	.84070	.37597	11.92013	14.00787	34.481	.000
Pair 417	S_24 - S_27	4.32000	.89042	.39821	3.21440	5.42560	10.849	.000
Pair 418	S_24 - S_28	9.17800	.56451	.25246	8.47707	9.87893	36.355	.000
Pair 419	S_24 - S_29	19.86400	1.04973	.46945	18.56059	21.16741	42.313	.000
Pair 420	S_24 - S_30	10.48400	1.38861	.62100	8.75982	12.20818	16.882	.000
Pair 421	S_25 - S_26	1.76800	.96857	.43316	.56537	2.97063	4.082	.015
Pair 422	S_25 - S_27	-6.87600	.89263	.39919	-7.98434	-5.76766	-17.225	.000
Pair 423	S_25 - S_28	-2.01800	1.05916	.47367	-3.33312	-.70288	-4.260	.013
Pair 424	S_25 - S_29	8.66800	1.93047	.86333	6.27100	11.06500	10.040	.001
Pair 425	S_25 - S_30	-.71200	1.20535	.53905	-2.20864	.78464	-1.321	.257

Pair 426	S_26 - S_27	-8.64400	.54921	.24561	-9.32593	-7.96207	-35.194	.000
Pair 427	S_26 - S_28	-3.78600	.90129	.40307	-4.90510	-2.66690	-9.393	.001
Pair 428	S_26 - S_29	6.90000	1.16698	.52189	5.45100	8.34900	13.221	.000
Pair 429	S_26 - S_30	-2.48000	.93469	.41801	-3.64057	-1.31943	-5.933	.004
Pair 430	S_27 - S_28	4.85800	.89071	.39834	3.75203	5.96397	12.196	.000
Pair 431	S_27 - S_29	15.54400	1.39265	.62281	13.81479	17.27321	24.958	.000
Pair 432	S_27 - S_30	6.16400	1.40712	.62928	4.41683	7.91117	9.795	.001
Pair 433	S_28 - S_29	10.68600	1.17560	.52574	9.22630	12.14570	20.326	.000
Pair 434	S_28 - S_30	1.30600	1.43441	.64149	-.47505	3.08705	2.036	.111
Pair 435	S_29 - S_30	-9.38000	1.72238	.77027	-11.51862	-7.24138	-12.178	.000



# Appendix-4

Items of Disclosure Required by the Different  
Statutes

#### **4.1 Required items of disclosure as per Listing Regulations, 1996**

AS per section 37, Annual published accounts and report of Issuer Company shall contain among other information:

1. A full list of investment (quoted and unquoted) held outside the group as investments by the company.
2. Holdings in associate and subsidiaries with the relative percentage.
3. Classification and number of shareholders with percentage of total holdings under each category of share
4. A director's report, in addition to the requirements of the Companies Act, 1994 shall contain:
  - (i) Names of the Directors of the company who were at any time during the financial year.
  - (ii) The principal activities of the company and its subsidiaries during the year and any changes therein.
  - (iii) Significant changes in the company's or its subsidiaries fixed assets and the market value of land.
  - (iv) Issue of shares and debentures and the reason for the issue.
  - (v) Acquisition of share or debentures of the company by Directors
  - (vi) A statement for each Director whether or not he had an interest in any other body corporate within the group
  - (vii) Segment analysis of turnover, operating profit and asset
  - (viii) The sum total of contributions made to government approved charities and other charities by the company exceeding Tk. 50,000/-
  - (ix) Where items are shown in the Directors' Report instead of in the accounts of the company, the corresponding amounts for the immediately preceding year
5. Contingencies and event occurring after the Balance Sheet Date.

#### **4.2. Required items of disclosure as per Schedule prescribed by Rules 12 (2) of SEC Rules, 1987**

##### **Requirements as to Balance Sheet as per part- I**

1. The classification of assets as Fixed Assets, Long-Term Prepayments and Deferred Costs, Investments, Loans and Advances and Current Assets
2. The classification of liabilities as Share Capital, Reserves and Surplus, Long-Term Loans and Deferred Liabilities and Current Liabilities and Provisions
3. The distinction of fixed assets as tangible and intangible
4. The distinction of land between free-hold and leasehold
5. The distinction of building between buildings on freehold land and those on leasehold land

6. The original cost of tangible assets, and the additions thereto and deductions there from
7. Long-term prepayments and deferred costs,
8. The separate sub-heads and the aggregate amounts of investments
9. The mode of valuation of investments
10. Amount of loans and advances
11. The classification of current assets
12. The separation of stores, spare parts and loose tools
13. The separation of stock-in-trade
14. The separation of good debts and bad debts
15. The trade deposits and short term prepayments
16. Bills receivable
17. Interest accrued or interest outstanding
18. Balances on current account with the managing agents, managers and directors the maximum amount held by any of them at any time
19. Tax refunds due from Government, showing separately excise duties, customs duties, sales tax, income-tax etc
20. Cash and bank balances
21. Aggregate amount due by directors (including managing director), managing agents, managers and other officers of the company
22. Aggregate amount due by associated undertakings
23. Maximum amount of debts
24. Preliminary expenses, discount allowed on the issue of shares and expenses incurred on the issue of shares or debentures
25. The classification of intangible assets
26. Classification of share capital and reserves
27. Paid up capital, distinguishing between different classes of preference and equity shares
28. Reserves, distinguishing between capital reserves and revenue reserves
29. Authorized share capital distinguishing between various classes of shares and stating the number and value of each class
30. Issued share capital distinguishing between various classes of shares and stating the number and value of each class
31. Subscribed share capital distinguishing between various classes of shares and stating the number and value of each class
32. Called up share capital distinguishing between various classes of shares and stating the number and value of each class
33. Paid up share capital, distinguishing in respect of each class between (a) shares allotted for consideration paid in cash, (b) shares allotted for consideration other than cash and (c) bonus shares and stating the number and value of each class
34. Particulars of any option on unissued shares
35. Terms of redemption or conversion of preference shares
36. The number of shares class held by the holding company as well as by the ultimate company, if any, and its subsidiaries
37. Long-Term Loans:
  - a) Classified as- i) Secured and ii) unsecured
  - b) Sources of loan:
    - i) Banking companies and financial institutions
    - ii) Subsidiary companies
    - iii) Controlled firms
    - iv) Associated undertaking

- v) Employees, directors and executives
- c) Others (to be specified)
- 38. Classification of current liabilities and provisions
- 39. Deferred liabilities:
  - a. deferred liability for taxation
  - b. consumer's deposits with utility companies
  - c. deferred liability for Workers' Participation Fund
  - d. provident fund
  - e. pension, gratuity and insurance
  - f. other staff benefit schemes
- 40. Current Liabilities & Provisions
  - 1. Short-term Loans:
    - a. Secured
    - b. Unsecured
    - c. Amount and sources of short term loans:
      - i. Banking company and financial institutions
      - ii. Subsidiary companies
      - iii. Controlled firms
      - iv. Associated undertaking and related parts
      - v. Employees, directors and executives
      - vi. Directors including Managing Directors
      - vii. installments of long-terms debt
      - viii. Others
  - 2. Deposits
  - 3. Creditors
  - 4. Accrued liabilities
  - 5. Bills payable
  - 6. Advance payment, unexpired discount & deferred income
  - 7. Interest accrued on secured loans
  - 8. Interest accrued on unsecured loans
  - 9. Unclaimed dividend
  - 10. Unpaid dividend
  - 11. Proposed dividend
  - 12. Provisions for dividend tax
  - 13. Provisions for tax
  - 14. Other (to be specified)

#### **Requirements as to Foot Notes**

- 1. Claims against the company not acknowledged as debt
- 2. Uncalled liability on partly shares
- 3. Arrears of fixed cumulative dividends on preference shares
- 4. The aggregate amount of contracts for capital expenditure
- 5. Any other sum for which the company is contingently liable
- 6. Description and amount of guarantees:
  - Directors
  - Chief executive
  - Managing agents
  - Employees
  - Associate undertaking/Related parties
  - Subsidiaries
  - Any other person
- 7. Change of Accounting Policies and their effects:

- Change in the mode of valuation of the stock-in-trade
- Change in the method of changing depreciation
- 8. The basis on which foreign currencies have been converted into taka
- 9. The general nature of any credit facilities available to the company
- 10. The corresponding amounts at the end of the immediately preceding accounting year for all items shown in the balance sheet
- 11. Off balance sheet items

### **Requirements of Profit and Loss Account as Per Part II of SEC Rules, 1987**

1. Profit and Loss Account
  - (a) Result of operation
  - (b) Period covered by the accounts
  - (c) Arrangement of account as most convenient heads
2. Turnover after deduction of commission, brokerage and discount on sales
3. Income from investments ( show separately):
  - (a) subsidiary company
  - (b) associated undertaking
  - (c) controlled firms
  - (d) other investments
4. Income by way of interest on loans and advances and other interest
5. Income from sale of bonus vouchers
6. Profit on sale of investments
7. Profit on sale of items of fixed assets
8. Profit in respect of transactions, of an exceptional or non-recurring nature
9. Other income
10. The value of stock-in-trade, including raw materials and components, work in progress and finished products
11. Purchase of raw materials and components and finished products
12. Items of expenses should be disclosed separately
13. Stores and spares parts consumed
14. Fuel and power
15. Salaries and wages including staff welfare expenses
16. Repairs and maintenance
17. Rent, rates and taxes
18. Insurance
19. Patents, copyrights, trademarks, design, royalties and technical assistance
20. Remuneration of Auditors
21. Remuneration of managing agents
22. Provision for depreciation
23. Method adopted for making such provision
24. Interest on borrowings
25. Loss on sale of investments
26. Loss on sale of items of fixed assets
27. Debts written off as irrecoverable
28. Provision for doubtful or bad debts
29. Provision for diminution in value of investments
30. Provision for losses of subsidiary companies, controlled firms and associated undertakings
31. Provision for taxation on income, capital gains and other tax or taxes
32. Provision for meeting specific liabilities, contingencies or commitments
33. Reserve for dividend proposed

34. Profit and the loss arising from 'hedge' and 'forward' contracts, trading in 'futures' and 'badla
35. Notes for Fees, remuneration, allowances, commission, perquisites or benefits or in any other form or manner
  - a. Directors including managing director
  - b. Managing agents and officers by the company
  - c. Subsidiary companies
  - d. Controlled firms
  - e. Other associated undertaking
36. Notes for sale of an item of fixed assets otherwise than through a regular auction
  - a. Original cost
  - b. Accumulated depreciation
  - c. Written down value
  - d. Particulars of the purchasers ( e.g. a director or officer, managing agent etc)
37. Cost of goods manufactured ( Manufacturing concern)
38. The working results of each such unit or line of business

#### **Requirements of Cash Flow Statement as per Part III of SEC Rules, 1987**

1. Cash flow from operating, investing and financial activities
  - A. 1. The major classes of gross cash receipts and gross cash payments from operating activities, using the direct method
  2. Interest paid on short term borrowing
  3. Taxes on income paid and/or deducted at sources
  - B. 1. Cash receipts from sales of fixed assets, intangibles and other long-term assets
  2. Cash receipts from repayments of long-term loans and advance
  3. Acquisitions and disposals of subsidiaries and other business units
  4. Interest and dividend received.
  5. Cash payments for acquisition of fixed assets, long-term payment and referred costs, investments, loans and advances
  - C. 1. Cash proceeds from issuing shares at par, premium and discount;
  2. Cash precedes from issuing debentures, loans and other short or long term borrowings;
  3. Cash repayments of amounts borrowed;
  4. Interest paid on long-term borrowings; and
  5. Dividend paid.
2. Investing and financing transactions that do not require the use of cash
3. Cash and cash equivalents not available for use
4. Components of cash and cash equivalents at the balance sheet date

### 4.3 Disclosure Requirements of Corporate Governance Guidelines, 2006

#### 1.00 Board of Directors:

##### 1.1. Board's Size

The number of the board members of the company should not be less than 5 (five) and more than 20 (twenty):

##### 1.2. Independent Directors

All companies should encourage effective representation of independent directors on their Board of Directors so that the Board, as a group, includes core competencies considered relevant in the context of each company. For this purpose, the companies should comply with the following:-

- (i) At least one tenth (1/10) of the total number of the company's board of directors, subject to a minimum of one, should be independent directors.
- (ii) The independent director(s) should be appointed by the elected directors.

##### 1.3. Chairman of the Board and Chief Executive

The positions of the Chairman of the Board and the Chief Executive Officer of the companies should preferably be filled by different individuals. The Chairman of the company should be elected from among the directors of the company. The Board of Directors should clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.

##### 1.4. The Director's Report to Shareholders

The directors of the companies should include following additional statements in the Directors' Report prepared under section 184 of the Companies Act, 1994:-

- (a) The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the issuer company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- (d) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.
- (g) Significant deviations from last year in operating results of the issuer company should be highlighted and reasons thereof should be explained.
- (h) Key operating and financial data of at least preceding three years should be summarized.
- (i) If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof should be given.
- (j) The number of Board meetings held during the year and attendance by each director should be disclosed.
- (k) The pattern of shareholding should be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-
  - (i) Parent/Subsidiary/Associated companies and other related parties (name wise details);
  - (ii) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);(iii) Executives; and

(iv) Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).

## 2.00 Chief Financial Officer (CFO), Head of Internal Audit, And Company Secretary

### 2.1 Appointment

The company should appoint a Chief Financial Officer (CFO), a Head of Internal Audit and a Company Secretary. The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the Company Secretary.

### 2.2 Requirement to Attend Board Meetings

The CFO and the Company Secretary of the companies should attend meetings of the Board of Directors, provided that the CFO and/or the Company Secretary should not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to the CFO and/or the Company Secretary.

## 3.00 Audit Committee:

The company should have an Audit Committee as a sub-committee of the Board of Directors.

The Audit Committee should assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.

The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee should be clearly set forth in writing.

### 3.1 Constitution of Audit Committee

(i) The Audit Committee should be composed of at least 3 (three) members.

(ii) The Board of Directors should appoint members of the Audit Committee who should be directors of the company and should include at least one independent director.

(iii) When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors should appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.

### 3.2 **Chairman of the Audit Committee**

(i) The Board of Directors should select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee.

(ii) The Chairman of the audit committee should have a professional qualification or knowledge, understanding and experience in accounting or finance.

### 3.3 **Reporting of the Audit Committee**

#### 3.3.1 Reporting to the Board of Directors

(i) The Audit Committee should report on its activities to the Board of Directors.

(ii) The Audit Committee should immediately report to the Board of Directors on the following findings, if any:-

(a) Report on conflicts of interests;

(b) Suspected or presumed fraud or irregularity or material defect in the internal control system;

(c) Suspected infringement of laws, including securities related laws, rules and regulations; and

(d) Any other matter which should be disclosed to the Board of Directors immediately.



### 3.3.2 **Reporting to the Authorities**

If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee should report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 9 (nine) months from the date of first reporting to the Board of Directors, whichever is earlier.

### 3.4 **Reporting to the Shareholders and General Investors**

Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.3.1 (ii) above during the year, should be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.

### 4.00 **External / Statutory Auditors**

The issuer company should not engage its external/statutory auditors to perform the following services of the company; namely:-

- (i) Appraisal or valuation services or fairness opinions;
- (ii) Financial information systems design and implementation;
- (iii) Book-keeping or other services related to the accounting records or financial statements;
- (iv) Broker-dealer services;
- (v) Actuarial services;
- (vi) Internal audit services; and
- (vii) Any other service that the Audit Committee determines.

### 5.00 **Reporting the Compliance in the Director's Report**

The directors of the company shall state, in accordance with the annexure attached, in the directors' report whether the company has complied with these conditions.

## **4.4. Disclosure Requirements of Balance Sheet as per Schedule -X1, Part-I of Companies Act, 1994**

The balance sheet of a company shall contain a summary of the property and assets and of the capital and liabilities of the company, giving a true and fair view of affairs as at the end of the financial year, and it shall, subject to the provisions of this section be in the forms set out in Part-I of Schedule XI.

1. Share Capital:
  - a. authorized share capital distinguishing between various classes of shares and stating the number and value of each class
  - b. issued share capital distinguishing between various classes of shares and stating the number and value of each class
  - c. subscribed share capital distinguishing between various classes of shares and stating the number and value of each class
  - d. called up share capital distinguishing between various classes of shares and stating the number and value of each class
  - e. paid up share capital, distinguishing in respect of each class between (a) shares allotted for consideration paid in cash, (b) shares allotted for consideration other than cash and (c) bonus shares and stating the number and value of each class
2. Particulars of any option on unissued shares

3. Preference shares capital distinguishing between various classes of shares and stating the number and value of each class
4. The number of shares of various classes held by the holding company as well as by the subsidiary companies
5. The sources of issuing bonus share i.e. Reserves, share premium etc.
6. The number of fully paid bonus shares less unpaid amount of called up capital
7. The proceeds of issuing forfeited share transferred to capital reserve or capital profit
8. Reserve and Surplus:
  - a. Capital reserve
  - b. Capital Redemption
  - c. Share premium
  - d. Others reserves less debit balance of Profit & Loss Account
  - e. Credit balance of Profit & Loss Account after making Appropriation
  - f. Sinking Fund
9. Secured Long term loans:
  - a. Debenture
  - b. Loans from Banking company and financial institutions
  - c. Loans from Subsidiary companies
  - d. Loans from Controlled firms
  - e. Loans from Associated undertaking and related parts
  - f. Loans from Directors including Managing Directors, managing agents and managers.
10. Unsecured Long term loans:
  - a. Term loans
  - b. Loans from Subsidiary companies
  - c. Others
11. Short term loans :
  - a. From Banks
  - b. Current Liabilities and Provision from others sources
12. Current Liabilities:
  - a. Short term loans and advances from banks and others sources
  - b. Current portion of long term loans
  - c. Accounts Payable- For Goods & For Services
  - d. Liabilities to Subsidiary companies
  - e. Unclaimed Dividend
  - f. Unearned Revenue
  - g. Accrued interest on loans
  - h. Provision and reserve
  - i. Provision for tax
  - j. Proposed Dividend
  - k. Provision for contingent expenses
  - l. Provision for Provident Fund
  - m. Provision for Insurance, Pension and other employees' welfare fund
13. Fixed Assets (show separately, stating in every case the original cost and the addition thereto and deductions there-from during the year, and the total depreciation written off under each head :
  - a. Goodwill
  - b. Land
  - c. Buildings
  - d. Leasehold Properties

- e. Railway Sidings
  - f. Plant & Machinery
  - g. Development of Property
  - h. Patents, Trademarks and designs
  - i. Vehicles
14. Preliminary Expenses
15. Investments ( showing nature of investment and mode of valuation e.g., Cost or Market Value and distinguishing the following way):
- a. Investment in Government or Trust Securities
  - b. Investment in shares, debentures or bonds showing separately shares fully paid up and partly paid up
  - c. Investment in immovable properties
  - d. Investment in partnership firms (show separately the firm's name, Partners' name and their share of capital etc.)
16. Current Assets, Loans and advances:
- a. Loose tools
  - b. Interest accrued on investment
  - c. Stock-in-trade (show separately raw materials, work-in-process & finished goods)
  - d. Accounts Receivable:  
Amount due more than six months  
Amount receivable less provision (show separately Good Debt & Bad Debt)
  - e. Cash:  
In Hand  
At Bank (show separately balance deposited with State or Schedule Banks and others)
  - f. Loans and advances  
Loans given to subsidiary companies  
Loans given to partnership firm
  - g. Bills of exchange
  - h. Cash balance deposited with Agents
  - i. Cash balance deposited with Custom Authority payable on demand
  - j. Recoverable in cash or in kind or for value to be received, e.g., Rates, Taxes, Insurance, etc.
17. Unadjusted Expenses:
- a. Written off portion of Preliminary expenses
  - b. Underwriter commission of issuing share & debentures
  - c. Discount on issuing share & debentures
  - d. Interest paid out of capital during construction
  - e. Unadjusted development expenses
18. Debit balance of Profit & Loss Account

Schedule XI, Part I also lays down some general instructions for the preparation of the Balance Sheet, e.g.:

- (a) All material information should be disclosed that is necessary to make the balance sheet clear and understandable.
- (b) Any restriction on the title to assets should be clearly stated.
- (c) The balance sheet shall include a brief description of the nature of the activities of the enterprise.

- (d) Going concern, consistency and accrual are fundamental accounting assumptions which shall be followed in the preparation of the balance sheet. If a fundamental accounting assumption is not followed that fact should be disclosed together with reasons.
- (e) Balance sheet shall include clear and concise disclosure of all significant accounting policies which have been used.
- (f) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with reasons. The effect of the change should, if material, be disclosed and quantified.
- (g) A statement of changes in financial position shall be included as an integral part of the financial statements, and shall be presented for each period for which the profit and loss account has been prepared.
- (h) Assets and liabilities should be adjusted for events occurring after the balance sheet date that provide additional evidence to assist with the estimation of amounts relating to conditions existing at the balance sheet date or that indicate that the going concern assumption is related to the whole or part of the enterprise is not appropriate.
- (i) Dividends declared by the subsidiary companies after the date of the balance sheet should not be included unless they are in respect of periods which closed or before the date of the balance sheet.
- (j) Any reference to benefits expected from contracts to the extent not executed shall not be made in the balance sheet but shall be made in the Board's Report.
- (k) Current accounts with directors, managing agents, managers, whether they are in credit or debit shall be shown separately.
- (l) The information required to be given under any of the items or sub-items in this form, if it cannot be conveniently included in the balance sheet itself, shall be furnished in a separate schedule or schedules to be annexed to and to form part of the balance sheet. This is recommended when items are numerous.

#### **4.5. Disclosure Requirements of profit and loss accounts as per Schedule – X1, Part-II of Companies Act, 1994**

Every profit and loss account of a company shall give a proper view of the profit and or loss of the company for the financial year and shall, subject as aforesaid, comply with the requirements of Part II of Schedule XI

While there is no specified form given for Profit and loss Account, the requirements of disclosure are listed as follows;

1. Turnover and volumes by class of goods
2. Commission and discounts paid
3. Raw material costs and volumes by item ( manufacturing concern)
4. Opening and closing stocks of finished goods ( manufacturing concern)

5. Costs and volume of sales and purchases of goods by items ( trading concern)
6. Opening and closing stocks of finished goods( trading concern)
7. Service Revenue ( servicing concern)
8. Opening and closing stocks of raw materials
9. Work in Progress
10. Depreciation
11. Interest paid to managing director, managing agents and managers
12. Taxes
13. Reserve for redeeming share capital and debts
14. Amount withdrawn from this reserve
15. Provisions
16. Consumption of spares and stores
17. Power & Fuel
18. Rent
19. Salaries , wages and bonus (and other details )
20. Repairs to buildings and machinery (separately )
21. Contribution to provident and other funds
22. Staff welfare expenses
23. Reserve for pension, gratuity, compensation etc.
24. Insurance
25. Property rates & taxes
26. Income from investments
27. Profit or loss on disposal of investments
28. Detailed remunerations of Directors and Managers
29. Dividends paid, payable and unclaimed
30. Auditors' remuneration split by service
31. Installed capacity and actual production
32. Value of imports by category
33. Proportion of local raw materials , spares etc. to total
34. Foreign exchange spent on raw material and spares imported
35. Foreign exchange spent on royalties, professional fees etc.
36. Number of non- resident shareholders, their shareholdings and foreign exchange spent on dividends to them
37. Details of foreign exchange earnings

#### 4.6. Requirements of Disclosure as per Bangladesh Accounting Standards 1

Requirements of Disclosure		BAS 1
Whether the following components of the financial statements (f/s) are presented:		1 [10]
a.	A statement of financial position at the end of the period;	
b.	A statement of comprehensive income for the period;	
c.	A statement of changes in equity for the period;	
d.	A statement of cash flow for the period;	
e.	Notes, comprising summary of significant accounting policies and other explanatory notes; and	
f.	A statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.	
Whether the following information have been displayed on each components of the financial/statements are presented:		1 [51]
a	The name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;	
b	Whether the financial statements are of an individual entity or a group of entities;	
c	The date of the end of the reporting period or the period covered by the set of financial statements or notes;	
d	The presentation currency, as defined in BAS 21; and	
e	The level of rounding used in presenting amounts in the financial statements.	
As a minimum, the statement of financial position shall include line items that present the following amounts:		1 [54]
a	Property, plant and equipment;	
b	Investment property;	
c	Intangible assets;	
d	Financial assets, excluding amounts shown under 1.54 (e), (h) and (i);	
e	Investments accounted for using the equity method;	
f	Biological assets;	
g	Inventories;	
h	Trade and other receivables;	
i	Cash and cash equivalents;	
j	The total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with BFRS 5;	
k	Trade and other payables;	
l	Provisions;	
m	Financial liabilities, excluding amounts shown under (k) and (l);	
n	Liabilities and assets for current tax, as defined in BAS 12 Income Taxes;	
o	Deferred tax liabilities and deferred tax assets, as defined in BAS 12;	
p	Liabilities included in disposal groups classified as held for sale in accordance with BFRS 5;	
q	Non-controlling interests, presented within equity, but separately from parent shareholders' equity; and	
r	Issued capital and reserves attributable to owners of the parent.	

	An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 66–76 except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.	1[60]
Current assets		
	An entity shall classify an asset as current when:	1 [66]
a.	It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;	
b.	It holds the asset primarily for the purpose of trading;	
c.	It expects to realize the asset within twelve months after reporting period; or	
d.	The asset is cash or a cash equivalent (as defined in BAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.	
An entity shall classify all other assets as non-current.		
	An entity shall, as far as practicable, present notes in a systematic manner. An entity shall cross- reference each item in the statements of financial position and of comprehensive income, in the separate income statement (if presented), and in the statements of changes in equity and of cash flows to any related information in the notes.	1[113]
	An entity normally presents notes in the following order, to assist users to understand the financial statements and to compare them with financial statements of other entities:	1 [114]
a.	Statement of compliance with BFRSs ( As per paragraph 16);	
b.	Summary of significant accounting policies applied (As per paragraph 117);	
c.	Supporting information for items presented in the statements of financial position and of comprehensive income, in the separate income statement (if presented), and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and	
d.	Other disclosures, including:	
	(i) contingent liabilities (see BAS 37) and unrecognized contractual commitments, and	
	(ii) Non-financial disclosures, e.g. the entity's financial risk management objectives and policies (see BFRS7).	
	An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:	1[138]
a.	The domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);	
b.	A description of the nature of the entity's operations and its principal activities;	
c.	The name of the parent and the ultimate parent of the group; and	
d.	If it is a limited life entity, information regarding the length of its life.	
Trade receivables		
b.	Receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;	1[78(b)]
	An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes:	1[79]
a.	For each class of share capital:	
	(i) the number of shares authorized;	

	(ii) the number of shares issued and fully paid, and issued but not fully paid;	
	(iii) par value per share, or that the shares have no par value;	
	(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;	
	(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;	
	(vi) shares in the entity held by the entity or by its subsidiaries or associates; and	
	(vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and	
b	A description of the nature and purpose of each reserve within equity.	
If an entity has reclassified		1[80A]
a	A puttable financial instrument classified as an equity instrument, or	
b	An instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification.	
Statement of Comprehensive Income		
	An entity shall present all items of income and expense recognized in a period:	1[81]
a	In a single statement of comprehensive income, or	
b	In two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).	
Current liabilities		
	An entity shall classify a liability as current when:	1 [69]
a	It expects to settle the liability in its normal operating cycle;	
b	It holds the liability primarily for the purpose of trading;	
c	The liability is due to be settled within twelve months after the reporting period; or	
d	It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.	
	An entity shall classify all other liabilities as non-current.	1 [69]
	Whether, as a minimum, the following line items are shown on the face of the comprehensive income statement:	1 [82]
a	Revenue;	
b.	Finance costs;	
c.	Share of the profit or loss of associates and joint ventures accounted for using equity method;	
d	Tax expense;	
e	A single amount comprising the total of:	
	(i) the post-tax profit or loss of discontinued operations and	
	(ii) the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;	
f	Profit or loss;	
g	Each component of other comprehensive income classified by nature	



	(excluding amounts in (h));	
h	Share of the other comprehensive income of associates and joint ventures	
	Accounted for using the equity method; and	
i	Total comprehensive income.	
An entity shall disclose the following items in the statement of comprehensive income as allocations for the period:		1[83]
a	Profit or loss for the period attributable to:	
	(i) non-controlling interests, and	
	(ii) Owners of the parent.	
b	Total comprehensive income for the period attributable to:	
	(i) non-controlling interests, and	
	(ii) Owners of the parent.	
An entity shall present a statement of changes in equity as required by paragraph 10.		1[106]
The statement of changes in equity includes the following information:		
a	Total comprehensive income for the period, showing separately the total	
b	Amounts attributable to owners of the parent and to non-controlling interests;	
c	For each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with BAS 8; and	
d	For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:	
	(i) profit or loss;	
	(ii) each item of other comprehensive income; and	
	(iii) Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.	

### Requirements of Disclosure as Per Bangladesh Accounting Standard 7

Requirements of Disclosure		BAS 7
The entity should report its statement of cash flow using either:		
	Direct method; or	7 [18(a)]
	Indirect method	7 [18(b)]
The entity should present its cash flow statements classifying line items of:		7 [10]
a.	Operating activities as per Para 13-15	
b.	Investing activities as per Para 16	
c.	Financing activities as per Para 17	
When accounting for an investment in an associate or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.		7[37]
An entity which reports its interest in a jointly controlled entity (see BAS 31 Interests in Joint Ventures) using proportionate consolidation includes in its consolidated statement of cash flows its proportionate share of the jointly controlled entity's cash flows. An entity which reports such an interest using the equity method includes in its statement of cash flows the cash flows in respect of its investments in the jointly controlled entity, and distributions and other		7[38]

	payments or receipts between it and the jointly controlled entity.	
	Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.	7[43]
	Many investing and financing activities do not have a direct impact on current cash flows although they do affect the capital and asset structure of an entity. The exclusion of non-cash transactions from the statement of cash flows is consistent with the objective of a statement of cash flows as these items do not involve cash flows in the current period. Examples of non-cash transactions are:	7[44]
a	The acquisition of assets either by assuming directly related liabilities or by means of a finance lease;	
b	The acquisition of an entity by means of an equity issue; and	
c	The conversion of debt to equity.	
	Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:	7 [50]
a.	The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities;	
b	The aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation;	
c	The aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and	
d	The amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (As per BFRS 8, Operating Segments).	
Cash and cash equivalents		
	An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the statement of financial position.	7 [45]
	An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group.	7 [48]

### Requirements of Disclosure as Per Bangladesh Accounting Standard 16

Requirements of Disclosure		BAS 16
	The cost of an item of property, plant and equipment held by a lessee under a finance lease is determined in accordance with BAS 17.	16[27]
	The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.	16[34]

	If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.	16[36]
	A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes:	16[37]
a.	Land	
b.	Land and buildings	
c.	Machinery	
d.	Ships	
e.	Aircraft	
f.	Motor vehicles	
g.	Furniture and fixtures; and	
h.	Office equipment	
	If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.	16[39]
	If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.	16[40]
	The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.	16[60]
	The financial statements shall disclose, for each class of property, plant and equipment:	16 [73]
a	the measurement bases used for determining the gross carrying amount	
b	Depreciation methods used	
c	Useful lives or the depreciation rates used	
d	Gross carrying amount and accumulated depreciation at the beginning and end of the year.	
e	A reconciliation of the carrying amount at the beginning and end of the period showing:	
	(i) additions;	
	(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with BFRS5 and other disposals;	
	(iii) acquisitions through business combinations;	
	(iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognized or reversed in other comprehensive income in accordance with BAS 36;	
	(v) impairment losses recognised in profit or loss in accordance with BAS 36;	
	(vi) impairment losses reversed in profit or loss in accordance with BAS 36;	
	(vii) depreciation;	
	(viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and	
	(ix) other changes	

	In case of revaluation of property, plant and equipment, whether the following disclosures are given:	16 [77]
a	The effective date of the revaluation;	
b	Whether an independent valuer was involved;	
c	The methods and significant assumptions applied in estimating the items' fair values;	
d	The extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation	
e.	For each revalued class of property, plant and equipment, the carrying amount that would have been recognized had the assets been carried under the cost model; and	
f.	The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.	
	In addition to above, the following disclosures shall be given:	16 [74]
a	The existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;	
b	The amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction;	
c	The amount of contractual commitments for the acquisition of property, plant and equipment; and	
d	If it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.	
	Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.	16[43]
	The depreciation charge for each period shall be recognized in profit or loss unless it is included in the carrying amount of another asset.	16[48]
	The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with BAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	16[51]
	Depreciation of an asset begins when it is available for use in accordance with BFRS 5 and the date of that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production.	16[55]