Ashesi University

Assessing the Influence of Corporate Attributes on the Extent of Financial Information Disclosure in Ghana.

By

Hamida Muntaka

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Supervised by: Mr. Anthony Essel-Anderson

April 2021

DECLARATION

I hereby declare that this dissertation is the result of my original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature………………………………

Candidate's Name: Hamida Muntaka

Date: April 27th, 2021

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of thesis laid down by Ashesi University.

Supervisor's Signature…………………………….

Supervisor's Name: Mr. Anthony Essel-Anderson

Date: April 27th, 2021

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Abstract

Studies have shown that the measures in place to improve the accounting systems and standards in emerging economies tend to yield little results. The accounting system is mostly affected by corporate mechanisms and this inhibits the level of information disclosure to stakeholders. According to Gray et al. (1995), financial statements are the appropriate legal instrument through which companies communicate frequently with their stakeholders. Investors and stakeholders expect companies to publish their financial statements annually to aid financial decision making. However, most companies do not follow the accepted standard and procedure in communicating their information to the stakeholders, which causes a little to no trust in them. This, therefore, makes it prudent to investigate corporate attributes and how they influence information disclosed to the public. In view of that, this study sought to determine the level at which financial information is disclosed in Ghana and, to determine if profitability, leverage, liquidity and company size have any effect on disclosure level. The quantitative research method was used to analyze data on profitability, liquidity, leverage, and company size on Ghana Stock Exchange between the periods 2015 to 2019. The study utilized contents analysis methods for data gathering and the researcher also used descriptive statistics and multiple regression analysis in analyzing the data. The result of this research shows that, on average, firms on the GSE disclose 59.9% of information in the index, implying that most companies do not disclose the relevant information to the public. Firm size and profitability were reported to have a negative and significant effect on disclosure. Leverage and liquidity, on the other hand, were also found to have a positive and significant influence on the level of disclosure

Keywords: Corporate attributes, disclosures, financial information, financial statements

List of Abbreviations

GSE: Ghana Stock Exchange

IoD: Institute of Directors

IFRS: International Financial Reporting Standards

CG: Corporate Governance

IAS: International Accounting Standards

OECD: Organization for Economic Co-operation and Development

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CHAPTER 1: INTRODUCTION

1.1 Background

Mostly in response to corporate failures or structural problems, corporate governance systems have evolved over the decades. These corporate failures have been seen to have caused little to no confidence in the users of financial statements. Over the years, several stakeholders including investors, customers, government and the public have played a key role in ensuring that companies or firms publish their financial statements. These stakeholders use the details disclosed publicly in the annual reports and account for economic decision-making. However, studies have shown that some companies in Ghana do not publish their financial statements regularly and do not follow the standards by International Financial Reporting Standards (Agyei-Mensah, 2013).Consequently; this had caused the stakeholders to be skeptical about these companies' performance, thereby causing low investment in these companies. The low investment in most firms due to the non-disclosure of information to the public has instigated business failures and crises of market failures among most organizations in the developed and emerging economies.

The crises of market failures have shaken the corporate world, and financial scandals which have called for a debate on the need for good corporate governance across the globe have been sparked. The global re-occurrence of high-profile corporate failures and scandals has undermined the confidence of investors and other consumers in annual reports and accounts (Owolabi, 2015). Therefore in recent times, the study of aspects of corporate governance is essential in assessing corporate structures. Good corporate governance codes have increased massively and have been important in determining the degree of organizational accountability

and company compliance policies. The financial crises in the developing countries that hit major companies in Europe and America have demonstrated the need to follow the requisite standards (Ben-Amar & Boujenoui, 2006). Owing to how corporate governance has been organized, some corporations have undergone their share of company failures.

The corporate failures of major corporations such as Enron (in 2001), Cadbury (in 2009), WorldCom (in 2001), Onetel (in 2001), Adelphia (in 2002), and many others have revealed how corporate scandal took on a new dimension throughout the early 2000s. As a result, financial information disclosures in emerging countries have become vital for investor decision making. According to Saad & Jarboui (2015), financial scandals that have stunned users' confidence have resulted in the loss of credibility among most companies due to the delay in publishing accounting information.

Besides, corporate fraud exposés and controversies worldwide have made corporate clients mindful of the immeasurable advantages of strong corporate governance practice to organizations. In response to these corporate scandals and failures, concern about corporate governance practices has been increased, and new corporate governance codes have been implemented or updated by several countries to strengthen business executives or the board’s accountability to shareholders. Further, special units or groups have been established by regulatory organizations of different countries to enforce these guidelines and disclose best practice codes for corporate governance (Collett & Hrasky, 2005). The 2002 corporate governance codes have also been adopted by the Securities and Exchange Commission in Ghana to ensure accountability and full disclosure of financial reports to the public.

1.2 Problem Statement

As users of information become more vigilant, the need for reported corporate disclosure of companies has risen across countries. Transparency often does not serve the stakeholders' needs since management put their interests first when making a decision (Apostolou & Nanopoulos, 2003). Also, the 2008-2009 global financial crisis or "great recession" has demonstrated the influence of corporate governance structures on the quality of corporate organizations worldwide. The reckless lending, which resulted in unprecedented default loans, was one of the causes of the worldwide credit crisis (Arner, 2009). Because of the global credit crisis of 2008, which resulted in bank defaults and global economic problems, much emphasis has been given to corporate governance structures and how they influence organizational performance.

The controversy over the collapse of Lehman Brothers, Enron, Wirecard, and other major corporations in the early 2000s has also sparked severe critiques of corporate governance worldwide. Besides, investors and corporate stakeholders are also making more significant demands for more reliable and timely financial information due to the increasing complexities of company processes and the growth of the investment community (Vuran & Adiloglu, 2013). It is, therefore, imprudent to underestimate the importance of corporate governance concepts in managing corporate organizations. Most companies have now started to revise their corporate governance attributes to ensure full and fair disclosure of financial information, thereby increasing investors' confidence level.

Corporate scandals and crisis, mainly as a result of corporate attributes or mechanisms, have drastically affected the extent of financial information disclosure. This has resulted in companies’ inability to disclose adequate, relevant and appropriate information, resulting in

information asymmetry, high cost of capital, low confidence of investors, low transparency and credibility. In ensuring that companies comply with the accepted mode of financial information standard and fight against the increasing number of corporate scandals, Ghana and other developing countries have introduced the corporate governance codes and other regulatory frameworks and bodies. This ensures that corporate governance attributes or mechanisms do not interfere with the amount of information disclosed to the public. Nigeria, for instance, has mandated all banks to conform to corporate governance code instituted by the country to ensure transparency of financial statements and accountability, and to monitor the behavior of managements to prevent any corporate scandals (Ilaboya & Christian, 2014).

According to Garkaz, Abdollahi & Niknam (2016), good corporate governance structures mitigate delay problems in filing financial statements. However, corporate governance mechanisms had been given minimal attention, not until the occurrence of the crises and business failures due to corporate scandals. Reports show that developing countries, Ghana specifically, have not researched enough to know the link between disclosure of financial information and corporate governance attributes. Business scandals and failures are still happening in the world of business in the Ghanaian market. The recent one will be the closure of banks by the Bank of Ghana due to factors that caused the liabilities of the banks to exceed their assets. And this was due to the irresponsible lending to the public by the banks' management. This illustrates that business failures exist, but not much research has been carried out to discover how corporate governance attributes connects to information disclosure. It is vital to resolve the problem of corporate governance attributes among businesses to eradicate the issue of corporate scandals and business failures which affects countries’ economic development.

Most studies (Samaha & Abdallah, 2012; Goh *et al*., 2016; Leuz *et al*., 2008) have focused on the effects of corporate attributes on disclosure of financial information in the Western world. Though there have been some studies in developing countries (Chamisa, 2000; Owusu-Ansah &Yeoh, 2005), there is still more to be researched on as most researchers used the weighted approach for their analysis. And the weighted approach does not give accurate results because it involves researcher judgment in scoring the disclosure items. Even though much has been said for the developed countries, the results would not apply to emerging economies mainly because the concepts of Corporate Governance are not necessarily the same in all countries owing to the variations in the economic and political background in each country (Alzahrani, 2013). This therefore, makes it worth considering the scale of the business because previous studies have found varied outcomes and have included diverse countries with varying political, social and economic influences from Ghana. Hence, there is the need to research attributes common among companies in developing countries, especially Ghana. Therefore this study adds to a body of knowledge and current literature by filling the gaps identified in previous studies.

1.3 Research Questions

1. What is the extent of financial information disclosure of companies listed on the Ghana Stock Exchange?
2. What is the relationship between corporate attributes (that is, profitability, firm size, leverage, liquidity) and financial information disclosure?

1.4 Research Objectives

1. To identify the extent to which companies listed on the Ghana Stock Exchange disclose financial information to the public.

2. To identify the association between corporate attributes (that is, firm size, profitability, liquidity, leverage) and financial information disclosure.

1.5 Relevance / Importance of Study

Disclosure research is one of the most important aspects of accounting. Study shows that many elements account for the extent of disclosure of a company and corporate attribute constitutes one factor. Good corporate governance, especially in transitional and emerging economies, has been highlighted as vital for corporate organizations (Agyemang, Aboagye & Ahali, 2013). The quality of the corporate governance framework of an organization has a far-reaching influence on how well it operates. A company must embark on effective corporate governance practice to eradicate information asymmetry by providing stakeholders with vital information. In Nigeria, for instance, the board of companies and its operations were seen as the main obstacle in practicing corporate governance (Adewuyi & Olowookere, 2013).

In Ghana's financial market, the proliferation of high-profile corporate scandals and failures is also a manifestation of corrupt activities and corrupt tendencies inconsistent with the regulatory mechanisms in place, which is heavily dependent on the board. Boards with minimal accounting expertise, minimal time to meet and address urgent problems and boards who are preoccupied by their own self-interest can result in the postponement of the publication of audited annual reports and financial statements. Therefore, it is vital to provide a board of directors with a collection of attributes that would enhance their effectiveness and encourage auditors' independence. Hence, finding those attributes that affect the extent of disclosures and the quality of reporting should be paramount to every corporate organization.

This study will help stakeholders identify some challenges with corporate attributes and their impacts on disclosures and quality of reporting. Also, the study is relevant because it will

help the stakeholders in examining the legal framework of financial reporting thoroughly to find out whether there is any loophole or ambiguity. It will again help shape companies 'corporate attributes to guarantee quality release of accounting information and financial statements. The study will likewise help the stakeholders in monitoring compliance with accounting standards in organizations and corporate governance guidelines so that there would not be any deviation in financial disclosures. The study will disclose any discrepancy in the preparation of annual reports to ensure that financial reporting is done according to the accepted standards and procedures. Lastly, the research will help the industry to make some adjustments in preparing companies' annual reports and adhering to the recommended guidelines.

1.6 Scope of the Study

The study focused on all firms listed on the Ghana Stock Exchange and their disclosure over the period from 2015 to 2019. Given that Ghana is also a developing economy, the findings will offer insights into the extent to which financial information is revealed in other emerging economies.

1.7 Organization of the Study.

The research comprises five sections. Chapter one gave a detailed introduction to the topic under study. The chapter described the research problem, questions and objectives, the relevance of the project, the study's context, and the organization of the study. A detailed review of current research on the topic is given in Chapter two. The conceptual framework and gaps in literature are also explained in this chapter. Research methodology and the justifications are also presented in chapter three. It includes sample selection, data collection, sources of data, research design and scope, and sampling procedure. The analysis and interpretation of the results are presented in Chapter four. It also discusses the study's implications. This covers the descriptive

analysis of the findings. It also provides and explores insights from the study of information. Finally, chapter five of the study will provide the research findings and propose suitable recommendations for stakeholders.

CHAPTER 2: LITERATURE REVIEW

This section evaluates current or existing studies that have investigated the effect of corporate attributes on financial information disclosure. The concept of financial reporting disclosures is discussed in the first section. This is followed by a review of legal of corporate financial reporting in the second section. This will then be followed by the corporate governance concepts, guidelines, principles and mechanisms, the connection among corporate attributes and financial information disclosure, the conceptual framework and the gaps identified from the literature review.

2.1 Accounting Reporting Standards Disclosure

Accounting reporting standards disclosure is an essential item in accounting and auditing. It ensures that financial statement reports have greater value to stakeholders when it comes to investment decision making. Most studies (e.g., Owusu-Ansah 1998; Chow & Wong-Boren 1995) have described corporate disclosure as the disclosure of an organization's information on economic performance, role or prospects to the public. Corporate disclosure, according to Madhani (2008), is the disclosure of a firm’s performance and value to the public, outside customers, and other stakeholders.

Disclosure of financial information among companies may either be compulsory or voluntary. In corporate reports, mandatory corporate disclosure is the minimum volume of information necessary to enable a fair assessment of companies’ risks (Owusu-Ansah, 1998). Increased global implementation of the International Financial Reporting Standard (IFRSs) gives benefits such as accuracy, timeliness and detailed financial statements information, minimizing the cost of processing information (Ball, 2006). Also, various studies show that several corporate characteristics influence a company's disclosure practices. Cerf (1961) examined the business-

specific characteristics that reflected the degree of disclosure and observed that corporate characteristics, such as the number of owners, profitability and asset size, proved to be the result of major disclosure disparities. Seshan (1980) examined the reporting practices of 200 restricted public firms in India and discovered that the majority of businesses had not disclosed accounting policies in their annual reports.

Consequently, corporate mechanisms or attributes are critical to the extent of information disclosure to the public. Singhvi & Desai (1971) analyzed the connection between disclosure of information and firms 'attributes; they found that the amount of disclosure for unlisted firms and the overall asset was lower. Hence, the concept of disclosure of accounting reporting standards must also be thoroughly researched further to clarify the concepts and conditions of disclosure of information.

2.2 The Legal Framework for Corporate Financial Reporting in Ghana

With almost 120 countries, the need for accounting organizations has sparked the increasing acceptance of International Financial Reporting Standards, supplying IFRS with a convergence mechanism. Ghana, in its colonial period, had no regulatory structure to govern the country's accounting or auditing procedures. In 1963, the parliament of Ghana created the Institute of Chartered Accountants of Ghana. The institute was deemed to be the basis for recognised accounting. The code of best practices was then introduced and included guidelines for governing companies incorporated in Ghana. It suggests the basic requirements for disclosure of information, even though the relevant accounting rules are not suggested. The code for corporations identifies the functions of auditors in the transparency of corporate companies. For example, the code allows company directors to make audited financial statements available to shareholders regularly at the Annual General Meeting. Some accounting regulations are

Corporate Governance Guidelines, Securities Laws and Taxation Laws. I will just address the corporate governance guideline for this report.

2.3 Basic Concept of Corporate Governance

According to Shleifer & Vishny (1997), "Corporate governance deals with how financial providers to companies assure themselves of their investment returns". Corporate governance has to do with creating and improving the value of sustainability and maintaining stakeholders' wealth, particularly shareholders, as leaders of the company shareholders (Brigham & Houston, 2009). According to Maher & Anderson (2000), Agency theory is based on corporate responsibility and shareholder right protection. It indicates that the division of owners and workers generates issues with the Agency since both sides should optimize their needs (Eisenhardt, 1989). These challenges are caused by the separation between ownership and administration; it is impossible to achieve an optimal contract that accounts for the promise of any possible future performance (Keasey *et al*., 2005). Because of the business scandals and financial crises that once struck the financial community, corporate governance is the most used concept in companies across countries.

Corporate governance was pushed to a critical level by the global financial crisis and credit crunch that impacted economies worldwide, leading to bank defaults and a recession in most countries, notably the United Kingdom. Countries are just starting to stabilize, and the shock waves of the recession are already being felt in global societies. Weaknesses in corporate governance have been recognized as the underlying reasons for and causes of the financial crises. Hence, corporate governance is essential for a business's success, especially the transparency and accountability aspect of it.

2.3.1 Corporate Governance Guidelines

According to Luo (2005), corporate governance directs and governs all activities of corporations. It is essential in ensuring acceptable processes, transparency and accountability in a firm. Corporate governance is also vital to preserving commitments in long-term corporate ethics by reducing and eliminating fraud and misleading industry activities that harm stakeholder resources (Mensah & Aboagye, 2003; Gompers, Ishii, & Metrick, 2003). It is, however, acknowledged that compliance with other evidence on information disclosure is scarce.

Also, ROSC (2005) noted a lack of corporate governance knowledge, lack of policy structure, regulation and implementation, and incompetent boards of directors. Corporate governance in Ghana must also be improved to guarantee quality accounting and reporting procedures. The Institute of Directors (IoD) of Ghana issued a Corporate Governance Code of Best Practices for Companies to strengthen corporate governance systems.

2.3.2 Corporate Governance Principles, Mechanisms and Structure

According to Rezaee (2009), a corporate governance framework is a collection of interconnected elements of corporate governance concepts, roles and processes. Corporate governance framework varies based on the cultural, social, legal and economic structures of a country. The Organization for Economic Cooperation and Development has defined good corporate governance concepts that are frequently used as standards for financial reporting. The standards are widely formulated to guarantee industries' fairness and efficacy, to encourage equity and to protect the economy (OECD, 2004). Five OECD corporate governance principles control shareholders' interests and central ownership roles, board responsibilities, transparency and accountability (OECD, 2004).

The OECD governance principle stipulates that all investors should be regarded fairly. The needs of stakeholders should also be understood as provided for by laws or agreements aimed at encouraging active collaboration between corporations and stakeholders' financial efficiency, jobs and prosperity (OECD, 2004). Since boards have a vital role to play in managing operations, their functions and responsibility should be established and ensured in the system. The corporate governance method, in addition to all these principles, is developed and informed by external and internal structures. Internal structures are used to coordinate, control and supervise the company's value creation activities (Rezaee, 2009). Although external systems are extracted from external sources, such as the equity exchange, the corporate governance market and others, these external mechanisms are designed to track the company's activities (Rezaee, 2009). Generally, corporate governance mechanisms are intended to eliminate conflicts of interest between management and other parties involved.

2.4 Environmental Factors Affecting Financial Reporting in Ghana

Though there had been efforts by government and other bodies to develop the financial reporting standards in Ghana. The implementation of IFRSs is one of the efforts made by the Ghanaian government to develop the financial reporting standards in Ghana. All companies in Ghana are mandated to follow these standards in their financial reporting to avoid disclosure problems. Unfortunately, the state of financial reporting in Ghana still has a long way to go in terms of development in Ghana. According to Archambault & Archambault (2003), a country's political, social, and economic systems shape its corporate disclosure practices. This is why policies for corporate disclosure differ across countries. Economic markets, political environment, and the development of the stock market are environmental factors that could affect accounting development.

2.4.1 Political System

The political systems of a country influence the country's financial reporting standards and accounting procedures. According to Goodrich (1986), countries' corporate climate, currency and financial reporting standards are influenced by their political system. Political liberty, along with economic freedom, helps build an environment favorable to enhance a country's reporting standards and corporate transparency (Deese, 1998). However, as a consequence of dysfunctional economic and political structures, most African countries have encountered instability, which influenced important policies before 1990 (Dalyop, 2019). It can be concluded that the unrestrained political environment struggled to boost information transparency and fair corporate reporting after independence until 1992.

2.4.2 Economic System

According to Doupnik & Salter (1993), a country's economic policy and common law and legal systems have a significant influence on financial transactions. The policies shape the mechanism that determines how businesses communicate to stakeholders. Disclosure and the economic environment are linked by the theory of accounting evolution (Riahi-Belkaoui, 2002). Undoubtedly, when an enhanced accounting system and financial reporting standards exist, favorable businesses would be created. Therefore a country's economic policies impact the company's activities, affecting the long-term disclosure of financial results.

2.5 Empirical Studies on the Extent of Disclosure

There has been a proliferation of empirical studies on financial disclosures in the last two decades. Most of the studies on the extent of financial disclosures have focused on disclosures in line with certain financial reporting standards or market regulations. Several pieces of research

have looked at the connection between the extent of financial information and company characteristics in both economies (Ahmed &Nicholls, 1994; Naser, 1998; Cerf, 1961; Belkaoui & Kahl, 1978; Singhvi & Desai, 1971). Differences in disclosure index construction, study environment, explanatory variable description, and statistical analysis differentiate each of these previous studies. Furthermore, the study takes place in many contexts, ranging from industrialized to developing economies. Some of the few studies conducted in developed countries include Mc Nally *et al*., 1982; Naser, 1998; Singhvi & Desai, 1971. In contrast, Singhvi, 1968; Ahmed, 2005; Chow & Wong-Boren, 1987; Ofoegbu & Okoye, 2006 and Wallace, 1988 are examples of developing country studies.

Cerf (1961) compared annual reports of 527 companies to a disclosure index and observed that firm size was favorably correlated with the extent of disclosure but not with profitability. The result showed that firm size affects the level of information disclosure; however, profitability has no effect on the level of financial information disclosed to the public. Singhvi (1967) also observed that the standard of disclosure was correlated with the size of assets.

Then, Iatridis & Valahi (2010) reported those factors which affect the consistency and information disclosure are firm size, market, shareholding, stakeholder interest, foreign exposure, investor perceptions, profitability, liquidity and financial leverage. According to Jensen & Meckling (1976), agency theory offers a structure that ties disclosure conduct to corporate governance. They believe that corporate governance structures monitor the Agency's issues and ensure that management behaves in the shareholders' interest. This shows how the Agency theory depicts the corporate governance concept and disclosure of information. In

general, the observations on company compliance and the relationship between information disclosure and different organizational characteristics are inconsistent.

2.6 Gaps in Literature

The literature review indicates several gaps in the literature. First, most of the works reviewed focused on board size, ownership structure, and external audit quality without paying attention to firm size, liquidity, leverage and profitability as significant determinants of financial information disclosure. Hence, this research would rely on corporate governance attributes and how they influence information disclosure. Also, the relationship between corporate governance characteristics and disclosure of financial reports has rarely been explored in the Ghanaian setting. Most studies on the association between business characteristics and disclosure of financial information are carried out in western countries with distinct backgrounds and challenges relative to developing countries.

Consequently, due to the variations in political, social, economic and even corporate governance rules between the respective economies, the findings cannot be replicated across all countries. The implementation of IFRS in Ghana and other countries has highlighted the disparities in financial data preparation and presentation among countries in both economies. Since the requirements for preparing financial statements in Ghana vary from those of other countries, it is necessary for this research to be undertaken in the context of the Ghanaian economy. For example, businesses in Ghana must prepare annual financial statements in compliance with the Companies Act, and this Companies Act varies from one country to the other. This study, therefore, seeks to discover, in a Ghanaian context, the influence of specific organizational attributes on the disclosure of information. Overall, all these gaps are intended to

be filled by this study. This study will help broaden the understanding of corporate governance characteristics usefulness and disclosures of financial information.

2.7 Conceptual Framework

Using a suitable theoretical framework that describes the disclosure of financial information is essential for companies to always disclose information to the public. This study adopted the Agency theory that addresses conflicts of interest between owners and directors owing to the division of ownership and control. Therefore, the suggested framework (as seen in figure 1) is grounded on the Agency's theory, indicating that information disclosure on corporate governance is influenced by business characteristics.

Most research have shown that improved transparency decreases the difference between management and outsiders, boosts stock market value and reduces capital costs (Karim, 1996; McKinnon, 2009). Ali *et al.* (2004) also found that larger businesses continued to report financial information than smaller firms. They also indicated that businesses with high leverage report less information to conceal the degree of risk of the business. Their finding corresponds to the reports of (Chow &Wong-Boren, 1987; Watts & Zimmerman, 1986). Berle and Means (1932) find that agency issues arise in the absence of appropriate management supervision by shareholders.

Generally, it is accepted that improved corporate governance procedures are expected to improve overall observation of management and further minimize problems of information asymmetry (Mojca, 2017). The Agency theory considers management as a mechanism of control. The board plays an effective role in reducing the Agency costs by enforcing the necessary controls, (Shleifer & Vishny, 1997). In this research, accounting integrity offers an extraordinary chance to the employ agency principle. This is because managers (agents) have greater access to

the organization's financial documents to connect to the customer credibly and reliably to optimize the enterprise's value. In contrast, managers decide not to disclose fully or opt for non-disclosure of important information to the public due to their selfish interests resulting in a high cost of capital and a low investments valuation by shareholders.

Figure 1: Conceptual Framework of the Study

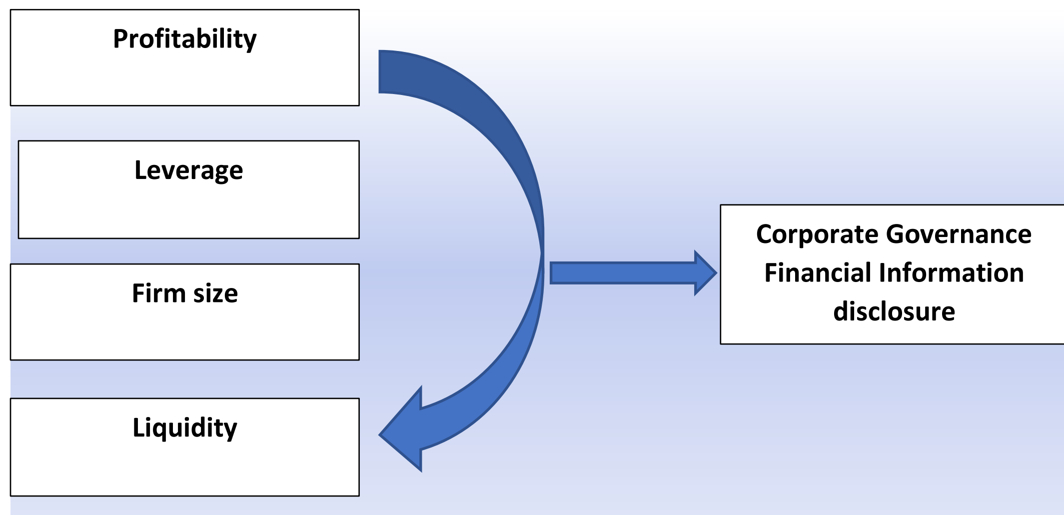


Figure 1.Conceptual framework for investigating the impact of corporate attributes on disclosure.

The conceptual framework for investigating the impact of corporate attributes (profitability, leverage, firm size, and liquidity) on financial information disclosure among Ghana Stock Exchange firms is shown in *Figure* 1. Profitability, liquidity, leverage, and firm size are all factors that determine which information is made public, according to the conceptual framework. This affirms that the extent to which information is disclosed and corporate characteristics are inextricably linked. The firm size (large or small), for example, influences financial statement planning because the company size, indicated by total assets establishes the essence of the firm's characteristics. In comparison to businesses that are not profitable, profitable businesses are more

likely to reveal their details to the general public. As a result, a company's profitability determines how much financial details it discloses to the public. Companies' ability to satisfy the demands of financial information users is determined by their interaction with those users. The agency theory is critical in deciding what financial details will be revealed in the financial records and how much of it will be disclosed.

2.8 Hypotheses Development

Corporate governance disclosure is essential for companies’ growth around the world. However, it has been observed from the business crises that some factors affect the smooth execution of disclosure. This chapter looks at a few and how they affect disclosure of information.

2.8.1 Firm Size and Financial Information Disclosure

Firm size is a vital attribute that impacts financial information disclosure among listed companies. According to Belkaoui-Riahi (2001), firm size has been a substantial determining factor of disclosure levels in almost all disclosure studies. Several kinds of disclosure research have reported a positive association between disclosure of information and firm size. Since the cost of producing and disseminating data is higher, it could be more comfortable for larger organizations to bear the cost.

More likely, larger companies would have the resources and experience to include more information in financial statements that triggers non-disclosure compliance. This is because the accumulation and distribution of information are expensive (Singhvi & Desai, 1971; Cooke, 1992); Buzby (1975) also argued that larger firms typically manufacture more goods and distribute them over large geographical regions. These firms require a reasonably large amount of internal data to keep the businesses aware of their activities.

Chow (1987) argued that the expense of the Agency rises with the size of the firm. Therefore sufficient disclosures tend to minimize the cost of disputes between agencies. Again, smaller companies may have it that information disclosure may threaten their position compared to larger companies in their sector. With increased transparency, it has been proven that the cost of capital decreases (Botosan, 1997; Sengupta 1998). Since large companies use much more international capital exchange funding than their smaller counterparts for their operating and acquisition operations, more transparency and conformity with the applicable regulations are likely to be effective. Even larger businesses can be subject to scrutiny by government officials and financial analysts compared to smaller firms.

In general, major companies deal with various items that allow them to monitor organizational, tactical and strategic information for financial and non-financial decision. The marginal costs of supplying external consumer information will be insignificant for this sort of well-structured internal monitoring scheme. The system would force them to disclose more compared to smaller businesses. Also, Al-shammari *et al*. (2007) and Owusu-Ansah & Yeoh (2005) reported a strong connection between company size and financial information disclosure. However, Hossain *et al.* (2006) reported no strong influence of firm size on the degree of information disclosure. Glaum & Street (2003) and Street & Gray (2002) found no correlation between firm size and financial information disclosure. To discover much about company size, the hypothesis below will be tested.

H1: There is a significant positive relationship between firm size and the level of financial information disclosure.

2.8.2 Profitability and Financial Information Disclosure

Companies' profitability is essentially the potential of companies to earn more profit by deducting all costs and taxes from their gross amount. The willingness of an organization to report data is dependent on the profitability of the organization. This justification can be linked to the Agency theory, which suggests that strong corporate manager's share detailed information to show investors that they are behaving in their best interest. Again, successful businesses may separate themselves as profitable by releasing more information to allow them to access capital (Meek *et al*., 1995).

Generally, profitability significantly affects financial disclosure (Wallace *et al*., 1994, Belkaoui & Kahl, 1978). Profitable organizations will afford the burden of accountability and would still like to retain their credibility with stakeholders. Major shareholders do not provide extensive information on unprofitable commodity, so they can only agree to reveal a lump sum attributed to the whole company (Inchausti, 1997). In order to prevent undervaluing the stock of the company, management with good outcomes will more likely disclose reliable data to the market than management with bad results. In defense of poor performance, it can also be claimed that unprofitable businesses would be willing to report more details.

Wallace & Naser (1995) reported a negative relationship between profitability and information disclosure. However, Glaum & Street (2003), and Street & Gray (2002) reported absence of a connection between profitability and disclosure level. In this study, it is also important to consider profitability, as most of the reviewed works were done in developed countries and used other approaches to draw their conclusion. Therefore the next hypothesis of the research is presented below:

H2*:* Companies' profitability has a significant positive relationship on the extent of financial information disclosure.

2.8.3 Leverage and Financial Information Disclosure

Leverage is the level of debt a company uses in financing its assets in the business. Firms with high debt have a tendency to release more detail to ensure that analysts and executives are not able to circumvent their simple claims (Haniffa & Cooke 2002; Ali *et al*., 2004). The increased information requirement aims to determine the likelihood of companies honoring debt commitments and the extent of risk of significant cash flows resulting from its assets.

Companies with full financial disclosure use more loans than equity to fund their programs (Iatridis, 2008). This strategy increases the average level of risk and encourages funds to be collected by the debt sector. Previous researches have also provided contrasting conclusions between leverage and information disclosure. Al-shammari *et al*. (2007) found a positive relationship between disclosure level and leverage. An explanation for this result could be that holders of debt are entitled to request adequate information besides those included in the annual report and are thus not relying solely on them. Hence, in this analysis, the hypothesis presented below will again be tested.

H3: There is a significant positive relationship between leverage and the level of information disclosure among companies listed on the Ghana Stock Exchange.

2.8.4 Liquidity and Financial Information Disclosure

Liquidity is an organization's ability to meet its obligations and involvement in the short term. Highly liquid firms will choose to make their liquidity level public in their annual reports due to the interest that regulators, analysts and other customers have about companies' state. Al-

Shammari *et al.* (2007) observed a negative association between financial information disclosure and liquidity. Findings revealed that liquidity of a company would not impact the magnitude of the company's distribution of financial reports. However, Owusu-Ansah (1998) reported the absence of such correlation. Other previous researchers reported varied results on the relationship between the liquidity of organizations and information disclosure level.

According to Daske *et al*. (2013), the implementation of IFRS on average contributes to a rise in a market's liquidity or a fall in capital expense. They concluded that companies that expand their compliance practices benefit from liquidity compared to companies that do not expand their compliance practices. The few studies conducted have not attempted to expound on the association between liquidity and information disclosure level. Hence, in this analysis, the hypothesis presented below will also be tested.

H4: There is a significant positive relationship between liquidity and the level of information disclosure of companies listed on the Ghana Stock Exchange.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This section focuses on research method used for this study. The section will consist of population, sampling procedure and sample size, and data collection method, disclosure checklist, scoring technique, and a test of reliability and validity, ethical considerations and the study's limitation.

3.2 Research Design

Compliance and the factors determining the degree of information disclosure are determined by various factors in companies' annual reports. Content analysis was used to obtain data from the sampled companies' financial reports. The data obtained are data on financial information disclosure and corporate attributes on the Ghana Stock Exchange from 2015 to 2019. Quantitative research method was used to analyze data on profitability, liquidity, and leverage and company size. The firms' reports were then compared to the disclosure requirements of the International Financial Reporting Standards. The annual reports were closely scrutinized and rated for the study based on a researcher-developed checklist.

3.3 Research Scope

The study concentrated on listed companies on the Ghana Stock Exchange. These are companies that have been opened to the public to trade and hence are mandated to publicize their financial statements. Data relating to the variables under study can be found on the annual reports of companies. Hence, this justifies why the study's focus was on listed companies since they are mandated to publish their statements to the public annually.

3.4 Study Area and Study Population

The study area was Ghana, and the population for the study included all the listed companies on the Ghana Stock Exchange for the year 2015 to 2019. Currently, there are about thirty-eight companies of different industries on the Ghana Stock Exchange. Hence, the study population was companies listed on the Ghana Stock Exchange.

3.6 Sampling Procedure and Sample Size

The research was performed on the entire population of study, which are companies listed on the Ghana Stock Exchange for 2015-2019. However, listed companies had to meet certain criteria to be included in the research. In order to be part of the research, the firms had to be listed continuously on GSE (in 2015 to 20119); annual reports for the previous five years are available for review. Out of the 34 companies currently listed on the Ghana Stock Exchange, the study however, consisted of 26 listed firms on the Ghana Stock Exchange. Eight companies were exempted from the research because they did not meet the selection criteria listed above. The financial data for the sampled firms were collected from GSE, annual reports and the firm's website. The sampled listed firms on GSE that were used in this research can be found in table 1 of the Appendix.

3.7 Data Collection Tool and Data Collection Procedure

The data collection method mentioned in this subsection would include data sources, data collection instruments, selection of accounting principles, disclosure checklists and index scoring methods.

3.7.1 Sources of Data

Secondary data were utilized to gain insight into the relationship that existed between the independent and dependent variables. The secondary sources of data for the research consisted of annual reports of companies and IASs and IFRSs that has been by the International Accounting Standard Board. The indicators of profitability (net income/total assets), leverage (total liabilities/total assets), company size (log of total assets) and liquidity (current assets/current liabilities), were extracted from the companies' annual reports to form the data on corporate attributes.

3.7.2 Data Collection Instrument

The instrument for gathering secondary data for the dependent variable was a researcher-developed checklist. The checklist for the study was the International Financial Reporting Standards checklist. Different methods are used to build disclosure checklists to assess the data quality of annual reports. Techniques vary greatly between different experiments. In some studies (Haniffa & Cooke, 2002; Chow &Wong-Boren, 1987; Meek *et al*., 1995), a number of voluntary items of financial and non-financial information are quantified. However, only required items are quantified in some other research (Akhtaruddin, 2005; Cooke, 1992; Inchausti, 1997). This study will focus on voluntary and mandatory items with a researcher-constructed checklist which will be created under the IFRS standards. The items to be used for

the checklist can be found in table 2 of the Appendix. The validity of an instrument can determine what it is meant to measure. Content validity will be used to check the validity of the data gathered. This maintains the legitimacy of the disclosure checklist for content.

3.7.3 Estimation Approach

Data on both the dependent and independent variable were captured in the Microsoft Excel workbook. EViews and SPSS were used for the analysis of the data. SPSS was used to conduct descriptive statistics on the dependent variable; it was used to run some diagnostic tests. The descriptive statistics was generated to examine the characteristics of the data. Multiple linear regression (Panel data regression) was done using the EViews statistical software to evaluate the association between dependent and independent variables (to test the hypotheses developed). The multiple linear regression was again used in evaluating the level to which firm size, profitability, leverage, and liquidity influence the extent of financial information disclosure among companies listed on the Ghana Stock Exchange.

3.7.4 Regression Model

Multiple linear regression specifically, panel data regression was used to validate the hypothesis. The model checking the direct impact on the IFRS disclosure standard of corporate attributes is as follows:

$$Yit = B0it + B1X1it + B2X2it + B3X3it + B4X4it + Pit \ldots\ldots (i)$$

Y = the measure of IFRS disclosure level

BO = is the constant of the equation

X1 = the measure of profitability

X2 = the measure of leverage

X3 = the measure of liquidity

X4 = the measure of company size

B1…B4 = the coefficient regression for X1….X4

P= the error term

i=the ith measure of IFRS disclosure at the time

t= the measurement of time

In the analysis, the IFRS disclosure indices represent the dependent variable, while corporate attributes represent the independent variable. Descriptive statistics was used loosely to assess the characteristics of the data and to verify the normality of the gathered data. Multiple regression model analysis was also used to test the hypotheses developed after the literature review. Before continuing to the regression analysis results, I needed to test for Multicollinearity among independent explanatory variables. Multicollinearity occurs when more than one independent variable is strongly correlated, which, if not verified, may have a negative impact on the regression's result. The variance inflation factor (VIF) was employed to assess the relationship between the variables. Durbin-Watson statistic was also utilized in evaluating the assumption of independent errors (autocorrelation). Homoscedasticity is a state in which the variance of the residual, or error term, is constant. A scatterplot of residuals against expected values was used to test for the presence of homoscedasticity. Scatterplot was also used to check for the linearity in the regression model. Hence, the assumptions have almost been accomplished. Finally, the Shapiro Wilks test was used to assess the residuals' normality.

3.8 Index Approach (IFRS Disclosure Level)

The unweighted approach to scoring was adopted for this study. The unweighted approach to scoring assumes that all the objects are equally significant, which may not be

correct. The unweighted approach is commended because it treats all items disclosure as equally relevant. It employs a dichotomous technique to create a scoring scheme that reflects the disclosure level. An index was created and contained 93 relevant items of the disclosure requirement of the International Financial Reporting Standards. The items were scored for each company over five year periods. Where an object is disclosed, a company receives a score of 1, and when it is not disclosed, it receives a score of 0. The total amount of items disclosed by an organization was divided by the total number of items specific to the company, generating the disclosure index. The 93 items in the checklist can be found in Table 2 in the appendix.

Mathematically,

TI = TD/M

TI = Total Disclosure Index/Extent of disclosure

TD = Total Disclosure Score

M = Maximum disclosure score for each company

Alternatively, this can be expressed as:

The Extent of disclosure = total number of items disclosed/ total possible number of items to be disclosed

3.9 Ethical Considerations

Companies' annual reports were extracted either from the Ghana Stock Exchange, annual reports or company website. The annual reports were taken from only the company's website, annual reports or the Ghana stock Exchange since they are reliable and reflect the companies' actual performance. Also, the values of the indicators of variables for the study were not altered to represent the real results of the research.

3.10 Limitations

One drawback of this research is that the outcomes or results were focused on only companies listed on the Ghana Stock Exchange; this limits the generalizability of the results. Companies listed on the Ghana Stock Exchange are mandated to publish their annual reports to the public for performance review. And since data for the study were to be obtained from the annual reports, only such companies could be used for the study.

CHAPTER 4: DISCUSSION OF FINDINGS

4.1 Overview

The results of the data obtained and analyzed using EViews and SPSS are discussed in this chapter. The data gathered were analyzed in line with the study questions formulated in the previous chapter. This chapter would also cover the methodological approach used to examine the research hypotheses formulated during the literature review. The chapter contains information on the descriptive statistics and multiple linear regression conducted on both the independent and dependent variables.

4.2 Descriptive Statistics

The table below reports on the extent of disclosure using the disclosure index developed for the study. The index included 93 items that were relevant to the IFRS disclosure requirement. The listed firms' financial statements were scored using an unweighted approach, with items scoring 1 when disclosed and 0 when not disclosed. The extent of disclosure for each company is then determined by dividing the total items disclosed by the maximum amount of items that can be disclosed. From the table below, the overall disclosure index obtained by the companies is 59.96%, implying that most listed companies do not disclose all the relevant items of the IFRS disclosure requirement. The table 3 shows that the company's disclosure level ranges from 45.59% (Samba Foods Limited) to 82.15% (Ecobank Ghana Limited). The highest disclosure level was done by Ecobank Ghana Limited, with Samba Foods Limited disclosing less of the items captured in the index. Inferring from the table, it can be concluded that firms in the finance industry and Fuel & power industry disclose more to the public as compared to companies in the beverage/food industry.

Table 3: Disclosure Level of companies

Disclosure Level

Company Name	2019	2018	2017	2016	2015	Total Score	Expected Score	Disclosure Indx
ACCESS	43	48	55	60	62	268	465	0.5763
ADB	41	43	45	48	50	227	465	0.4882
ALW	43	50	52	55	50	250	465	0.5376
BOPP	44	46	54	65	42	251	465	0.5398
CAL	57	59	65	68	57	306	465	0.6581
CLYD	44	46	48	50	44	232	465	0.4989
CMLT	51	52	48	65	68	284	465	0.6108
CPC	45	45	46	50	46	232	465	0.4989
EGH	74	75	74	77	82	382	465	0.8215
EGL	58	48	60	65	70	301	465	0.6473
FML	49	49	53	54	56	261	465	0.5613
GCB	58	57	50	63	68	296	465	0.6366
GGBL	57	58	60	57	60	292	465	0.6280
GOIL	55	55	57	60	55	282	465	0.6065
HORDS	44	45	48	53	57	247	465	0.5312
MAC	47	47	50	53	60	257	465	0.5527
MLC	42	45	42	48	50	227	465	0.4882
MTNGH	55	55	55	55	55	275	465	0.5914
RBGH	55	55	57	57	57	281	465	0.6043
SCB	59	60	65	70	70	324	465	0.6968
SIC	63	65	67	70	75	340	465	0.7312
SOGEGH	65	66	68	55	50	304	465	0.6538
SWL	42	44	45	51	50	232	465	0.4989
TOTAL	67	67	65	70	78	347	465	0.7462
UNIL	69	68	77	50	55	319	465	0.6860
SAMBA	39	40	43	45	45	212	465	0.4559
Total	1366	1388	1449	1514	1512	7229	12090	0.5979

Source: Field Work (2021)

The descriptive statistics that was ran on the dependent variables as captured in Table 4 found out that the International Financial Reporting Standards disclosure index gives the least score as 0.455914, highest score to be 0.821505 and a range of 0.366. Thus, a company listed on Ghana Stock Exchange on average disclosed 59.96% of the items included on the index disclosure. The, findings showed that the companies had a total disclosure level of 59.79% which is higher than the average disclosure of 29.33% in Taylor (1998) and 43.53% in Akhtaruddin (2005). This means that most listed firms do not disclose some relevant items to the public. These items include government grants and disclosure of government assistance, reasons for carrying some activities, dividend payment, number of board members and employees at the end of every accounting period, business combinations, provisions, share-based payments, intangible assets, contingent liabilities, and assets for the year, impairment of assets, interest in joint ventures, segment reporting and related party disclosures. However, it was found that most companies under study disclosed their inventories, plants and equipment, presentation of financial instruments, income taxes, revenue, borrowing costs, presentation of financial statement, investment property and a few others. Again, the results of the study revealed a low deviation in information disclosure level as shown by a standard deviation of 0.09.

Table 4. Descriptive statistics of disclosure index

Extent of disclosure	
Mean	0.597932
Standard Error	0.017895
Median	0.597849
Mode	0.498925
Standard Deviation	0.091247
Sample Variance	0.008326
Kurtosis	-0.07911
Skewness	0.557037
Range	0.365591
Minimum	0.455914
Maximum	0.821505
Sum	15.54624
Count	26

4.3 Diagnostic Test

4.3.1 Multicollinearity Analysis -Variance inflation Factor

When two independent variables correlate with each other, there is Multicollinearity in multiple linear regression. The outcome of the variance inflation factor (VIF) is seen in the table below. If the Variance inflation factor approaches 10, it shows unsafe Multicollinearity (Neter *et al*., 1989). The VIF for all variables is less than 10 (see Table 4), implying that this model does not have a Multicollinearity problem. As a result, the regression analysis results can be interpreted with a greater degree of freedom.

Table 4: Variance Inflation Factor Collinearity Statistics

Variable	Tolerance	VIF
Constant		
Frmz	0.991	1.009
Leverage	0.917	1.091
Profitability	0.953	1.049
Liquidity	0.962	1.039

a. **Dependent Variable: EOD**

4.3.2 Normality Test

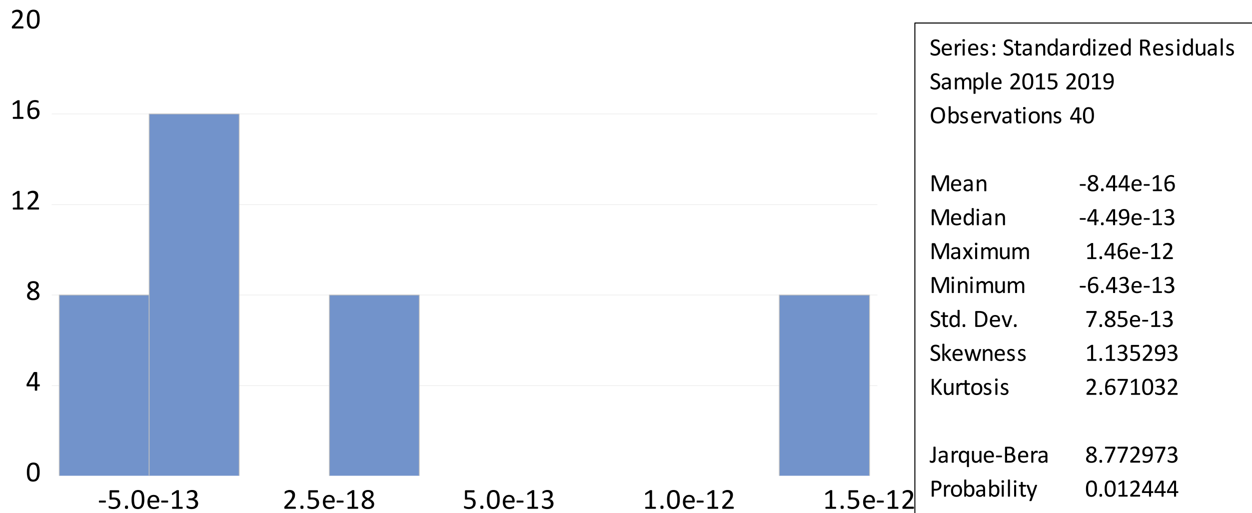
The Shapiro Wilk test is a tool for assessing the normality of a dataset. Even though it can be used on larger samples, it is more appropriate where the sample size is less than 50. The test results indicate a probability value less than 0.05 for all variables, suggesting a rejection of the null hypothesis that a variable is normally distributed in some population. Consequently, it implies that the variables are not normally distributed. The findings, however, are unaffected by the violations of normality since the sample size is reasonable considering that the population is less than 40.

Table 5: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
EOD	.378	130	.000	.710	130	.000
Frmsz	.422	130	.000	.247	130	.000
Leverage	.144	130	.000	.952	130	.000
Profitability	.132	130	.000	.914	130	.000
Liq	.307	130	.000	.541	130	.000

a. Lilliefors Significance Correction

Normality test Histogram



The data distribution is statistically significant since the data probability is less than 0.05 per cent. The amount of probability in the tails of a distribution is measured by its Skewness. Also, since the Skewness result is greater than 1, the dataset can be assumed to be highly skewed, indicating a substantially skewed distribution. The value of kurtosis is greater than one which shows that the distribution is too peaked. However, the values of the Skewness and Kurtosis fall within the range of values for Skewness (-1.5-1.5) and Kurtosis (-3-3)

4.3.3 Dependency Test

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 5
Cross-sections included: 8
Total panel observations: 40
Total panel observations: 40

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	140.0000	28	0.0000
Pesaran scaled LM	14.96663		0.0000
Pesaran CD	11.83216		0.0000

The Breusch-Pagan Lagrange Multiplier further determines between the random-effects and the common-effects models, the most appropriate model to be used to analyze the data. From the Breusch-Pagan Lm results, the probability value is less than 0.05, indicating acceptance of the null hypothesis that Random-effects model is the most appropriate. Also, the residual cross-section dependency test determines whether the data obtained have a cross-sectional dependence. The Pesaran CD tests whether residuals are correlated. Since the P-value is 0.00, it shows cross-sectional dependence, which calls for the rejection of the null hypothesis that residuals are not correlated. However, the cross dependence does not expose this model to so many biases that could affect the study result.

4.3.4 Autocorrelation

The Durbin Watson test was used to test for autocorrelation in the regression analysis residuals. The Durbin Watson test results on the random-effects model show a value of 1.179, depicting a positive autocorrelation. The value for the Durbin Watson test below reports a value of 1.179, which is between 1.5 and 2.5 and indicating that the data are not auto-correlated. This demonstrates that the data have no serial correlation or autocorrelation.

Model Summary[b]

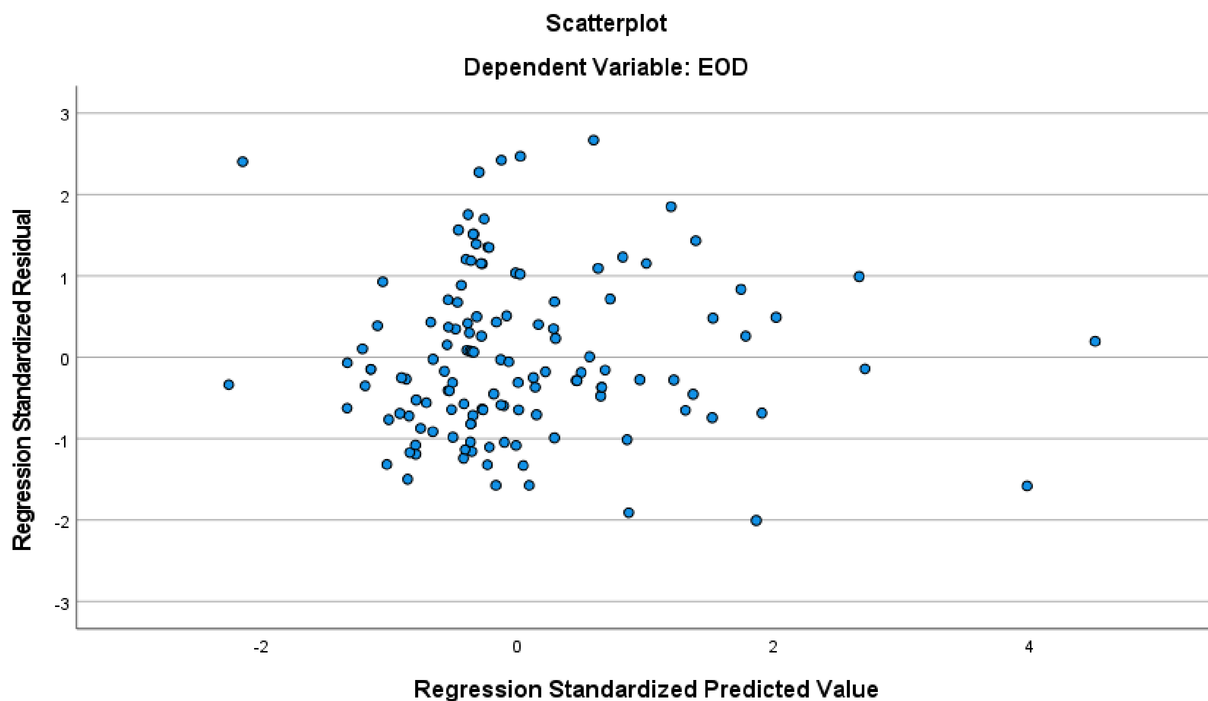
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.402[a]	.161	.135	.09646037	.161	6.016	4	125	<.001	1.179

a. Predictors: (Constant), Liq, Frmsz, Profitability, Leverage

b. Dependent Variable: EOD

4.3.5 Homoscedasticity Test

A scatterplot of residuals against expected values was plotted to test for the presence of homoscedasticity. It is where an error term becomes constant in a model. The scatterplot of residuals versus predicted value shows that the residuals stretch horizontally with the same volume of scatter throughout the plot. Despite a few outliers, there are no bends in the plot. Again, since the residual plot lacks any interesting feature, such as direction or structure, the regression analysis can be done successfully.



4.4 Regression Analysis

This research employed the Panel data regression because the data were collected over five years (2015-2019). The use of panel data provides sample heterogeneity, less collinearity, more degrees of freedom, and more precise inference of model parameters.

Due to the data's panel nature, the Hausman test was used to decide if a fixed-effects model, random-effects model, or pooled OLS model would be appropriate.

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	4	1.0000

* Cross-section test variance is invalid. Hausman statistic set to zero.
** WARNING: estimated cross-section random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
FMZ	-0.000000	-0.000000	0.000000	1.0000
LEV	1.327716	1.327716	0.000000	1.0000
PROFT	-1.453214	-1.453214	0.000000	1.0000
LIQ	1.707548	1.707548	0.000000	1.0000

Cross-section random effects test equation:
Dependent Variable: EOD
Method: Panel Least Squares
Date: 03/26/21 Time: 23:46
Sample: 2015 2019
Periods included: 5
Cross-sections included: 8
Total panel (balanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.195160	1.06E-12	-2.08E+12	0.0000
FMZ	-8.43E-08	1.37E-20	-6.16E+12	0.0000
LEV	1.327716	5.02E-13	2.64E+12	0.0000
PROFT	-1.453214	1.40E-12	-1.04E+12	0.0000
LIQ	1.707548	5.64E-13	3.03E+12	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	4.79E-14	R-squared	1.000000
Mean dependent var	0.576344	Adjusted R-squared	1.000000
S.D. dependent var	0.078103	S.E. of regression	5.73E-14
Akaike info criterion	-57.89998	Sum squared resid	9.19E-26
Schwarz criterion	-57.39332	Log likelihood	1170.000
Hannan-Quinn criter.	-57.71679	F-statistic	6.59E+24
Durbin-Watson stat	3.387039	Prob(F-statistic)	0.000000

Table 6 displays the outcome of the Hausman test conducted to decide which model is best for explaining the study's data. The Hausman test was used to confirm whether the

estimated specific effects were truly random and uncorrelated. As seen in the summary of the Hausman test shown above, the P-value> 0.05, indicates that it is statistically insignificant, leading to the non-rejection of the null hypothesis (Random-effects model is appropriate). Here, the probability value is 1.0000, which is more than 5%. As a result, we consider the null hypothesis and concluded that the random effects model is appropriate. Recall that rejecting the null hypothesis (when the statistic is statistically significant, P-value0.05) suggests using the fixed-effects model, whereas not rejecting it means using the random-effects model. As a result, based on the P-value of the test summary seen above, the results are statistically insignificant and uncorrelated; therefore, using random-effects regression rather than fixed effects regression could provide a better fit.

4.4.1 Random-Effects

Table 7: Random-effects Generalized Least Square Regression Analysis

Dependent Variable: EOD
Method: Panel EGLS (Cross-section random effects)
Date: 03/28/21 Time: 12:22
Sample: 2015 2019
Periods included: 5
Cross-sections included: 8
Total panel (balanced) observations: 40
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.195160	1.06E-12	-2.08E+12	0.0000
FMZ	-8.43E-08	1.37E-20	-6.16E+12	0.0000
LEV	1.327716	5.02E-13	2.64E+12	0.0000
PROFT	-1.453214	1.40E-12	-1.04E+12	0.0000
LIQ	1.707548	5.64E-13	3.03E+12	0.0000

Effects Specification

	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	5.73E-14	1.0000

Weighted Statistics

Root MSE	4.79E-14	R-squared	1.000000
Mean dependent var	0.576344	Adjusted R-squared	1.000000
S.D. dependent var	0.078103	S.E. of regression	5.13E-14
Sum squared resid	9.19E-26	F-statistic	2.26E+25
Durbin-Watson stat	3.386318	Prob(F-statistic)	0.000000

Unweighted Statistics

R-squared	1.000000	Mean dependent var	0.576344
Sum squared resid	9.19E-26	Durbin-Watson stat	3.386318

The coefficient of decision, R-squared, of the random effects regression model shown below is 1.000; this is greater than 0.05, the significance level, indicating that the model can describe 100% of the variation in IFRS disclosure in annual reports of Ghanaian companies listed on the Ghana Stock Exchange. It also means the dependent variable is strong enough to explain the independent variables of the study. The table's F-value, Prob (F-statistics) is less than 5%, meaning that the model describes a large amount of variance in the outcome variable. The test's probability value, or significance level, was discovered to be 0.000, which is less than 0.05.

Therefore, the influence of the dependent variable on the independent variables proved to be statistically significant.

4.4.2 **Hypothesis Testing**

Table 7 reveals that the dependent variable (extent of disclosure) and firm size have a negative and statistically significant relationship, with a probability value of 0.000 at the 0.005 level of significance. The null hypothesis that there is no significant relationship between company size and financial information disclosure was rejected due to this finding. This research supports the view that firm size, as indicated by a company's log of assets, influences the organization's disclosure practices. This finding is consistent with the findings of Owusu-Ansah (1998), who also reported that a business's size affects disclosure level. However, Lopes & Rodrigues (2007) found a positive and statistically significant connection between a firm's size and financial disclosures. Based on the research's finding, companies with a large total asset base disclose more information to the public than companies with a smaller total asset base. As opposed to smaller firms, larger companies are more likely to reveal much detail to boost stakeholder trust and reduce political costs (Watts & Zimmerman, 1990). According to Singhvi & Desai (1971), these factors explain why larger firms tend to reveal more information to the public than smaller firms. First, large companies' cost of gathering information is minimal, and hence they can have enough information to disclose to the public. Second, larger firms' executives are more likely to recognize the advantages of information disclosure than smaller companies' executives. Finally, small businesses might have the notion that disclosing more information to the public would jeopardize their competitive advantages, so they only share information that will not affect their businesses. This also explains why Ecobank Ghana Limited has the highest disclosure index score, while Samba Foods Limited has the lowest.

Hypothesis 2 suggested that a company's profitability has a significant positive relationship on the extent of financial information disclosure. Table 7 revealed that there is a significant negative relationship between a company's profitability and the extent of disclosure with a probability value of 0.00 at 5% significance level. Hence, the null hypothesis that a company's profitability has no significant relationship on the extent of financial information disclosure was rejected. The negative relationship between profitability and extent of information disclosure (contrary to positive relationship hypothesized) is as a result of the indicator of profitability used in finding companies profitability level. Contrary to the return on asset used, most prior studies used EBITDA, EBIT margin, return on invested capital, return on equity and return on capital employed as indicators of profitability. Also most existing studies used both the unweighted and weighted approach to scoring giving the researchers enough items to work with in attaining the positive relationship. This study, however, could not utilize enough items due to timing but the items are enough to generalize for the population. Therefore, it was concluded that there is a negative and significant relationship between a company's profitability and the extent of disclosure. In essence, the study results mean that profitable companies are likely to disclose more to the public than less profitable companies. Unprofitable firms are likely to disclose less to the public to cover up their losses and declining profit from the stakeholders. This study's results are consistent with Wallace & Naser's (1995) findings, that there is a negative association between profitability and the degree of information disclosure. Lang & Lundholm (1993) also found a negative and significant relationship between profitability and the extent of disclosure. However, Owusu-Ansah & Yeoh (2005) and Owusu-Ansah (1998) found a positive connection between profitability and the degree of information disclosure. Glaum & Street (2003) also

reported no significant relationship between a company's profitability and the extent of financial information disclosures.

Again, the result for hypothesis 3 suggests that there is a positive and significant relationship between the extent of the disclosure (dependent variable) and leverage with a P-value < 0.05, the significance level. As a result, the null hypothesis that a company's leverage has no significant effect on the disclosure level of companies listed on the Ghana Stock Exchange was rejected. This shows that the amount of leverage a company has directly affects how it discloses information to the public. According to Myers (1977), companies with high leverage appear to reveal more detail to reassure creditors that management is less likely to breach the contractual agreement. The result of this research is consistent with the work of past researchers (Ferguson, 2002; Meek *et al*., 1995). The result affirms that leverage is expected to raise disclosures among companies. This is because companies are always willing to reveal important information in order to secure access to the money market or financing.

The result of hypothesis 4 shows a positive and significant relationship between liquidity and the extent of information disclosure among listed companies with a probability value = 0.000 at 5% significance. Hence, the null hypothesis that there is no significant effect of a company's liquidity on the degree of financial information disclosure was rejected. This research's findings are consistent with that of Owusu-Ansah &Yeoh (2005), who found a significant association between liquidity and the degree of information disclosure. Daske *et al*. (2013) reported that adopting all the disclosure requirements of IFRS raises market liquidity or lowers capital cost. According to the writers, companies that increase their financial reporting disclosure will benefit more from liquidity than companies that do not improve their financial reporting disclosure.

Table 8: Research hypotheses matched with findings

Hypotheses	Status	Insights
H1: There is a significant positive relationship between firm size and the level of financial information disclosure.	**Confirmed**	The dependent variable (extent of disclosure) and firm size have a negative and statistically significant relationship
H2: Companies' profitability has a significant positive relationship on the extent of financial information disclosure.	**Confirmed**	There is a negative and significant relationship between a company's profitability and the extent of disclosure. In essence, the study results mean that profitable companies are likely to disclose more to the public than unprofitable companies.
H3: There is a significant positive relationship between leverage and the level of information disclosure among companies listed on the Ghana Stock Exchange.	**Confirmed**	There is a positive and significant relationship between the extent of the disclosure (dependent variable) and leverage.
H4: There is a significant positive relationship between liquidity and the	**Confirmed**	There is a positive and significant relationship between liquidity and

level of information disclosure of companies listed on the Ghana Stock Exchange		the extent of information disclosure among listed companies. Companies that increase their financial reporting disclosure will benefit more from liquidity than companies that do not improve their financial reporting disclosure.

CHAPTER 5: CONCLUSION AND FUTURE RESEARCH DIRECTION

5.1 Overview

This section of the research captures the recommendations and future research direction. Based on the insights gained from this research's findings, some valuable recommendations have been made to increase information disclosure and enhance the reporting quality of firms listed on the Ghana Stock Exchange.

5.2 Conclusions

Following Ghana's implementation of the International Financial Reporting Standards in 2007, sufficient steps and efforts have been made to ensure financial reporting and corporate disclosure quality. Per the literature review, few researchers seem to have attempted to investigate on the level of information disclosure in Ghana following the IFRS' implementation. Therefore, this research aimed at looking into the level of disclosure made by companies listed on the Ghana Stock Exchange and the relationship between corporate characteristics (firm size, debt, profitability, and liquidity) and information disclosure. An unweighted disclosure index containing 93 relevant IFRS disclosure requirements was created to assess the companies' disclosure level. The unweighted method is reliable, and previous researchers have successfully employed it (for example, Wallace *et al*., 1994; Hossain *et al*., 1994; Akhtaruddin, 2005). The study's findings show that listed companies, on average, disclose 59.96% of the items contained within the disclosure index. In essence, most of the listed companies on the Ghana Stock Exchange do not entirely release all relevant information to the public. Some information is being withheld from the public, and this is likely to cause information asymmetry. Samba Foods reported the least, with a disclosure index of 45.59 per cent, while Ecobank Ghana Limited

disclosed the most (82.15 per cent disclosure index). However, the extent of disclosure made by companies listed on the Ghana Stock Exchange can be improved by raising awareness among these companies about their disclosure responsibilities and ensuring adequate external audit supervision.

On the other hand, corporate attributes are essential factors to consider when determining a company's disclosure practices. Per the random effects regression results, firm size and profitability have a significant and negative relationship on the extent of disclosure by listed companies. On the other hand, leverage and liquidity were substantial and strongly associated with the degree of company disclosure. The research results correlate with the work of most past researchers (for example, Street and Gray, 2001; Barako, 2007; Owusu-Ansah 1998). However, according to this study, the Securities and Exchange Commission should remain sensitive to the standard of disclosure and strengthen their review of annual reports' disclosure material to ensure full conformity with mandatory disclosure requirements. This research, therefore, adds ups to the already existing literature on disclosure practices and corporate financial reporting in Ghana. This study is quite significant because it reports on the disclosure level made by companies listed on the Ghana Stock Exchange, a critical capital market in Africa. This can impact the extent to which companies will disclose to the public. The study's main limitation is that its results cannot be extended to all companies. Nonetheless, the research's results indicate that the study's fundamental aim of assessing the extent of disclosure and evaluating the impact of corporate attributes on financial information disclosure was met.

This report's findings give some insight into the listed companies and all stakeholders (government, individuals, public). It offers substantive facts to substantiate the application of appropriate frameworks, such as increased profitability, liquidity, and company size, to

maximize the IFRS disclosure levels. Unfortunately, the report discovered that none of the 26 companies completely conformed to the IFRS disclosure requirements throughout the study period.

5.3 Policy Recommendations

The research findings showed that all the 26 companies sampled do not comply with some of the International Financial Reporting Standards disclosure requirement in Ghana. Therefore, the following recommendations have been outlined to help minimize financial reporting variations among the companies and increase financial information disclosure by disclosing all relevant items. Firstly, the government should consider creating an objective Financial Reporting Council that can categorize businesses into small, medium, and large organizations. The council will include a financial reporting mechanism for each category to prevent variability in financial disclosures across the category.

Again, the International Accounting Standard Board (IASB) should ensure that Accounting Standards for each category and Corporate Governance Guidelines are followed so that the variance in financial disclosures is zero or close to zero within the category. Also, the introduction of a Board of directors' training program on corporate governance and ethics can aid in the fair presentation of corporate financial reporting. Moreover, the government can increasingly give wide publicity to the dangers of preparing an incomplete financial report on social media. Creating awareness of the risks of not disclosing all relevant information to the public can help solve information asymmetry.

Finally, the IASB should closely review the regulatory system of accounting and auditing to identify any gaps or ambiguities. The world is dynamic, and everything in it is evolving in

response to demand and time changes. Therefore, the regulatory framework must be checked frequently to meet with the evolving corporate climate.

5.4 Future Research Direction

Since all of the sampled companies have not entirely adhered to the IFRS disclosure requirement, it is critical to look at other corporate attributes that influence the extent of IFRS disclosure. Hence, this study suggests that more research be done in the following areas: future research could look at all listed firms' disclosure results. Research may also look at the differences in disclosure between publicly traded and privately held firms. Firm attributes such as audit firm, firm age, and company listing can all be looked at as potential determinants of information disclosures. Again, prospective studies should repeat this current study on privately owned and small businesses since this is a potential field where comparative research may be conducted to see whether the findings are the same or otherwise.

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Appendices

Table 1. Listed companies on GSE

Symbol	Company Name
ACCESS	Access Bank Ghana
ADB	Agricultural Development Bank
ALW	Aluworks LTD
BOPP	Benso Oil Palm Plantation Ltd
CAL	CalBank PLC
CLYD	Clydestone (Ghana) Limited
CMLT	Camelot Ghana Ltd
CPC	Cocoa Processing Company
EGH	Ecobank Ghana Ltd
EGL	Enterprise Group Limited
FML	Fan Milk Limited
GCB	Ghana Commercial Bank Limited
GGBL	Guinness Ghana Breweries Ltd.
GOIL	Ghana Oil Company Limited
HORDS	HORDS LTD
MAC	Mega African Capital Limited
MLC	Mechanical Lloyd Company Plc.
MTNGH	MTN Ghana
RBGH	Republic Bank (Ghana) PLC.

SAMBA	Samba Foods Ltd
SCB	Standard Chartered Bank Ghana Ltd.
SIC	SIC Insurance Company Limited
SOGEGH	Societe Generale Ghana Limited
SWL	Sam Wood Ltd.
TOTAL	Total Petroleum Ghana Ltd
UNIL	Unilever Ghana PLC

Table 2 Disclosure Checklist Items

IAS 1-Presentation of Financial Statements (9 items),
IAS 2-Inventories (3 items)
IAS 10-Events after the balance sheet date (4 items),
IAS 12 -Income taxes (3 items),
IAS 14 Segment reporting (5 items),
IAS 16 - property, plant and equipment (4 items)
IAS 18 -Revenue (1 item)
IAS 20 - Government Grants and Government Assistance (4 items)
IAS 21- Foreign Exchange Rates (3 items)
IAS 23- Borrowing Costs (3 items)
IAS 24 -Related Party Disclosures (5 items)
IAS 27 - Consolidated and Separate Financial Statements (7 items)
IAS 28 -Investment in Associates (5 items)
IAS 31 - Interests in Joint Ventures (4 items)

IAS 32- Financial Instruments Presentation (4 items)
IAS 36 - Impairment of Assets (4 items)
IAS 37 –Provisions, Contingent Liabilities, and Contingent Assets (5 items)
IAS 38 – Intangible Assets, (7 items)
IAS 40- Investment Property (5 items)
IFRS 2 Shared based Payments (3 items)
IFRS 3 -Business Combinations (5 items)