



# **Corporate Financial Reporting and Disclosure Practices in Ethiopia**

**By**

**Zemenu Bitew**

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## **Declaration**

I, the undersigned, declare that this study entitled “Corporate Financial Reporting and Disclosure Practices in Ethiopia” is my own work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis have been duly acknowledged.

Declared by

Name: Zemenu Bitew

Signature: \_\_\_\_\_

Date: 5<sup>th</sup> November 2015

Place: Addis Ababa, Ethiopia

Advisor: Abebe Yitayew (Dr.)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Addis Ababa University**  
**School of Graduate Studies**

This is to certify that the thesis prepared by Zemenu Bitew, entitled: Corporate Financial Reporting and Disclosure Practices in Ethiopia is submitted in partial fulfillment of the requirements for the Degree of Executive Master of Business Administration in Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

**Signed by the Examining Committee:**

Examiner \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Examiner \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Advisor \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

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**Chair of Department or Graduate Program coordinator**

# **Abstract**

## **Corporate Financial Reporting and Disclosure Practices in Ethiopia**

**Zemenu Bitew**

**Addis Ababa University, 2015**

This research aims to investigate the overall and detailed financial disclosure status of Ethiopian companies against the IAS/IFRS standards. For the sake of achieving the objectives of this study, the detailed disclosure index has been adopted and analyzed using descriptive statistical methods. The disclosure index filled from a sample of 75 banking, insurance and ECX member companies' annual financial reports of 2013/2014 GC (2006 EC). These 75 annual financial reports were selected from 20% from each of the 19 banks, 17 insurance and 343 ECX member companies using a simple random sampling technique. The literature analysis outlined the role of various local and international standards and regulatory bodies into the status of financial disclosure practices in Ethiopia. Various empirical studies have also been analyzed at the developed, developing and Ethiopian contexts.

Therefore, the overall findings show that all the seventy five sampled companies have not fully complied with IAS/IFRS disclosure requirements. It is further indicated that the overall mean of 35.18% compliance score was very much lower than an average 56% compliance in the developing world (Gephardt and Heilman 2004). In addition, the study also revealed significant differences among the two selected industries in Ethiopia with significance difference levels of 0.26723 (t-test=6.533, P=0.000). Based on findings, recommendations to government bodies, the concerned companies and suggestions for other researchers are forwarded.

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## **List of Acronyms**

ACCA	Association of Chartered Certified Accountants
ECX	Ethiopian Commodities Exchange Authority
EPAAA	Ethiopian Professional Association of Accountants and Auditors
GAAP	Generally Accepted Accounting Principles
GTP	Growth and Transformation Plan
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
MoFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
NAAB	National Accounting and Auditing Board
OAG	Office of the Auditor General
ROSC	Report on the Observance of Standards and Codes
SAC	Standards Advisory Council
SIC	Standing Interpretations Committee
SME	Small and Medium size Enterprises

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Accounting information is the most basic input into any informed economic decision making. The economic benefits of financial reporting of companies are enormous, both at the enterprise and at macro-levels. For instance, good financial reporting facilitates access to borrowing. It also enables investors to assess' future prospects of companies they may invest in. Good financial reporting is also a base for effective monitoring of companies, including better tax revenue collections. High-quality financial reporting infrastructure is also the prime ingredient for effective functioning of a stock exchange market (Sahle, 2011). Corruption, mismanagement of public resources and accounting irregularities are huge challenges in developing countries such as Ethiopia. A strong accountancy profession will undoubtedly contribute positively and significantly to the fight against these chronic problems (Jember, 2014).

The amount of information disclosed by organizations in corporate reports has considerably expanded in recent times, although reliability on the same has proven little to be desired with the recent increase in collapse of world class financial institutions among others which necessitated the increased pressure for optimal disclosure in corporate reports (Feyitimi, 2014) In addition, due to the increased integration of international markets, companies around the world are in need of executing their business in a manner to conform to international corporate activities (Beier, 2008). According to Choi and Meek (2005), a higher level of comparability and quality of financial statements is required because of an increased international audience and their unfamiliarity with different national and domestic accounting standards are the financial standards produced.

Because of the absence of mandatory disclosures and widespread use of 'creative accounting', in Ethiopia, financial statements depict limited information on companies' financial positions, performance and cash flows. Under the circumstances, external users find it difficult to compare

financial statements produced by different companies within the industry, let alone across sectors. Lack of comparability reduces reliability, which is one of the key qualitative characteristics to have been addressed by a set of financial statements (Sahle, 2011). Above all, similar to many developing countries, Ethiopia's financial reporting practices are driven by its tax laws and fragmented accounting practices acquired from the country's institutions of higher learning. These institutions use the Anglo-Saxon accounting text books, but without a nationwide conceptual framework to guide the teaching processes and the practical application by companies. Consequently, selection and application of the accounting principle for measurement and disclosure of financial transactions is left to the company's management and its auditor, if the company has one (Sahle, 2011).

With the adoption of the first five year Growth and Transformation Plan (GTP), laying the foundation for Achieving Middle Income Status by 2025, pushing accession to the World Trade Organization (WTO) by 2015 or so, Ethiopia has recognized problems related to financial reporting and disclosure practices in the country. For instance, the National Bank of Ethiopia on its banking business proclamation no.592/2008 has set a direction for banks to use international standards. In addition, the Ethiopian Commodity Exchange Authority (ECX) has also issued a directive on independent auditors to require members of the Exchange to use international financial reporting standards in preparing financial statements and for the auditors to use international standards on auditing. Above all, the Ethiopian government recently issued a national financial reporting proclamation which mandates to use the International Financial Reporting Standards (IFRS) on 14 June 2014.

Though, many financial disclosure studies have been done in most developed countries to assess the extent of disclosure compliances, there were limited study about this important subject in developing countries (Tsalavoutas, 2010). Of course, some of the prior local studies such as Report on the Observance of Standards and Codes of Ethiopia (ROSC, 2007), ACCA survey and others have attempted to measure the overall level of accountancy profession and regulatory environment in the country and forwarded a very useful policy level recommendations. However, the local level financial reporting disclosure compliance with the international

standards has not been well studied in developing countries like Ethiopia. Except the above stated basic local level disclosure status in comparison with their respective IFRS standards, the researcher has not come across any comprehensive study on local level disclosure practices.

Therefore, the objective of this study was to assess the level of financial disclosures practices in compliance with IFRS disclosures standards in Ethiopia. Exploring annual financial reporting disclosure practices allows further analysis of the situation to formulate possible interventions that can improve disclosure compliance in the country. Thus, the study has forward recommendations so as to improve practices and address challenges to meet disclosure requirements. Furthermore, the study has identified further study areas on the issue in concern.

## **1.2. Statement of the Research problem**

Adequate financial disclosure is essential to maintain an efficient financial market system and it's the main source of information for most external users (Kothari, 2001; Knutson, 1992; Alsaeed, 2005). The corporate annual reports help companies and investors to predict future cash flows for their investments. It communicates and shapes the reality of the entity in the public mind (Coy and Pratt, 1998). Given the importance of corporate annual reports as a primary source of information for most external users, the adequacy of disclosure in these reports needs to be considered (Chatterjee, 2007).

It is often, however, that companies do not fully comply with the disclosure requirements stipulated by the regulatory agencies (Akhtaruddin, 2005: 401). According to Ali et al. (2004,183), the government regulatory bodies and accounting profession of emerging nations suffer from structural weaknesses and often takes a lenient attitude towards default of accounting regulations. Consequently private and institutional investors (local and foreign) are hesitant in investing in such emerging economies due to lack of transparency.

Empirical studies, by Street and Gray (2001) and Glaum and Street (2003) revealed that companies have frequently claimed in annual reports that they are in full compliance with IFRS, while in reality there are significant deviations from IFRS. Similarly, the International Federation of Accountants (IFAC) has noted auditors' confirmation of firms' compliance with IASs when

the accounting policies and notes indicate contrary (Cairns, 1997). It is against this background and the overall poor accounting and regulatory infrastructure in Ethiopia that the study has inquired the extent of compliance with IFRS for those companies which adopted IFRS in Ethiopia.

There are no requirements for compliance with accounting and auditing standards both in Commercial Code of 1960 and other laws and regulations for specific sector entities (ROSC, 2007). Enforcement mechanisms of financial reporting requirements are nonexistent because of lack of capacity in regulatory institutions and the absence of penalties in the regulation. As per the limited study of the selected difference between accounting practices in Ethiopia and IFRS requirements (ROSC, 2007) by reviewing their financial statements, most of those companies were not include a statement of Changes in Equity and appropriately separate current and noncurrent items into their annual financial statements ( IAS 1). Among thirty five reviewed financial statements, 8 financial statements did not also reconcile cash and cash equivalents of their cash flow statements to the balance sheet (IAS 7). Twenty-three among thirty five financial statements did not disclose the date on which their financial statements were authorized for issue (IAS 10) and not included any deferred income tax calculations (IAS 21) into their financial statements. In addition, it was asserted that most of those annual financial statements were not partially complying with the IAS 16, IAS 17, IAS 19, IAS 21, IAS 24, and IAS 32 presentation and disclosure requirements.

As it has been observed from the ROSC, 2007 limited financial disclosure compliance study results of Ethiopian companies, there was a very poor level of disclosure practices in Ethiopia. Since then there has no as such major regulatory and accounting infrastructure changes in the country, except the recent June 14, 2014 issued financial reporting proclamations by the house of people's representative. Still, even though those companies adopted IFRS in Ethiopia stated that they have issued their annual financial reports based on the IFRS standards, they have not as such complying with the disclosure requirements properly. Therefore, this low level of disclosure compliance with international accounting standards calls for an appropriate level of detailed

investigations. This study has been therefore initiated because of the absence of comprehensive studies on financial disclosure compliances in Ethiopia.

With the outcome of this study, the newly under formation National Accounting and Auditing Board (NAAB), and the other regulatory authorities such as National Bank of Ethiopia, Ethiopian Commodity Exchange, Ethiopian Revenues and Customs Authority(ERCA), and the business community would be able to learn the extent of Ethiopian companies compliance with IFRS disclosure standards. This study mainly shows the detailed standard level disclosure compliance status which can help to take the specific standard level actions. This might help them to initiate the necessary compliance directives and ensure a reasonable level of compliance by all companies.

### **1.3. Objectives of the Study**

The general objective of the study was to determine the overall status of financial reporting and disclosure practices in Ethiopia.

Specifically, the objectives of this research were to:

- a) Determine each of the IAS/IFRS standards level disclosure compliances among Ethiopian companies,
- b) Determine the disclosure status variances among Banking/Insurance and ECX member trading companies of the country in relation to IFRS disclosure requirements.
- c) Recommend an appropriate measures to improve financial reporting and disclosure practices in Ethiopia.

### **1.4. Research Questions**

The following research questions have been addressed by collecting, analyzing and interpreting the financial reporting disclosure practices in Ethiopia.

**RQ1:** What is the overall status of corporate financial disclosure practices in Ethiopia in relation to IFRS disclosure requirements?

**RQ2:** What is the disclosure status variances among Banking/Insurance and ECX member Companies in relation to IFRS disclosure requirements?

**RQ3.** What can be recommended to improve financial reporting and disclosure practices in Ethiopia?

## **1.5. Research Hypotheses**

After reviewing the relevant literatures, and in line with the above main research questions, the following hypothesis developed so as to measure the variables under investigations.

**H1.** Companies adopted IFRS in Ethiopia are fully complying with the IFRS disclosure requirements.

**H2:** There is no major disclosure status variance among Banking/Insurance and ECX Member trading companies in the country.

## **1.6. Significance of the study**

Accurate corporate financial reporting is a necessary tool for the short and long term survival of any nation. It aids budgeting, planning and decision making. As per the literature reviewed below, corporate financial reporting disclosure practices in Ethiopia is deficient. In addition, there was no comprehensive research on the compliance of Ethiopian companies with the international accounting standards. The rapidly changing global economic and financial environment calls for a constant update in this area of study.

This study should have significant implications to the government, investors, business management, regulatory bodies, educators, researchers, accountants, auditors and scholars particularly in the field of accounting disclosure practices in the country. This research has tried to show the practical situations of disclosure practices in the country. Researchers in this field would benefit from the study because it can serve as a bench mark for future research on disclosure practices in Ethiopia. With the outcome of this paper, it is known that to what extent the Ethiopian companies, which they have claimed adopted IFRS, are complying with the IFRS disclosure requirements or not. Thus the paper has provided an assessment on the level of

compliance of Ethiopian companies in relation to IFRS disclosure requirements. This study could also be used as an initiation for those who are interested to conduct a detailed and comprehensive study regarding the financial disclosure practices in Ethiopia.

### **1.7. Scope and Limitations of the study**

The study covered the financial reporting disclosure practices in Ethiopia limiting its scope to companies adopted IFRS standards only. Based on the nature of this research, the comprehensive disclosure index data collected from 75 banking, insurance and ECX member companies and an appropriate analysis method was used to answer the research questions. The annual report of 2013/2014 reviewed from a sample of these banking, insurance, and ECX member trading companies who have claimed their annual financial reports issued based on IAS/IFRS standards. As at June/2014, there were a total of 19 banks, 17 insurance companies, and 343 ECX member trading companies.

It would have been a deeper and having extensive coverage, if the data collection were also included the perceptions from financial statement preparers, users, shareholders, and the general public on the overall disclosure practices in Ethiopia. In addition, in light of the limited research that exists on financial disclosure practices in Ethiopia, the study has conducted on the current body of knowledge and studies conducted in other countries context.

### **1.8. Organization of the Paper**

The rest of the paper is organized as follows: chapter two presents the regulatory and empirical related literature, and chapter three provides research methodology. Chapter four outlines data presentation, analysis and interpretation and chapter five concludes and suggests some recommendations.

### **1.9. Operational Definition of Terms**

For this research understandings and analysis purposes, the researcher adopted the following general operational definitions from IFRS & IFAC websites (IFAC, 2015).

- **Accounting Standards** are policy documents or rules that guide the preparation and presentation of financial information.

- **Disclosure Index** is an extensive list of selected items, which should be disclosed in the company reports.
- **Financial Reporting** is the process of producing statements that disclose an organization's financial status to management, investors and to the government.
- **Financial Statements** are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions.
- **Financial disclosure** is an act of including all the IFRS required disclosure statements into the annual published corporate financial reports.
- **International Accounting and Standards Board (IASB)** is an independent accounting standard-setting body, based in London. It consists of 15 members from multiple countries, including the United States. The IASB began operations in 2001 when it succeeded the International Accounting Standards Committee.
- **International Accounting Standard (IAS)** is a body of accounting standard issued by the International Accounting Standards Committee (IASC) now known as IASB.
- **International Financial Reporting Standard (IFRS)** is a body of accounting and financial reporting standard promulgated by the IASB; it includes standards and interpretations adopted by the IASB.
- **International Standards on Auditing (IAS)** are professional standards for the performance of financial audit of financial information. These standards are issued by International Federation of Accountants (**IFAC**) through the International Auditing and Assurance Standards Board (**IAASB**).
- **International Federation of Accountants (IFAC)** is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies.
- **Mandatory disclosure** refers to the information companies are obliged to disclose by the accounting standards setting body.
- **Management Commentary** is a narrative report that provides a context within which to interpret the financial position, financial performance and cash flows of the entity.

- **Voluntary disclosure** refers to the discretionary release of financial information over and above the mandatory disclosure.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 Introduction

This chapter reviews financial reporting and disclosure standards and previous research in the developed and developing world. Works on various financial disclosure studies were also reviewed. This is of help to understand the level of disclosure compliance practices among various jurisdictions. This chapter comprises of seven sections such as concepts of financial reporting & disclosures, International & national accounting standards, IFRS for SMEs, accounting regulatory environments in Ethiopia, and empirical studies.

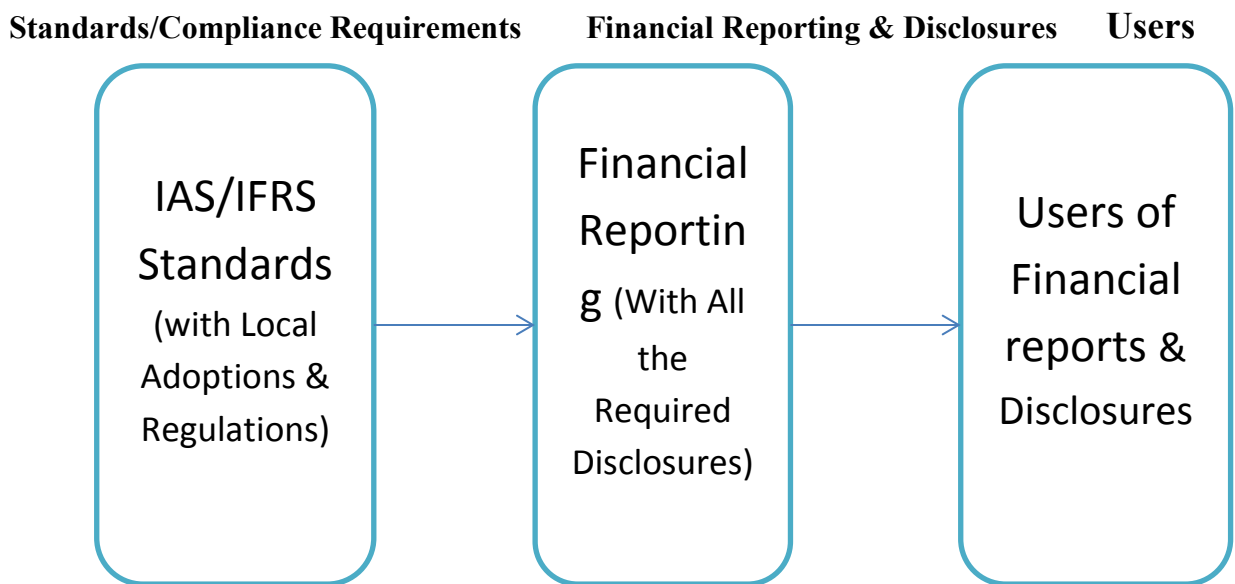
### 2.2. Concepts of financial reporting and disclosures

Financial Reporting is the process of producing statements that disclose an organization's financial status to management, investors and to the government. Financial Statements are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial disclosure is one of the key ingredients of financial reporting processes. At present, there is no theory of corporate financial disclosure available in the accounting literature. This is due to the abstract concept of the 'disclosure' itself which may mean several things to several people. Therefore; it is not surprising to find that some researchers view the concept from different perspectives. For this research, disclosure is defined as an act of including all the IFRS required disclosure statements into the annual published corporate financial reports.

The corporate annual report is considered a very important official disclosure vehicle (Marston and Shrikes, 1991) since other disclosure vehicles such as conference calls and interim reports can provide more timely disclosure. Corporate disclosure can be divided into two broad categories, mandatory disclosure and voluntary disclosure. Mandatory disclosure is information revealed in the fulfillment of disclosure requirements of statute in the form of laws, professional regulations, and stock exchanges. Voluntary disclosure is any information revealed in excess of

mandatory disclosure. The importance of corporate disclosure arises from being a means of communication between management and outside investors and market participants in general. Demand for corporate disclosure arises from the information asymmetry problem and agency conflicts between management and outside investors (Healy and Palepu, 2001). Enhanced corporate disclosure is believed to mitigate these problems (Harvey and Rajgopal, 2005).

Fig. 3.1: The Relationship between financial reporting and disclosure practices



**Source: Source: Developed by Researcher (2015)**

The disclosure-related literature has developed into a distinct branch of economic and accounting research (Frolov, 2004). Following the taxonomy suggested by Verrecchia (2001), it is easy to distinguish three major research problems confronted by the literature: (1) whether information disclosure is economically efficient in general; 2) the effect of information disclosure on the aggregate behavior of economic agents; 3) the circumstances surrounding the decision to make private information public (Feyitimi, 2014). It is standard argument here that management's decision about whether to disclose information or not is based on weighing expected costs and benefits of making information (Frolov, 2004).

### **2.3. International and National Accounting Standards**

The practice of Accountancy worldwide is guided by sets of guidelines and rules. The rules and guidelines are compiled into accounting standards (Izedonmi and Ola, 2001:11). They are statements of principle that discuss the accounting treatment and disclosure of a particular item or group of items. The International Accounting Standards Board (IASB) is an independent organization based in London, United Kingdom, that issues Accounting rules known as International Financial Reporting Standards (IFRS) previously known as International Accounting Standards (IAS). The International Accounting Standards Board (IASB) was preceded by the Board of the International Accounting Standards Committee (IASC), which operated from 1973 to 2001. International Financial Reporting Standards (IFRS) are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. They are progressively replacing many different national accounting standards. Approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies, although approximately 90 countries have fully conformed to IFRS as promulgated by the IASB and include a statement acknowledging such conformity in audit reports (AICPA I. R., 2012). IFRS are the rules to be followed by accountants to maintain books of accounts which are comparable, understandable, reliable and relevant as per the user's internal or external requirements. The Ethiopian accounting standards and overall regulatory environments shall be explained in detailed as below (2.5)

### **2.4. IFRS for SMEs**

Since Small and Medium Enterprises are seen today as the backbone of every economy throughout the world, in July 2009, International Accounting Standard Board (IASB) published IFRS for SMEs (Ojeka and Dickson, 2011). The IFRS for SMEs is a self-contained standard of 230 pages, designed to meet the needs and capabilities of Small and Medium sized Entities (SMEs), which are estimated to account for over 95 per cent of all companies around the world. Compared with full IFRSs (and many national GAAPs), the IFRS for SMEs is less complex in a

number of ways (IASB, 2009). It was in 2001 when IASB formally started to develop accounting standards for the suitability of SMEs while keeping the emerging economies in focus.

## **2.5. Accounting Regulatory Environments in Ethiopia**

Ethiopia has adopted the first five year Growth and Transformation Plan (GTP) for the last four years which ended in the last Ethiopian fiscal year, June 2015 that designed to maintain the rapid and broad-base economic growth and eventually to end poverty (MOFED, 2010). According to the World Bank draft publication of Ethiopia Economic update II, Laying the foundation for Achieving Middle Income Status( June,2013): “Over the past decade, Ethiopia has achieved high economic growth, averaging 10.7% per year. In 2012, Ethiopia was the 12<sup>th</sup> fastest growing economy in the World. If the country can continue its historically impressive growth performances, it could potentially reach middle income status by 2025”. Therefore, the country recognizes the importance and role of accounting regulations so as to realize this ambitious plan. In addition, Ethiopia is pushing hard to fulfill many conditions for accession to the World Trade Organization (WTO) of which accounting convergence to global standards will play its part.

Regarding the Ethiopian statutory framework, the Commercial Code makes directors of companies responsible for preparation of financial statements, including consolidated financial statements for group companies, and for ensuring that an audit of the financial statements is conducted (ROSC, 2007). In provisions for preparing financial statements, there is no requirement to comply with accounting standards, and the financial statements required to be produced are only balance sheet and profit and loss account. The financial reporting requirements of NGOs are contained under the Charities and Societies Agency (CaSA) directive number 8/2003 E.C. Even if the directive dictated the detailed financial document handlings, recordings, 70/30% administrative compliance and reporting issues, it did not say which accounting standards they should use for preparing annual financial reports. In the Commercial Code, there are no penalties for noncompliance with provisions for keeping accounting records, preparing financial statements, or filing and publication of the financial statements (ROSC, 2007).

Adopting IFRS will make it easier for investors and business to evaluate the financial performance of organizations with which they might do business or invest in, according to Hikmet Abdella, country manager of the Association of Chartered Certified Accountants (ACCA). “The standardized auditing system will enable the Ethiopian Revenue and Customs Authority (ERCA) to rely on external auditors reports for their tax collections. It will also afford banks confidence to grant loans based on the financial statement of a company” Hikmet told fortune that has published on May 01, 2011 (Sahle, 2011).

The big-four international audit firm networks were not present in the country before a few years back (ROSC, 2007), but now Earnest and Young and Deloitte are jointly working with the local audit firms, specifically in accounting and other general business consulting works. The international giant Grant Thornton and others are also starting some form of consultancy business in Ethiopia which they are expected to contribute for the improvement of accountancy professions and disclosure practices in Ethiopia. On the other hand, the country has not yet experienced significant financial reporting litigations case, but with the sophistication of the economy increase, increased litigation would be more likely; hence the need for financial reporting infrastructures as well as overall good corporate governance infrastructure is needed (ROSC, 2007). In addition, there is no as such well-developed professional accountancy qualification or Continuous Professional Development (CPD) training available in Ethiopia (ROSC, 2007).

In addition, the following sectors regulatory bodies have also their own strategic concerns or influences into the Ethiopian companies financial reporting and disclosure practices. Of course, as per the ROSC,2007 study, most of these regulatory bodies for financial institutions, state-owned enterprises, and NGOs do not have expertise to effectively deal with technical accounting and auditing matters in their regulation. Most regulators do not have professional accountants to analyze accounts prepared in accordance with IFRS and audited in accordance with ISA for public interest entities falling under their regulation.

### **Ethiopian Revenue and Customs Authority (ERCA)**

The country income tax law requires taxable income of business to be determined on the basis of financial statements prepared according to Generally Accepted Accounting Standards. In most instances, the Ethiopian financial reporting practices are driven by the tax laws and procedures.

### **National Bank of Ethiopia (NBE)**

As per the National Bank of Ethiopia proclamation number 592/2008 banks and insurance companies are required to prepare their annual financial reports based on IFRS standards. Banks and insurance companies are public interest entities which should be subject to high standards of financial reporting (ROSC, 2007)

### **Ethiopian Commodity Exchange (ECX)**

The Ethiopian Commodity Exchange has required its member of the exchange to use international financial reporting standards for SMEs in preparing their financial statements and for the auditors to use international standards on auditing.

### **Charities and Societies Agency (CaSA)**

The Federal Democratic Republic of Ethiopia Charities and Societies Agency has issued directive number 8/2004 for dictating the NGOs to prepare a detailed NGOs financial report to the agency. But, the directive did not say anything about which accounting standards NGOs should use when preparing their annual reports.

### **Office of the Federal Auditor General (OFAG)**

As per its establishment Proclamation no. 68/1997, OFAG has a mandate to make efforts, in cooperation with concerned organs, to promote and strengthen accounting and auditing professions in Ethiopia. OFAG has issued an Ethiopian Code of Ethics for Professional Accountants in the country in January 2009 by adapting from the similar nature code by IFRC and the International Organization of Supreme Audit Institutions (INTOSAI). Since issuing the Code, OFAG has investigated a serious compliant, which resulted in disciplinary measures to the profession, regulatory bodies, companies and other institutions that engage auditors (ROSC, 2007). Now according to the financial proclamation No. 847/2014, some of these OFAG mandates have given to the National Accounting and Auditing Board (NAAB).

### **The Ethiopian Professional Association of Accountants and Auditors (EPAAA)**

Though EPAAA was founded in 1972, it has so far no legal backing in Ethiopia and it is not also a member of International Federation of Accountants (IFAC). But, recently it is growing with its members, and now it has a membership in Eastern, Central, and South African Federation of Accountants (ECSAFA). An EPAAA purpose is to strengthen professional accounting and auditing in Ethiopia, however it is not a professional certification or regulatory body (ROSC, 2007).

### **National Accounting and Auditing Board (NAAB)**

The recently issued financial reporting proclamation on June 14, 2014, by the House of Peoples Representatives will have a power to establish a national body that would observe the new standards, in addition to licensing and accredit accounting and audit firms & professionals in the country. The National Accounting and Auditing Board (NAAB) will have the mandate to regulate the accounting and auditing companies in Ethiopia, a task previously belonging to the Office of Auditors General (OFAG), while tasked with reconciling the new financial reporting standards with the countries unfolding realities in the future. The new standard will help the country to have a common reporting platform in which it can outline and analyze economic and finance policies in relation with the international standard. Moreover, it will help the Tax Authority adapt a transparent finance reporting system. The board will also have the power to monitor the way financial reporting is done and approve or reject according to the new standard and the necessary changes (Anberbir, 2014)

## **2.6. Empirical Studies on financial reporting and disclosure practices**

Accounting researchers have investigated relationships between corporate characteristics and disclosures in corporate annual reports since 1960s. Early works on this subject was pioneered by Cerf (as cited in Fremgen (1964:467) and afterwards, many studies have examined the quality of information disclosures in various contexts. Examples of such studies are: Owusu-Ansah (1998; 605-631); Ho and Wong (2001: 139-156), Joshi and Ramadhan (2002: 429-440); Chau and Gray (2002: 247-265); Naser et.al.(2002:122-155); Naser and Nuseibeh (2003: 41-65); Akhtaruddin (2005: 399-422); Ofoegbu and Okoye (2006: 45-53) and Akintoye (2008). Each of these studies has been distinguished by differences in research setting, definition of the explanatory variables, disclosure index construction and statistical analysis (Feyitimi, 2014). The researchers examine

corporate characteristics that are used as predictors of the quality of disclosure. This ranges from two (Buzby, 1975:16) to eleven (McNally et al, 1982). The most popular characteristics are corporate size, profitability, liquidity, gearing, audit size, listing status, multinational parent, age, and ownership structure. The quality of disclosure in corporate annual reports and accounts has been represented in the literature by several constructs: adequacy (Buzby, 1975:16, Owusu-Ansah, 1998:609), comprehensiveness (Wallace and Naser, 1995:311 Barrett, 1976:12), informativeness (Alford, Jones, Leftwich & Zmijewski, 1993:183), and timeliness (Courtis, 1976:45). Each constructs suggests that the quality of disclosure can be measured by an index representing the dependent variable.

Some studies use weighted disclosure indexes while some others use unweighted disclosure indexes (Feyitimi, 2014). Most foreign researchers measuring compliance with International Accounting Standards (IAS/IFRS) mandatory disclosure requirements employ the “dichotomous” disclosure index approach in line with Cook (1992). This method gives equal weight to the individual items required to be disclosed all standards. It, therefore, gives greater weight to standards which require more items to be disclosed (Tsalavoutas, 2010, pp. 214-215). This assumes that each standard is of equal importance and consequently gives equal weight to each standard. The most common approach for determining compliance with disclosure requirements by a company is the unweighted disclosure index (Ali et al., 2004; Craig and Diga, 1998; Patton and Zelenka, 1997; Ahmed and Nicholls, 1994). The disclosure index for each company is then calculated as the ratio of the total items disclosed to the maximum possible score applicable for that company:

$$C_j = \frac{T = \sum_i^n di}{M = \sum_i^m di}$$

Where  $C_j$  is the total compliance score for each company and is  $0 \leq C_j \leq 1$ .  $T$  is the total number of items disclosed ( $di$ ) by company  $j$ .  $M$  is the maximum number of applicable disclosure items for company  $j$  that could have been disclosed. However, Al-Shiab (2003, P.223) adopts an alternative approach, which he refers to as the “partial compliance (PC) weighted method”. This approach measures compliance of each standard and then dividing this sum by the number of standards applicable to each company. This simply gives equal weighting to each applicable

standard and avoids the problem of unintentionally giving more weight to a standard with a larger number of items in the index (Al-shab, 2003, p.223).

$$PC_j = \frac{\sum_{i=1}^n x_i}{R_j}$$

Where  $PC_j$  is the total compliance score for each company and is  $0 \leq PC_j \leq 1$ .  $X_i$  is the level of compliance with each standard's mandatory disclosure requirements. Then, the sum of these compliance scores ( $X$ ) is divided by the total number of relevant/applicable standards for each company  $j$ , i.e.  $R_j$ .

Usually, the degree of compliance by companies claiming to comply with IFRS is very mixed and selective. According to the Street, Gray and Bryant (1999:46), IFAC had asserted in times past that auditors were asserting that financial statements complied with IASs when accounting policies footnotes and other notes showed otherwise. They opine that while many companies may appear anxious to seek international investment status that comes with the adoption of IASs they are not always willing to fulfill all obligations involved (Feyitimi, 2014). To this end they empirically examine the 1996 annual reports for 49 companies in 12 developed countries to determine the extent of compliance with IASs. Their tests for compliance focuses on both measurement and disclosure issues for the IASs revised during the Comparability project. This entails IAS 2 to IAS 23, but excludes IAS 11, Construction Contracts, which is not applicable for most companies. Their findings reveal that only 20 (41%) companies note full compliance with IASs while 29 (59%) companies note compliance with some limited exceptions. The main areas of non-compliance were IAS 2, Inventory, where 4% of the companies used inventory valuations not endorsed by the standard and did not disclose the method used.

Some critics may argue that the state of economic development between developed and developing countries may question the relevance of IASs to developing nations due to a variety of environmental factors (Chamisa, 2000:278). However, this question on relevance of IASs standards to developing countries is evaluated by Chamisa (2000: 267) using Zimbabwe as a case study. He examines the de facto compliance by a sample of listed Zimbabwe companies.

The result reveals that listed Zimbabwe companies appear to comply significantly with IAS disclosure requirement which are not required by Companies Act. He concludes that IASs appear to have significant impact on the reporting practices of Zimbabwe listed companies. Although there are differences in financial disclosure practices between developed and developing countries, the IASB strives to harmonize accounting standards globally, inter alia for the sake of comparison (IFRS, 2015).

Several studies have been conducted in Ethiopia assessing the level of the accountancy profession. Almost all made recommendations which ended up being shelved. These included a 2005 study by the Association of Chartered Certified Accountants (ACCA), a study by the Reports on the Observance of Standards and Codes (ROSC) in 2007 which has a joint initiative by the World Bank and the International Monetary Board (IMF). The 2005 ACCA study produced a 'road map' with the recommendations for the establishment of a standard setting mechanism, the development of a set of Ethiopian accounting standards, the implementations of international standards on Auditing (ISA) and an investigatory and disciplinary system for audit quality control. The ROSC, 2007 study reviewed some of the Ethiopian corporate sectors accounting, auditing and financial reporting practices and its supporting infrastructure. Over the years there have been efforts to implement ROSC's recommendations. Steering committee have been established, financial reporting law and a charter for the establishment of professional body were drafted. Finally, on June 14, 2014, the House of Representatives passed the Financial Reporting proclamation (Jember, 2014).

Except the ROSC (2007) limited assessment of Ethiopian companies' financial statement presentation and disclosure compliance with IFRS as part of the overall Ethiopian accounting standards study, no comprehensive research has been conducted on the financial disclosure compliances among Ethiopian companies. Since IFRS are not yet mandatory in Ethiopia, companies generally disclose part of the disclosure requirements of various IAS/IFRS standards.

## **2.7. Summary of the Chapter**

This literature study and regulatory reviews shows various facets of the financial reporting and disclosure practices in the international and local level. The objective of the literature review was mainly to investigate disclosure practices in line with the IAS/IFRS standards.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This section provides an overview of the study's research approach which used the quantitative methods. The chapter discusses procedures and activities under taken, focusing on namely the study's research design, data collection, sampling strategy, data processing and analysis and disclosure index instrument development.

#### **3.2. Target Population**

This research targeted companies whose financial reports claimed in compliance with IAS/IFRS standards in Ethiopia during the research period of 2013/2014, specifically Banking/Insurance and ECX member companies. Sampled annual financial reports taken from 19 banks, 17 insurance companies (NBE, 2015), and 343 ECX commodity market members (ECX, 2015). The researcher selected 75 sample companies (listed under Appendix-A) from these banks, Insurance and ECX trading companies. Then, the researcher reviewed and scored each of the selected 2013/2014 (2006 E.C) published annual reports of these companies using the disclosure index checklists.

On the other hand, companies that are not adopted IAS/IFRS, or they did not claim compliance with IAS/IFRS with their annual reports, have been excluded from this study because their accounting practices, financial statements, and related disclosure requirements differ from the rest of the population under study.

#### **3.3. Research Approach**

This study adopted the quantitative research approach. Of course, there are varieties of approaches employed to determine compliance and examine the factors that influence the extent of information disclosure in the annual reports of companies. Some researchers determine disclosure using a survey of annual report users, preparers, auditors and regulators (McNally et

al., 1982:12; Barako, 2007: 118), while others construct a checklist for evaluating the content of the annual report (Inchausti, 1997:47; Street and Gray, 2001:23). In other cases, researchers combine the disclosure checklist and survey methods (Barrett, 1975:18) so that the disclosure status findings will be corroborated by identifying key noncompliance factors. Here, a comprehensive disclosure checklist methods has been used to score the selected companies 2013/2014 (2006 EC) published annual reports.

### **3.4. Sampling Size and Disclosure Index Techniques**

According to the register of National Bank of Ethiopia (NBE, 2015), and Ethiopian Commodity Exchange website (ECX, 2015), the total number of companies which adopted IAS/IFRS in the country are 19 banking, 17 insurance, 343 ECX member companies respectively. Therefore, the researcher draws a sample of 20% from each of these companies. For a homogeneous population which operates similar services, 20% sample size is believed to be representative (Cohen et al., 2005). Therefore, using a simple random sampling technique by entering all the target companies in excels, RAND () function, the following companies have been selected from each two industry groups:

- 8 companies selected from Banking/Insurance sectors (4 banks & 4 insurances companies), and
- 67 companies selected from ECX member trading companies

The above simple random selections of companies from each of the banking/insurance and ECX member companies are believed to give the most unbiased selections and the inferences can be generalizable among all these sector companies which issued their annual financial reports based on IAS/IFRS standards.

### **3.5. Data Collection Methods**

The selected companies' 2013/2014 (2006 EC) published annual financial reports and other documents have been reviewed by using the comprehensive disclosure index.

### 3.5.1 The Disclosure Index

Disclosure index is an extensive list of selected items, which should be disclosed in the company reports (Shrives, 2010). The disclosure index could include mandatory items of information and/or voluntary items of information. Hence, a disclosure index is a research instrument to measure the extent of information reported in a particular disclosure vehicles by a particular entity. The disclosure index could be constructed by the researcher or an existing index can be used. Using an existing index has an advantage in that direct comparisons with previous research work can be made (Shrives, 2010).

A comprehensive disclosure Checklist has been used to review the most recent 2013/2014GC (2006 EC) published financial reports of the selected companies against IFRS disclosure standards of 2013 or before. These annual financial reports disclosure data have been collected from the local printed newspapers, company websites, and regulatory bodies which have archived those companies annual financial statements. For instance, the Ethiopian Commodity Exchange (ECX) usually collects the annual financial reports of its member companies. In addition, the banking/insurance companies 2013/2014 published financial reports has been collected from each of the selected official websites.

Disclosure index has been used to define the level of disclosure of each selected corporate annual reports of Ethiopian companies. The index totally has 264 mandatory, 6 voluntary management commentary items from 33 IAS/IFRS standards that should be complied by Ethiopian companies under their 2013/2014 annual financial reports. The complete disclosure score sheet can be found in the Appendix-A.

Table 3.1: List of IAS/IFRS **included** in the disclosure index

IAS/IFRS Standards	Number of items to be disclosed and scored by using the disclosure index
<b>International Accounting Standards (IAS)</b>	
IAS 1 : Presentation of Financial Statements	17
IAS 2 : Inventories	14
IAS 7: Statement of Cash Flows	9
IAS 8:Accounting Policies, Changes in Accounting Estimates and Errors	7

IAS 10: Events after the Reporting Period	8
IAS 11: Construction Contracts	7
IAS 12: Income Taxes	12
IAS 16: Property, Plant and Equipment	14
IAS 17: leases	13
IAS 18: Revenue	8
IAS 19: Employee Benefits	14
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	6
IAS 21: The Effects of Changes in Foreign Exchange Rates	8
IAS 23: Borrowing Costs	3
IAS 24: Related Party Disclosures	4
IAS 27: Separate Financial Statements (2011)	3
IAS 28: Investments in Associates and Joint Ventures (2011)	3
IAS 33: Earning Per Share	8
IAS 36: Impairment of Assets	10
IAS 37: Provisions, Contingent Liabilities and Contingent Assets	8
IAS 38: Intangible Assets	9
IAS 40: Investment Property	10
IAS 41: Agriculture	3
<b>International Financial Reporting Standards (IFRS)</b>	
IFRS 2: Share-Based Payment	8
IFRS 3: Business Combinations	7
IFRS 4: Insurance Contracts	11
IFRS 5: Non-current assets Held for Sale and Discontinued operations	6
IFRS 6: Exploration for and Evaluation of Mineral Assets	1
IFRS 7: Financial Instruments: Disclosures	12
IFRS 10: Consolidated Financial Statements	4
IFRS 11: Joint Arrangements	7
IFRS 12: Disclosure of Interests in other Entities	5
IFRS 13: Fair Value Measurement	6
<b>Number of total disclosure items</b>	<b>264</b>

Source: Adopted from <http://www.iasplus.com>

The above IAS/IFRS standards disclosure requirements have been interpreted by reviewing its related IFRIC interpretations and the following pronouncements:

<b>Name</b>	<b>Issued</b>
- Conceptual Framework for Financial statements 2010	2010
- Preface to International Financial Reporting Standards	2002
- IFRS for Small and Medium Sized Entities	2009
- IFRS Practice Statement Management Commentary	2010

The following IAS/IFRS standards excluded from the disclosure index because of irrelevance to annual reports, industry-specific issues, not required on certain occasions, replaced by another standard, and the standard is outside of the period of the study. Standards that issued in 2014 are excluded from the study because they are not applicable to the period under study, 2013/2014.

Table 3.2: List of IAS/IFRS **Excluded** in the disclosure index

<b>IAS/IFRS Standards</b>	<b>Reason for Exclusion</b>
IAS 3 : Consolidated Financial Statements	Superseded in 1989 by IAS 27 & 28
IAS 4 : Deprecation of Accounting	Withdrawn in 1999
IAS 5 : Information to Be Disclosed in Financial statements	Superseded by IAS 1
IAS 6 : Inventories	Superseded by IAS 15
IAS 9: Accounting for Research and development Activities	Superseded by IAS 38 effective 1 July 1999
IAS 13: Presentation of Current Assets and Current Liabilities	Superseded by IAS 1 effective 1 July 1998
IAS 14: Segment Reporting	Superseded by IFRS 8 effective 1 January 2009
IAS 15: Information Reflecting the Effects of Changing Prices	Withdrawn December 2003
IAS 22: Business Combinations	Superseded by IFRS 3 effective 31 March 2004
IAS 25: Accounting for Investments	Superseded by IAS 39 & 40 effective 2001
IAS 26: Accounting and Reporting by Retirement Benefit Plans	
IAS 29: Financial Reporting in Hyperinflationary Economies	
IAS 30: Disclosures in the Financial statements of Banks and similar financial institutions	Superseded by IFRS 7 effective 1 January 2007
IAS 31: Interests in Joint Ventures	Superseded by IFRS 11 & 12 effective 1 January 2013
IAS 32: Financial Instruments: Presentation	
IAS 34: Interim Financial Reporting	
IAS 35: Discontinuing Operations	Superseded by IFRS 5 effective 1 January 2005
IAS 39: Financial Instruments: Recognition and Measurement	Superseded by IFRS 9 effective 1 January 2018
<b>International Financial Reporting Standards (IFRS)</b>	
IFRS 1: First time Adoption of IFRS	It is excluded for this research purposes.
IFRS 8: Operating Segments	
IFRS 9: Financial Instruments	Issued in 2014
IFRS 14: Regulatory Deferral Accounts	Issued in 2014
IFRS 15: Revenue from Contracts with Customers	Issued in 2014
<b>The above standards have been excluded from this study because of each specified reasons.</b>	

Source: Adopted from <http://www.iasplus.com>

In accordance with the “preface to International financial reporting standards (IFRS, 2015) and IAS 1, presentation of financial statements, the following key information and other detailed disclosure requirements should be disclosed in the company’s annual financial reports.

- ✓ IAS-1 (11)-An entity shall present with equal prominence all of the financial statements in a complete set of financial statements.
- ✓ IAS-1(16)-An entity whose financial statements comply with IFRS shall make an explicit an unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRS unless they comply with all the requirements if IFRS.
- ✓ IAS-1 (25)-When preparing financial statements, management shall make an assessment of an entity’s ability to continue as a going concern.
- ✓ IAS-1 (60)-An entity shall present current and non-current assets, and current and non-current liabilities.
- ✓ IAS-1 (117)-An entity shall disclose in the summary of significant accounting policies.

### **3.5.2. Scoring on the Disclosure Index**

All disclosure items have been considered to be equally valuable (Miihkinen, 2008). Thus, in the score sheet a firm can be assigned a maximum of one point for each disclosure items. If a firm discloses information sufficiently, it is awarded 1 point and if it is not totally disclosed, it should be given zero. Sometimes, some of the IFRS disclosure requirements may not be relevant to the company under investigations, and if so it should be assigned NA (Not applicable). Since this research objective emphasis on compliance with each disclosure item, irrespective of their grouping in accounting standards, Cooke’s dichotomous approach has been used rather than Partial compliance (PC) method described under the literature review.

The unweighted approach for the scoring-Cooks Dichotomous Method has been adopted for this study. Cooke (1989:115) is the first to propose the unweighted model, and hence this model is generally referred to as Cooke index. Unweighted approach is preferred because it is based on the assumption that each item of disclosure is equally important, it reduces subjectivity and it provides a neutral assessment of items. This approach uses a dichotomous procedure to develop a scoring scheme that captures the level of disclosure. Complete annual report for each company

is reviewed in order to understand the nature and complexity of each company's operation and to form an opinion about the company before scoring the items.

For the IAS/IFRS scores, each disclosure item on the checklist is assigned a value of '1' if it is disclosed and '0' if the item is assumed relevant but not disclosed. Items obviously not applicable and the items that the researcher does not know are coded not applicable (NA). When an item of information is not mentioned in the annual report, it is assumed not relevant (e.g prior year adjustments). The score (index) for each standard is the ratio of actual disclosure divided by applicable disclosure. It excludes not applicable disclosures.

### **3.5.3. Validity of Disclosure Index**

Validity is the degree to which a test measures what it purports to measure (Creswell, 2009:190-92). Validity defined as the accuracy and meaningfulness of the inferences which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Basically, the instruments were adopted from AICPA peer review (AICPA, 2015), IFRS Financial Reporting and Disclosure Checklist (for Financial Statements with Years Beginning on or After January 1,2013) and developed based on the objectives of the study and research questions. Of course, there were similar disclosure checklists developed by KPMG, Earnest and Young and others, but the researcher found the selected disclosure index (Annexed –B) more comprehensive and convenient for the study at hand. The disclosure index has been constructed under the following main headings with various subheadings under each section. It also included 246 detailed mandatory disclosure items required by 33 IAS/IFRS standards before 2013/2014.

- i) First time adoption is excluded from this study because it is not the research focus.
- ii) Title and References
- iii) Statement of Financial Positions
- iv) Statement of Changes In Shareholders Equity
- v) Statement of Comprehensive Income
- vi) Statement of Cash Flows

- vii) Other Financial Statement Disclosures, and
- viii) Management Commentary

The disclosure index has constructed in a way that would permit to calculate compliance scores by using a unique code for each items.

#### **3.5.4. Reliability of the Disclosure Index**

The reliability of instruments measures the consistency of instruments. Creswell (Creswell, 2009,190-92) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. The main threat to reliability derives from the subjective judgment exercised in completing the research instrument (Vlachos, 2001). As it has been explained above the disclosure index adopted from the IFRS checklist of 2013 without doing major modifications (AICPA, 2015), and therefore its reliability should fall in an acceptable range. The data integrity and consistency has also been checked with some of the previous similar level developing country studies and simple level Cronbach alpha methods.

#### **3.5.5. Other Documents Review**

Other related legislations, directives and documents which have direct relations with financial disclosures practices has been reviewed and used for final analysis purposes. These document reviews used to substantiate the data collected by the disclosure index score sheets.

### **3.6. Data Processing and Analysis**

#### **3.6.1. Disclosure Index Data Processing**

The method of data processing in this study was manual and computerized system. In the data processing procedure editing, coding, classification and tabulation of the collected data were done.

#### **3.6.2. Disclosure Index Data Analysis**

Data analysis is further transformation of the processed data to look for patterns and relationship between and/or among data groups by using descriptive and inferential statistical analysis. The Statistical Package for Social Science (SPSS) version 20 was used to

analyze the data obtained from primary sources (disclosure index). Specifically, descriptive statistics (mean, maximum, minimum and standard deviation) and student t-test analysis has done.

Descriptive analysis was used to reduce the data in to a summary format by tabulation (the data arranged in a table format) and measure of central tendency (mean and standard deviation). In related to the research method, detailed quantitative analysis performed. Generally, descriptive statistics used to analyze the extent of compliance with IAS/IFRS. Student t-test analysis has been used to determine whether statistical difference exist among sectors with regards to rate of compliance. A paired t-test is used to compare two population means where you have two samples in which observations in one sample can be paired with observations in the other sample.

The selected companies' annual published financial reports scored sheets data cleaned for data entry into SPSS (Version 20.0) for further level statistical analysis. By using a descriptive statistics of the dependent variable, the status of disclosure practices among sampled companies in Ethiopia has been analyzed by mean, median, standard deviation, minimum and maximum results. The mean and standard deviations are proper statistical measures for examining the differences between each company disclosure because the scale of the disclosure indices is between 0 and 1. It is expected that the IFRS mandatory disclosure should have higher mean and lower standard deviations. This is because purely mandatory disclosure should have a mean close to 1 and standard deviation close to 0 (Miihkinen, 2008, pp. 394-397).

### **3.6.3. Other Document Review Analysis:**

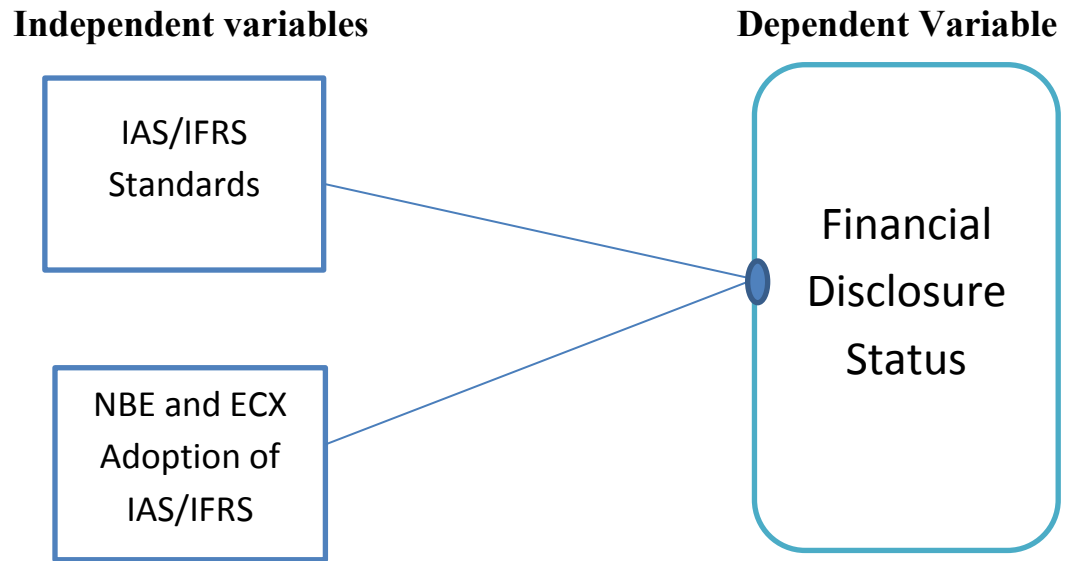
The other document review data has been interpreted qualitatively by narrative approaches and used for corroborating the disclosure analysis results.

## **3.8 Conceptual Framework**

In this study an independent variables are IAS/IFRS Standards and NBE & ECX regulations and the dependent variable is financial disclosure status. The disclosure status is defined by the IAS/AIFRS standards with the NBE and ECX adoption of these standards. Financial reporting is

providing all the general level financial position, profit and loss, statement of equity and cash flow information to the public and other interested users.

Fig. 3.1: Conceptual Framework Model



Source: Sharif, (2010), PP.23 (with minor modifications)

The disclosure score become the dependent variable in the descriptive disclosure analysis. The IAS/IFRS standards with the National Bank of Ethiopia (NBE) and Ethiopian Commodity Exchange (ECX) adoption of these standards are the primarily influence of financial disclosure results.

Since this is the compliance study which assessed whether the sampled companies followed the mandatory IAS/IFRS standards or not, there is no as such deep theoretical foundations among the dependent and independent variables.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS**

#### **4.1. Introduction**

This chapter deals with the presentation and analysis of primary and secondary data. The analysis presented using tables and detailed explanations of the analysis results in each IAS/IFRS standards and industry type. The overall and standards level maximum, minimum, mean and standard deviation compliance status shown for further interpretations. Then the simple level student t-test analysis presented so as to see the relationships between the banking/Insurance and ECX Member Companies.

#### **4.2. Analysis of Annual Reports**

##### **4.2.1. Descriptive Statistics of Dependent Variables**

The banks/insurance and ECX member trading companies are obliged to comply with IAS/IFRS financial reporting and disclosure standards. Therefore, the banks/insurance and ECX member companies are expected to fulfill the disclosure requirements of various IAS and IFRS standards. Generally, it is observed that all the seventy five sampled companies have not fully complied with IAS/IFRS standards. This is because the average 75 companies scored annual financial reports is 35.18%. The score (index) for each standard is the ratio of actual disclosure divided by applicable disclosures. It excludes not applicable disclosures. The overall mean and standard deviation are also proper statistical measures for examining the differences between the banking/insurance and ECX member trading companies. It is expected that mandatory disclosures should have a higher mean and lower standard deviations. This is because fully mandatory disclosures should have a mean close to 1 (or 100%) and standard deviation close to 0.

Table 4.1: Descriptive Statistics of Comprehensive Disclosure Index results

S.N	Type of companies	N	Minimum	Maximum	Mean	Stand. Deviation
1	Banking/Insurance	8	0.40	0.66	0.5065	0.07884
2	ECX Member Companies	67 (Weighted to 11)	0.16	0.49	0.2393	0.09393
<b>TOTAL</b>		<b>75</b>	<b>0.16</b>	<b>0.66</b>	<b>0.3518</b>	<b>0.16029</b>

Source: Filed Study (2015)

Table 4.1 shows the overall compliance index results of selected companies with regards to the IAS/IFRS disclosure standards. To minimize the higher number effects of 67 ECX member companies with 8 selected banking/insurances companies, 67 ECX member companies weighted to 11 for overall mean and standard deviation calculation purposes. The table indicates that the overall mean compliance score for all the banking/insurance and ECX member companies in 2013/2014 financial year was 35.18%. The maximum company compliance score was 66% and minimum 16%. Therefore, this result confirms that no company fully complied with the IAS/IFRS disclosure requirements that promulgated before 2013/2014, though all companies claimed that their annual reports have been prepared in compliance with IAS/IFRS standards. In addition, no qualified audit opinion regarding non-compliance with required presentation and disclosure was issued despite significant non-compliance by companies.

An industry level compliance rate with the two selected industries in Ethiopia; Banking/Insurance and ECX Member companies has also revealed by Table 4.1. The result reveals that the banking/insurance industry scored the highest mean of 50.65% with 66% and 40% maximum and minimum compliances, respectively. The ECX member companies scored low level of mean 23.93% with 49% and 16% maximum and minimum compliances. On the other hand, both sectors reveal almost similar standard deviations between 0.7884 and 0.9393 with significant deviations from the overall 0.16029 standard deviation.

Table 4.2: Descriptive Statistics of Detailed IAS/IFRS level Disclosure Status

S.N	Accounting Standards	N	Minimum	Maximum	Mean	Stand. Deviation
1	IAS 1:	75	0.64	1.00	0.88353	0.10489
2	IAS 2	75	0.00	0.63	0.3844	0.17142
3	IAS 7	75	0.00	1.00	0.5789	0.28588
4	IAS 8	75	0.00	0.86	0.1729	0.21602
5	IAS 10	75	0.00	1.00	0.2895	0.2359
6	IAS 11	1	0.29	n/a	n/a	n/a
7	IAS 12	75	0.27	1.00	0.5885	0.22344
8	IAS 16	75	0.29	0.86	0.5124	0.15145
9	IAS 17	75	0.00	0.92	0.4123	0.31924
10	IAS 18	75	0.38	0.88	0.5985	0.15238
11	IAS 19	75	0.07	0.69	0.2348	0.16207
12	IAS 20	75	0.00	0.67	0.0705	0.22140
13	IAS 21	75	0.00	1.00	0.3516	0.37346
14	IAS 23	75	0.00	0.67	0.1053	0.24976
15	IAS 24	75	0.00	1.00	0.3553	0.45883
16	IAS 27	75	0.00	0.67	0.1579	0.20393
17	IAS 28	75	0.00	0.67	0.1754	0.23223
18	IAS 33	73	0.00	0.38	0.1029	0.14132
19	IAS 36	75	0.00	0.90	0.2684	0.31632
20	IAS 37	75	0.00	0.75	0.2895	0.31747
21	IAS 38	75	0.00	0.67	0.2105	0.23685
22	IAS 40	75	0.00	0.80	0.4000	0.26450
23	IAS 41	3	0.33	0.33	0.3300	0.0000
24	IFRS 2	75	0.00	0.00	0.0000	0.0000
25	IFRS 3	75	0.00	0.71	0.0376	0.16387
26	IFRS 4	4	0.54	0.91	0.7272	0.1567
27	IFRS 5	75	0.00	0.67	0.1579	0.25740
28	IFRS 6	1	0.00	0.00	0.0000	0.0000
29	IFRS 7	75	0.17	1.00	0.5343	0.27182
30	IFRS 10	75	0.00	1.00	0.0921	0.27902
31	IFRS 11	75	0.00	0.43	0.0602	0.14534
32	IFRS 12	75	0.00	1.00	0.4561	0.49952
33	IFRS 13	75	0.00	0.67	0.1140	0.21554
<b>TOTAL</b>		<b>75</b>	<b>0.16</b>	<b>0.66</b>	<b>0.3518</b>	<b>0.16029</b>

Source: Filed Study (2015)

Table 4.2 above presents the descriptive statistics for compliance index of each IAS/IFRS standards. It shows the disclosure results of 75 selected companies from banking/Insurance and ECX member industries in Ethiopia with their maximum, minimum, mean and standard deviations against 33 IAS/IFRS standards. The minimum and maximum represent the case of one company with respect to each standard, while the mean represent the extent of disclosure results among 75 companies. Overall, the above findings show significant variability, total standard deviation of 0.16. This variability was more noticeable in the IFRS 12 (S.D 0.49952), IAS 24 (S.D 0.45883), IAS 21 (S.D 0.37346), IAS 17 (S.D 0.31924), IAS 36 (S.D 0.31632) and IAS 37 (S.D 0.31747).

Table 4.2 shows IAS 1 (Presentation of financial statements) has the maximum mean result of 88.35% among all the standards with a variability of 0.1048 whereas IFRS 3 (Business combinations) has the minimum mean of 3.76% with a variability of 16.38%. Therefore, it can be observed that there was no absolute 100% compliance of the 33 scored standards.

The next highest complied standard is IAS 18 (Revenues) with the mean compliance score of 59.85%, followed by IAS 12 with the mean compliance score of 58.85%, and IAS 7 with mean compliance score of 57.89%. IAS 1 (Presentation of financial statements), IAS 18 (Revenues), IAS 12 (Income Taxes) and IAS 7 (Statement of Cash flows) higher level of compliance might be easier to comply with these standards or the Ethiopian companies are accustomed with these standards. Of course, these standards have higher variability of 0.1048 (IAS 1), 0.1523 (IAS 18), 0.2234 (IAS 12) and 0.2858 (IAS 7) among the scored companies.

The study reveals that 6 among the 33 of IAS/IFRS standards complied on average of 50% and above are IAS 7 (Statement of Cash flows), IAS 1 (Income Taxes), IAS 16 (Property, plant and Equipment), IAS 18 (Revenues), IAS 20 (Accounting for government grants) and IFRS 7 (Financial Instrument: Disclosures). The lowest level of compliance between 3.76% and 10.53% is observed in IFRS 3 (Business combinations), IFRS 11 (Joint arrangements), IFRS 10 (Consolidated financial statements), IAS 33 (Earnings per Share), and IAS 23 (Borrowing costs).

**Each of the above IAS/IFRS standard level disclosures analysis is presented below:**

**IAS 1(Presentation of Financial Statements):** 88.35% mean compliance of companies with regards to IAS 1 was one of the highest among all the 33 scored standards with the maximum 100% and minimum 64% compliance scores. This shows that Ethiopian companies have reported the main financial position, profit and loss, changes in equity with some notes on significant accounting policies and other explanatory information. It is also interesting to see that five out of eight banking/insurance companies have not showed the current and non-current assets and liability classifications in their annual financial statements whereas most of the ECX member companies comply with this classification requirement.

**IAS 2 (Inventories):** The average compliance of companies regards to this standard is 38.44% with maximum 63% and minimum 0% compliances. Most of the companies have not disclosed carrying amount of inventories at fair value less costs to sell, amount of written down of inventories with any reversals and assets pledged as security for liabilities.

**IAS 7 (Statement of Cash Flows):** Almost all sampled companies except Excel Commercial PLC have included statement of cash flows with their annual financial reports. Companies achieved mean score of 57.89% with maximum 100% and minimum compliance score of 0%. This high disparity of IAS 7 compliances, 28.58% standard deviation among companies, shows that the Ethiopian companies have not given equal attention to this important financial statement. In addition, 47% of the scored annual reports has not also reconciled their statement of cash flows with the equivalent items reported in the statement of financial position (IAS 7: 45).

**IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors):** This is one of poorly disclosed standard among Ethiopian companies with 17.29% mean, 86% maximum and 0.00% minimum compliances. Zemen Bank and Commercial Bank of Ethiopia have mean score of 86% and 43% respectively, otherwise all the other companies scored below 30% to nothing.

**IAS 10(Events after the Reporting Period):** IAS 10 disclosure ranges between 0.00 to 100% for companies that comply with average 28.95% compliances. Most of the companies have

disclosed dividend declaration and date of financial statement authorization. But, almost all the sampled ECX member companies (67) have not stated anything about whether they have done going concern assessments or not line with IAS/IFRS requirements. This is against the IAS/IFRS requirements of “When preparing financial statements, management shall make an assessment of an entities ability to continue as a going concern”.

**IAS 11 (Construction Contracts):** This standard is not applicable to all the sampled companies except A.T.S Engineering which disclosed 29% of the required disclosures.

**IAS 12 (Income Taxes):** On average companies have disclosed 58.58% of IAS 12 requirements with a maximum 100% and minimum 27% compliances. Most of these companies have disclosed their current tax liabilities with major types of taxes. But, mostly the banking/insurance companies have shown details of temporary tax differences, unused tax loses and credits whereas the ECX member companies fails to do so.

**IAS 16 (Property, Plant and Equipment):** Generally, there was mean 51.24% with a maximum 86%, minimum 29% and 15.14% standard deviation compliances. That means there was no any company that has achieved 100% compliance to this standard. Companies usually fail to disclosure whether obligations to dismantle, exchange for a non-monetary, de-recognition of any property and revaluations done to their property and equipment’s. All companies except Commercial Bank of Ethiopia have not stated anything about reevaluation of their properties at all. Therefore, the IAS 16 revaluations of Property, plant and equipment have not practiced by Ethiopian companies.

**IAS 17 (Leases):** Companies scored on average 41.23% with the maximum compliance score of 92% and minimum 0.00% and 31.92% standard deviations. Here, it can be seen that there was high compliance variability among companies to this standard. Overall, most of these companies have not disclosed change of the lease terms, detailed lease features, and the correct classifications of finance and operating lease. In addition, sale and leaseback of assets is not

practiced in Ethiopian companies; therefore this has been given NA score and excluded from the analysis.

**IAS 18 (Revenue):** The detailed analysis of each item to be disclosed reveals that almost all companies disclosed their revenue recognition policy and significant category of revenue recognized during the period such as sale of goods, services and other incomes. This also reflects on the average 59.85% with 88% maximum 38% minimum compliance score and medium variability of 15.23%.

**IAS 19 (Employee Benefits):** The analysis shows that IAS 19 mean compliance was 23.48% with a maximum of 69% and minimum 7% compliances. This standard has been disclosed poorly among the sampled companies, though most of these companies have an annual leave, bonus schemes, medical care, and other long term benefit plans. Of course, it may be difficult and accrue all these benefit plans into their accounting systems.

**IAS 20 (Accounting for Government Grants and Disclosure of Government Assistances):** Among the eight banking/insurance and 67 ECX member companies, Oromia International Bank and Commercial Bank of Ethiopia have only disclosed the government land grants which they have recognized with their accounts. Considering the Ethiopian government assistance to the small and Medium Enterprises (SME) in the form of land, low price facilities, technical assistance, and so forth, companies have not recognized and disclosed this benefit into their accounts.

**IAS 21 (The Effects of Changes in Foreign Exchange Rates):** Mostly the banking/Insurance sector companies have a better disclosure of IAS 21 standard compared with ECX member companies. Overall, there was mean 35.16% with maximum of 100% and minimum 0.00% compliance scores with high variability (0.3734).

**IAS 23 (Borrowing Costs):** This is one of the least 5<sup>th</sup> complied standard with an average score of 10.53%. Only three companies among 75 have some disclosures about borrowing costs. The

maximum compliance score was 66% and minimum compliance score of 16%. This low level of compliance might be related to the Ethiopian companies are not yet familiar with this standard or it might be difficult to apply.

**IAS 24 (Related Party Disclosures):** Among all the sampled companies which the researcher reviewed their annual reports, only five of the ECX member companies have disclosed some information about their related party disclosures. On the other hand, most of the banking/insurance companies have disclosed some information about this standard. Overall, there was 35.53% average compliance with 100% maximum and 0.00% minimum and 0.4588 variabilities.

**IAS 27 (Separate Financial Statements):** Companies have low mean score of 15.79% with 67% maximum and 0.00% compliance score. With the exception of some banks/Insurance companies, most of the ECX member companies fail to disclose anything related with this standard. The researcher believes that this is because companies could not clearly know their legal arrangements of subsidiary, joint arrangements, and associates.

**IAS 28 (Investments in Associates and Joint Ventures):** Similar to IAS 27, companies have low mean score of 17.54% with 67% maximum and 0.00% compliance scores. Similar explanations as above IAS 27 could be forwarded here.

**IAS 33 (Earnings per Share):** This is one of the least 4th disclosed standard of mean 10.29% with 38% maximum 0.00% minimum and 14.13% variability. Almost only the banks/insurance companies have disclosed the basic earnings per share (EPS) amounts for profit or loss attributable to the ordinary equity holders. All the ECX Member companies fail to disclosure any EPS information into their annual statements. This is because they observe the IAS/IFRS for SMEs and most of their shares owned by a few of their family members and they may not have an interest to calculate EPS. On the other hand, the banks/insurance companies have not also calculated and disclosed their diluted earnings per share amounts.

**IAS 36 (Impairment of Assets):** Almost the banks/insurance companies have done an impairment of assets assessments specifically related to their loan advances and premium receivables in accordance with the National bank of Ethiopia standards. Almost all the ECX Member companies except few have failed to disclosure any of their impairment of assets evaluation results.

**IAS 37 (Provisions, Contingent Liabilities and Contingent Assets):** Out of all companies, mainly the banks/insurance companies have disclosed some provisions, contingent liabilities and assets. That makes an overall mean score to 28.95% with 75% maximum 0.00% minimum compliances. This may be because of the complex requirement of the standard.

**IAS 38 (Intangible Assets):** The analysis shows an average 21.05% with 67% maximum and 00% minimum compliance of this standard. This implies that most of the sampled companies do not have intangible assets except some ECX members trading license, core banking and other software systems. Usually, there were no combinations or merger of banking and other companies in Ethiopia, and therefore goodwill and other similar intangible assets could not be recognized.

**IAS 40 (Investment Property):** Among all the 75 companies more than 85% of them have disclosed about this standard with low level of details. They usually missed to disclose about investment property acquired in exchange for a nonmonetary assets, whether there was any transfer, disposal, and compensation received or not. This reflects on the overall 40% with 80% maximum and minimum 0.00% compliances. They mainly used the cost model to account for investment property.

**IAS 41 (Agriculture):** Among all the 75 companies, this standard is applicable for only three companies of the ECX members, and they have 33% average compliances to this standard.

**IFRS 2 (Share-Based Payment):** This standard is not applicable in the Ethiopian business contexts and no company disclosed any information about it. Therefore, it was excluded from the analysis (NA).

**IFRS 3 (Business Combinations):** This is one of the 1<sup>st</sup> least poorly disclosed standards with 3.76% mean, 71% maximum and 0.00% minimum results. This reveals that there were no mergers or combinations among banking, insurance and ECX member companies in Ethiopia.

**IFRS 4 (Insurance Contracts):** This standard is applicable to the insurance sectors only; therefore four sampled insurance companies have an overall average score of 72% with 91% maximum and 54% minimum compliances to the standard.

**IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations):** This standard has also been mostly disclosed by the banking/insurance sector companies in related to their confiscated collateral or damaged vehicles from their customers that were waiting for foreclosure sales. Otherwise, non-of the ECX member companies (67) have disclosed any information about this standard. Overall, companies have disclosed on average 15.79% with 67% maximum 0.00% minimum requirements.

**IFRS 6 (Exploration for and Evaluation of Mineral Assets):** This standard is applicable for only Excel Commercial and A.T.S Engineering member companies of Ethiopian Commodity Exchange which they have not complied with this standard requirement.

**IFRS 7 (Financial Instruments: Disclosures):** As per the analysis of 75 annual reports, there was a mean score of 53.43% with 100% maximum and 17% minimum compliance achievements. Most banking/insurance companies have a detailed disclosure on their financial assets and liabilities in relation to collateral amounts held, allowance of credit losses, % breaches on loans receivables, and credit, liquidity and market risk analysis.

**IFRS 10 (Consolidated Financial Statements):** This is one of the third least poorly disclosed standards next to IFRS 11 of 9.21% mean, 100% maximum and 0.00% minimum results. This may be the result of unclear regulatory and tax practices in the country, even though many companies have parent to subsidiary ownership relations which requires financial statements consolidations.

**IFRS 11 (Joint Arrangements):** This is one of the second least poorly disclosed standards next to IFRS 3 of 6.02% mean with 43% maximum and 0.00% minimum results.

**IFRS 12 (Disclosure of Interests in other Entities):** Companies have on average 45.61% with 100% maximum and 0.00% minimum compliance to this standard. As per the analysis, there was 49.95% variability among these compliance scores.

**IFRS 13 (Fair Value Measurement):** This is also another least poorly disclosed standard with mean 11.40% of a maximum of 67% and minimum 0.00% compliance results. Only less than 30% from the 75 reviewed companies' annual reports have some information about fair value measurement. This low level average compliance indicates that most of the Ethiopian companies are not practicing fair value measurement.

#### 4.2.2. Descriptive Statistics for Management Commentary on Annual Reports

The following table 4.3 indicates voluntary disclosure of management commentary. It shows an average index of 39.47% with maximum 100% and minimum 0.00% with variability of 47.78% among various companies. Analysis clearly indicates that the banks/insurance companies have included 83% of all the required management commentary requirements into their annual financial reports whereas ECX member companies have not included any of those commentary reports.

Table 4.3: Disclosure Statistics of Management Commentary on Annual Reports

	Company type	No,	Minimum	Maximum	Mean	Standard deviation
1	Banking and Insurance	8	0.83	1	0.9375	0.08626
2	Trading company	67 (Weighted to 11)	0.0000	0.0000	0.0000	0.0000
	<b>Total</b>	<b>75</b>	<b>0.000</b>	<b>1.0</b>	<b>0.3947</b>	<b>0.477859</b>

Source: Filed Study (2015)

Almost all of the sampled eight bank/insurance companies have disclosed the nature of their business, objectives and strategies, results and prospects of the industry and performance indicators. In addition, five out of the eight bank/insurance companies have included the detailed analysis about their resources, risks and relationships within the industry. But, three of the insurance companies such as Birhan Insurance S.C, Ethiopian Insurance Corporation and Nyala Insurance Company have missed the resources, risk and relationship analysis from their annual reports.

### 4.3. Hypothesis Testing and Interpretations

***H1: Companies adopted IFRS in Ethiopia are complying with the IFRS disclosure requirements.***

The overall disclosure results displayed in Table 4.1 above, of the two industry types which they have claimed full compliance with IAS/IFRS, is 35.18%. Therefore, the above null hypothesis is rejected.

***H2: There are no major disclosure status variances among Banking/Insurance and ECX Member Companies.***

As we can see from Table 4.1, the banking/insurance mean disclosure index score was 50.65% whereas the ECX Member Companies achieved 23.93% only which shows there was a significant 26.72% differences among these sectors. In addition, the below additional student t-test shows the same result of 6.533 with p-value 0.000. Of course, we can say that banking/insurance have by far better compliance than the ECX member trading companies.

Table 4.4: Student T-test for Hypothesis 2

	Company type	No,	Mean	Mean difference	Student t test	P. value
1	Banking and Insurance	8	0.5065	0.26723	6.533	0.000
2	Trading company	67 (Weighted to 11)	0.2393			

Source: Filed Study (2015) \*Significant at P< 0.05

The result of the above Table 4.4 student t-test conducted to compare the disclosure level for banking/insurance and ECX member companies. The Levene's test for equality of variances gives a significant value of 0.26723. This means that the data did not violate the assumption of equal variance since it is larger than .05. There is significant difference in disclosure levels for banking/insurance (Mean=0.5065, SD=0.07884), and ECX member companies (Mean=0.2393, SD=0.09393);  $t(73) = 6.533$ ,  $P=0.000$ . The magnitude of the differences in the means is very significant (0.26723).

Therefore, H2 null hypothesis is also rejected.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.1. Introduction

In this chapter, the theoretical and empirical findings shall be summarized with an appropriate conclusions and recommendations. The study contributions for the current Ethiopian financial disclosures practices should be heightened with future study area recommendations.

#### 5.2. Summary of disclosure Index Findings

##### **Research Question 1: What is the overall status of corporate financial disclosure practices in Ethiopia in relation to IFRS disclosure requirements?**

The study revealed an overall mean compliance rate of 35.18% with 16% minimum and 66% maximum results among 75 selected companies in Ethiopia. The study showed that Ethiopian companies overall financial disclosure compliance is very much below the previous 56% average compliances of emerging countries (Gebhardt and Heilman 2004). Though the selected companies stated that they have issued their annual financial reports in compliance with IAS/IFRS standards, this compliance study showed the contrary results.

This prevailing low level of disclosure status brings into question the effectiveness of enforcement mechanisms used by regulatory agencies and the nature of the audit. This can confirm that the government regulatory bodies and accounting profession of emerging nations suffer from structural weaknesses and often takes a lenient attitude towards default of accounting regulations (Ali et al. (2004, 183).

##### **Research Question 2: What are the disclosure status variances among Banking/Insurance and ECX Member companies of the country in relation to IFRS disclosure requirements?**

The study revealed significant differences existed among the two industries with regards to their compliance rate of 50.65% and 23.93% mean score for the banking/Insurance and ECX member

companies, respectively. Actually, this is not in line with expectations from the financial companies and ECX member companies which prepared their annual financial statements with IFRS for SME requirements. The independent sample t-test conducted to compare the banking/insurance and ECX member companies' disclosure level indicates that there is a significant value of 0.2672 a .significant difference in disclosure levels.  $T(73) = 6.533$ ,  $P = 0.00$  shows that the magnitude of differences in the mean is very significant. The result confirms that the banking/Insurance and ECX member companies are not fully complying with the IAS/IFRS disclosure requirements, and they also displays significant compliance differences between themselves.

The higher disclosure of the banking/insurance companies can be attributed to the capacity (resource base, human power, regulatory compliance status and so forth) of the banking sector. The growth in their capital base, having many shareholders, NBE's strong regulations, and their public company nature should encourage them to comply with the relevant IAS/IFRS and local standards. ECX has obliged its member companies to maintain their accounts in accordance with IFRS for SMEs standards.

### **Research Question 3: What can be recommended to improve financial reporting and disclosure practices in Ethiopia?**

Based on the above findings and analysis of the study, the following key recommendations can be forwarded to improve the financial disclosure practices in Ethiopia. Hodgdon, et al. (2008) states that the problems of understanding and interpretations between various users of IAS/IFRS may explain the results of non-compliances. As it has been indicated in the literature analysis, the overall non-compliance usually emanates from the absence of strict regulatory pressures, firm-specific disclosure incentives and monitoring forces (Miihkinen, 2008). All these recommendations can be useful to stockholders such as the NBE, ECX, the new BOARD (under formation), the Ethiopian tax authority, investors, company management, accountants, auditors, and the general public.

- ✓ Sufficient investigations and measures shall be taken by the responsible regulatory bodies such as NBE, ECX, and the new BOARD (under formation), the Ethiopian tax authority

and others to ensure full compliance with the relevant national and IAS/IFRS accounting disclosure standards. A better financial reporting and disclosure practices by Ethiopian companies will help to monitor their activities and make an informed decisions. Therefore, these regulatory bodies can take timely measures to protect the interests of shareholders and the general public. By doing further assessments of why companies fail to observe acceptable disclosure compliances, an appropriate incentives and punishment mechanisms shall be instituted so as to ensure that companies comply with the mandatory local and international accounting standards.

- ✓ The relatively better compliance of banking/insurance companies compared with the ECX member companies can be related with their capital and shareholder base, better regulatory follow-ups, having an appropriate finance professionals, and or information technology. Therefore, the related regulatory bodies and the new NAAB (under formation) shall investigate this matter further and encourage smaller companies to develop their capital and shareholder base, design an appropriate regulatory means, and train enough finance professionals and information technology.
- ✓ This study shows that the NBE and ECX's inclusion of the IAS/IFRS standards into their respective higher level regulations has not enable the respective companies to observe higher level compliances. Most of them have simply stated the "*These financial statements have been prepared in compliance with International Financial Reporting Standards*" without observing its detailed reporting and disclosure requirements. Therefore, the respective regulatory bodies and the New NAAB (Under formation) should adopt the IAS/IFRS standards with all the applicable disclosure requirements. This will enhance the applicability, better understanding and interpretations of the local and international disclosure requirements. Hence, this will promote the local companies visibility to the general public and encourage foreign direct investment in Ethiopia.
- ✓ Ethiopian companies should work towards a better compliance of the local and international disclosure standards so that they can increase their visibility and public image. This will help them to get an additional foreign and local equity investment (as a form of joint venture or so) so that they can boost their capital base. Having the completed financial reports will also help companies to get better loan access from banks.

## **5.4. Recommendations**

The prevailing low level of disclosure status brings into question the effectiveness of enforcement mechanisms used by regulatory agencies and the nature of the audit. The relevant regulatory body shall effectively encourage Ethiopian companies to disclose all the relevant international and local standards by creating the necessary accounting infrastructure in the country. This is very important to change the current low level of financial disclosure status in the country. Therefore, the new NAAB Board (which is under formation) should organize regular training programs and provide practical guide to companies for full compliance. The study further recommended that the new Board (NAAB) which will regulate the financial reporting of Ethiopian companies should adopt the full compliance requirements of IAS/IFRS. These would legally strengthen the Board to monitor compliance and activate penalties as set out in the law to motivate full compliances.

## **5.5. Conclusions**

Most financial disclosure studies have been mostly done in the developed world with some low level of similar studies in the developing countries such as Ethiopia. With the absence of comprehensive financial disclosure compliance study in Ethiopia, except some selected IAS disclosure comments in the ROSC study in 2007, this study sheds some light on the overall and standards level disclosure status in Ethiopia. As it is expected, the study reveals that the banking/Insurance and ECX member companies mean compliance of 35.18% is much lower than the average compliances of 56% in emerging countries (Gebhardt and Heilman 2004). Even, the Ethiopian banking/insurance sectors, which are considered better regulated companies in the country, have scored an average of 50.65% compliances. In addition, the Ethiopian companies overall disclosure status is also much below than the 61% disclosure status of companies listed under the Egyptian stock exchange (Dahawy, 2007)

Therefore, the low level of Ethiopian banking/insurance companies' 50.65% compliance against the IAS/IFRS standards has showed that the industry has not yet started embracing global best practices in financial reporting to market expectations. Therefore, this detailed disclosure index

assessment asserts that there is still poor level of disclosure practices in Ethiopia compared with the last 2007, ROSC study findings.

## **5.6. Contributions to Knowledge**

It is believed that this study will make theoretical and practical contributions to the field of accounting in Ethiopia. This study shows the current low level of corporate disclosure practices among the two selected sectors in Ethiopia. This should help the respective regulatory bodies and the new Accounting Board to improve disclosure practices in Ethiopian companies and also it will serve as benchmark for future disclosure studies in the country. It also provides the overall and standard level compliance levels of companies. The regulatory agencies shall work for a better compliance with the local and international standards by implementing various incentive mechanisms.

In addition, the disclosure index prepared for this study can also be used by finance professionals, companies' management and external auditors for their annual financial reporting preparations and assurances purposes. This study also gives some basic insight for the local and international investors about the level and usefulness of financial reporting practices in Ethiopia. This low level of disclosure practices in Ethiopia also shows how far the country is behind fully adopting the international accounting standards and poor level of accounting infrastructure.

## **5.7. Suggestions for Further Study**

By considering the limitations of this research, the researcher would like to suggest future study by including other sectors outside of the banking/insurance and ECX member companies such as manufacturing, services, non-governmental organizations and others. Future disclosure research can also include the survey methods by distributing questionnaires to the accountants, investors, and regulatory bodies so as to identify the basic factors behind this low level of disclosure practices in the country. In this study, the research has only reviewed 75 selected companies of 2013/2014 annual audited financial reports, but in future this study can also be done by reviewing the subsequent years audited financial reports. This longitudinal study of the annual reports will be used to assess the trends of disclosure in order to confirm if there was any improvement through time or not.

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# Appendixes

## **APPENDIX-1: Sampled Companies under Banking/Insurance and ECX Members**

<b>S.N</b>	<b>Industry</b>	<b>Company</b>
1.	Banking/Insurance	Wogagen Bank S.C
2.	Banking/Insurance	Zemen Bank S.C
3.	Banking/Insurance	Berhan Insurance S.C
4.	Banking/Insurance	Oromia International Bank S.C
5.	Banking/Insurance	Ethiopian Insurance Corporation
6.	Banking/Insurance	Nyala Insurance S.C
7.	Banking/Insurance	Commercial Bank of Ethiopia
8.	Banking/Insurance	Nile Insurance S.C
9.	ECX Member Company	Family Modern Trading PLC
10.	ECX Member Company	ABCD Trading PLC
11.	ECX Member Company	Asma International Business
12.	ECX Member Company	Dora Gobena Trading
13.	ECX Member Company	Amal Trading PLC
14.	ECX Member Company	AL Impex Import and Export
15.	ECX Member Company	Ambasel Trading PLC
16.	ECX Member Company	Excel Commercial PLC
17.	ECX Member Company	A.T.S Engineering PLC
18.	ECX Member Company	Roberta PLC
19.	ECX Member Company	Guna Trading Plc
20.	ECX Member Company	Addis Exporters Ltd
21.	ECX Member Company	Alepha Seosome Akrabi Plc
22.	ECX Member Company	Acos Ethiopia Plc

23.	ECX Member Company	Amal Trading Plc
24.	ECX Member Company	ASK International Plc
25.	ECX Member Company	ASTCO Plc
26.	ECX Member Company	Awi Semen International Plc
27.	ECX Member Company	Bahran Trading Plc
28.	ECX Member Company	Bashafer Trading Plc
29.	ECX Member Company	Beaka General Business Plc
30.	ECX Member Company	Belete Shebeshi Plc
31.	ECX Member Company	Besma General Trading Plc
32.	ECX Member Company	C.G.F Business Plc
33.	ECX Member Company	Boku Business Plc
34.	ECX Member Company	Comex Services Plc
35.	ECX Member Company	Devlam Trading Plc
36.	ECX Member Company	Dora Gobena Trading Plc
37.	ECX Member Company	Durame Plc
38.	ECX Member Company	Etabu Trading plc
39.	ECX Member Company	F.S.S General trading Plc
40.	ECX Member Company	Gaf General Merchandise Plc
41.	ECX Member Company	G-five Business Plc
42.	ECX Member Company	GMT Industrial Plc
43.	ECX Member Company	Kafa Limu Plc
44.	ECX Member Company	Kaki Plc
45.	ECX Member Company	Morgan General Business plc
46.	ECX Member Company	Mount Welel Trading Center Plc
47.	ECX Member Company	Mytaf Business Plc
48.	ECX Member Company	Netsa Plc
49.	ECX Member Company	Roberta Plc

50.	ECX Member Company	Oromia Coffee Farmers' Cooperative
51.	ECX Member Company	S.A. Bagersh Plc
52.	ECX Member Company	Sabir General Trading Plc
53.	ECX Member Company	Seid Yassin Plc
54.	ECX Member Company	Standby General Trading plc
55.	ECX Member Company	Testi Trading Plc
56.	ECX Member Company	Ujeb Business Plc
57.	ECX Member Company	Wanos Trading plc
58.	ECX Member Company	Warka Trading plc
59.	ECX Member Company	Yegenet Plc
60.	ECX Member Company	Yomef Trading Plc
61.	ECX Member Company	Zablon Trading Plc
62.	ECX Member Company	Zega PLC
63.	ECX Member Company	Zumiye Ahmed Ali
64.	ECX Member Company	Wani ofi Trade Plc
65.	ECX Member Company	Trackon Trading plc
66.	ECX Member Company	Weldeyes Business plc
67.	ECX Member Company	Tadesse Desta Amare
68.	ECX Member Company	Tilahun Mesafint Desta
69.	ECX Member Company	Sinar Mertad Business plc
70.	ECX Member Company	SKAMM General Trading Plc
71.	ECX Member Company	Tadesse Edema Basaye
72.	ECX Member Company	Teklu Tekuye Geberearegay
73.	ECX Member Company	S.J. Magdalimos Plc
74.	ECX Member Company	Shoa Bekery and Flour Factory plc
75.	ECX Member Company	Sostu Enese Traders PLC

## APPENDIX -2: Disclosure Index (Score Sheets)

**Addis Ababa University**

**Scholl of Business and Public Administration**

**Department of Management, Executive MBA Program**

### **IFRS Financial Reporting and Disclosure Checklists,(for Financial Statements with years beginning on or After January 1, 2013).**

Each of the selected companies published annual financial report disclosures practices will be scored by using the below detailed disclosure checklist table. One disclosure checklist form will be filled for one company so as to assess their level of annual financial reports disclosures.

Company Name: \_\_\_\_\_ Industry Type: \_\_\_\_\_

Year of published Annual financial reports: \_\_\_\_\_

Reviewed By: \_\_\_\_\_ Date of Review: \_\_\_\_\_ Signature: \_\_\_\_\_

Standards Reviewed	ID No.	Yes (1)	NO (0)	N/A
<b>I) First Time Adoption</b>	First time adoption is excluded.			
<b>II) Title and References:</b>				
<b>Has a complete set of financial statements (which is comprised of the following listed item) been presented? IAS 1</b>				
A statement of financial position at the end of the period	IAS-1-1			
A statement of Profit and loss and other comprehensive income for the period	IAS-1-2			
A statement of Changes in Equity for the period	IAS-1-3			
Notes that comprise a summary of significant accounting policies and other explanatory information	IAS-1-4			
Comparative information for the preceding period	IAS-1-5			
A statement of financial position as at the beginning of the preceding 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	IAS-1-6			
Unless IFRS permits or requires otherwise, did the entity disclose comparative information in respect of the preceding period for all amounts reported in the current period's financial statements? [IAS 1:38]	IAS-1-7			

Are the financial statements clearly identified and suitably titled? [IAS 1:51]	IAS-1-8			
Did the notes to the financial statements include an explicit and unreserved statement of compliance with IFRS? [IAS 1:16]	IAS-1-9			
Does each statement include a reference to the notes?	IAS-1-10			
<b>Were the notes, as far as practicable, presented in a systematic manner and cross-referenced to items in the statements of financial and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows? Did the notes contain the following: [IAS 1:113]</b>				
A summary of significant accounting policies applied. [IAS 1:117]	IAS-1-11			
Other disclosures including contingent liabilities [IAS 37], unrecognized contractual commitments and nonfinancial disclosures. [IFRS 7]	IAS-1-12			
<b>III) Statement of Financial Position:</b>				
<b>-General</b>				
Are current and noncurrent assets, and current and noncurrent liabilities, presented as separate classifications in its statement of financial position except when a liquidity presentation provides reliable and more relevant information? [IAS 1:60; 1:66–76]	IAS-1-13			
<b>-Inventories</b>				
<b>Is accounting appropriate and are disclosures adequate for inventories, including the following: [IAS 2]</b>				
<b>Are all required disclosures presented, including [IAS 2:36–39]</b>				
The accounting policies adopted in measuring inventories, including the cost formula used (FIFO or weighted Average cost –IAS 2.25)?	IAS-2-1			
The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity?	IAS-2-2			
The carrying amount of inventories carried at fair value less costs to sell?	IAS-2-3			
The amount of inventories recognized as an expense during the period?	IAS-2-4			
The amount of any write-down of inventories recognized as an expense in the period?	IAS-2-5			
The amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as expense in the period?	IAS-2-6			
The circumstances or events that led to the reversal of a write down of inventories?	IAS-2-7			
The carrying amount of inventories pledged as security for liabilities?	IAS-2-8			
<b>-Property, Plant and Equipment</b>				
Is the accounting appropriate for property, plant, and equipment? [IAS 16] Consider the following:				
Upon initial recognition, are the items recorded at cost? [IAS 16:15–28]	IAS-16-1			
Were subsequent costs relating to an existing item of property, plant, and equipment recognized in profit and loss? [IAS 16:12–14]	IAS-16-2			
Are all elements of cost properly recognized, including obligations to dismantle, remove, and restore items? [IAS 15:16–20; 16:59; IFRIC 1:4–8]	IAS-16-3			

Were items acquired in exchange for a nonmonetary asset recorded at fair value? [IAS 16:24–26]	IAS-16-4			
For measurement after initial recognition, has the entity chosen either the cost model or the revaluation model as its accounting policy and applied that policy to an entire class of property, plant, and equipment? [IAS 16:29]	IAS-16-5			
For assets measured using the cost model, are assets carried at cost less accumulated depreciation and accumulated impairment loss? [IAS 16:30]	IAS-16-6			
Is 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 depreciated separately? [IAS 16:43]	IAS-16-7			
Was the de-recognition of any property, plant, and equipment properly recorded? [IAS 16:67–72]	IAS-16-8			
<b>Were disclosures adequate for property, plant, and equipment? [IAS 16:73–79] Consider the following:</b>				
Existence and amounts of restrictions on title	IAS-16-9			
Property, plant, and equipment pledged as security for liabilities	IAS-16-10			
Amount of expenditures recognized in the carrying amount of an item in the course of its construction	IAS-16-11			
Amount of contractual commitments for the acquisition of property plant and equipment	IAS-16-12			
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	IAS-16-13			
If property, plant, and equipment are stated at revalued amount, were the following disclosed: — Effective date of the revaluation — Whether an independent value was involved — 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 — The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders	IAS-16-14			
<b>-Financial Instruments</b>				
Are disclosures adequate regarding financial instruments? [IFRS 7] Consider the following disclosures, if applicable:	IFRS-7-1			
Disclosure by class of financial instrument and the proper grouping of financial instruments in to classes. [IFRS 7:6]	IFRS-7-2			
Financial assets that would otherwise be measured at amortized cost. [IFRS 7:9–11]	IFRS-7-3			
Investments in equity instruments designated to be measured at fair value through comprehensive income. [IFRS 7:11A–11B]	IFRS-7-4			
Reclassified financial assets. [IFRS 7:12B–D]	IFRS-7-5			
Financial assets and financial liabilities offset in the financial statements. [IFRS 7:13A–13F]	IFRS-7-6			
Collateral. [IFRS 7:14–15]	IFRS-7-7			
Allowance account for credit losses. [IFRS 7:16]	IFRS-7-8			
Compound financial instruments with multiple embedded derivatives. [IFRS 7:17]	IFRS-7-9			
Defaults and breaches on loans payable. [IFRS 7:18–19]	IFRS-7-10			

Items of income, expense, gains, or losses included in comprehensive income. [IFRS 7:20–20A]	IFRS-7-11			
Are other disclosures adequate? Consider the following: — Hedge accounting [IFRS 7:22–24; IAS 39] — Fair value [IFRS 7:25–30] — Nature and extent of risks arising from financial instruments [IFRS 7:31] — Qualitative disclosures [IFRS 7:33] — Quantitative disclosures [IFRS 7:34–35] — Credit risk [IFRS 7:36–38] — Liquidity risk [IFRS 7:39] — Market risk [IFRS 7:40–42] — Transfers of financial assets [IFRS 7:42] — Transition to IFRS 9 [IFRS 7:44I–44J]	IFRS-7-12			
<b>-Investment property</b>				
<b>Is accounting appropriate and are disclosures adequate for investment property? [IAS 40] Consider the following:</b>				
Property interests under an operating lease that are accounted for as an investment property [IAS 40:6]	IAS-40-1			
Additional expenditures related to an existing investment property [IAS 40:1–19]	IAS-40-2			
Investment property initially recorded at cost, with transaction costs included in the initial measurement [IAS 40:20–30]	IAS-40-3			
Investment property acquired in exchange for a nonmonetary asset(s), or a combination of monetary and nonmonetary asset(s) [IAS 40:27–29]	IAS-40-4			
Use of the fair value model to account for investment property [IAS 40:30–32C; 40:33–55]	IAS-40-5			
Use of the cost model to account for investment property [IAS40:30–32C; 40:56]	IAS-40-6			
Investment property transferred during the year [IAS 40:57–65]	IAS-40-7			
Disposal of investment property (whether by sale, entering a finance lease, or otherwise) or permanent withdrawal of investment property from use [IAS 40:66–71]	IAS-40-8			
Compensation from third parties for investment properties that are impaired, lost, or given up [IAS 40:72–73]	IAS-40-9			
Disclosure of use of either the fair value model or the cost model [IAS 40:74–79]	IAS-40-10			
<b>-Non-current Assets Held for Sale and Discontinued Operations</b>				
<b>Is the accounting appropriate for noncurrent assets held for sale and discontinued operations? [IFRS 5] Consider the following:</b>				
Are noncurrent assets or groups of assets for which it intends to recover the carrying amount principally through a sale transaction rather than through continuing use (an asset held for sale), or is it committed to distribute the assets (or disposal group) to owners acting in their capacity as owners (held for distribution to owners) classified as held for sale? [IFRS 5:6–12A]	IFRS-5-1			
Are noncurrent assets (or disposal group) classified as held for sale or held for distribution to owners measured at the lower of its carrying amount or fair value less costs to sell? [IFRS 5:15A]	IFRS-5-2			

Are assets (or disposal groups) previously classified as held for sale which no longer meets the classification criteria measured at the lower of the adjusted carrying amount before the asset was classified as held for sale or its recoverable amount? [IFRS 5:26–29]	IFRS-5-3			
<b>Is the presentation appropriate and are disclosures adequate regarding assets held for sale and discontinued operations? [IFRS 5:30–42] Consider the following:</b>				
Are assets held for sale presented separately in the statement of financial position and are the results of discontinued operations presented separately in the statement of comprehensive income?	IFRS-5-4			
Is the post-tax profit or loss of discontinued operations and post-tax gain or loss on measurement to fair value less costs to sell or disposal presented as a single amount in the statement of comprehensive income?	IFRS-5-5			
Did the entity provide a description of the noncurrent assets and the facts and circumstances of the sale, disclose any impairment losses or reversals recognized for noncurrent assets classified as held for sale or sold, and, if applicable, disclose the reportable segment in which the noncurrent asset (or disposal group) is presented (in accordance with IFRS 8 Operating Segments)?	IFRS-5-6			
<b>IV) Statements of Changes in Shareholders' Equity</b>				
<b>Does the presentation include a statement of changes in equity showing [IAS 1:106]</b>				
Total comprehensive income for the period?	IAS-1-16			
Separate total amounts attributable to owners of the parent and non-controlling interests?	IAS-1-17			
For each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8?	IAS-8-1			
<b>V) statements of Comprehensive Income</b>				
<b>-Revenue</b>				
<b>Is accounting appropriate and are disclosures adequate for revenue? [IAS 18] Consider the following:</b>				
Revenue from the sale of goods [IAS 18:14–19]	IAS-18-1			
Revenue from rendering of services [IAS 18:20–28]	IAS-18-2			
Income generated by allowing customers the use of its assets yielding interest, royalties, and dividends [IAS 18:29–34]	IAS-18-3			
Goods or other services accepted in exchange for goods or services of a similar nature or value [IAS 18:12]	IAS-18-4			
Providing customers with incentives to buy goods or services by providing award credits as part of sales transactions [IFRIC 13:5–9; 13:AG1–AG3]	IAS-18-5			
Agreements for the construction of real estate [IFRIC 15:10–12]	IAS-18-6			
Revenue recognition policy [IAS 18:35a]	IAS-18-7			
The amount of each significant category of revenue recognized during the period [IAS 18:35b]	IAS-18-8			
<b>-Income taxes</b>				

Have current tax liabilities and current tax assets, and deferred tax liabilities and deferred tax assets, been measured appropriately? [IAS 12:46–56]	IAS-12-1			
Are the major components of tax expense disclosed separately? [IAS 12:79]	IAS-12-2			
Is the presentation and disclosure of tax assets and liabilities and tax expense appropriate? [IAS 12:71–88]	IAS-12-3			
<b>Is the accounting appropriate and are the disclosures adequate for income taxes, either domestic or foreign, based on taxable profits and including withholding taxes, which are payable by a subsidiary, associate, or joint venture on distributions to the reporting entity? [IAS 12] Consider the following:</b>				
Temporary differences [IAS 12:5]	IAS-12-4			
Recognition of current tax liabilities and current tax assets [IAS 12:12–14]	IAS-12-5			
Recognition of deferred tax liabilities and deferred tax assets [IAS 12:15–45]	IAS-12-6			
Current and deferred taxes [IAS 12:57–68C]	IAS-12-7			
Business combination in the current reporting period [IAS 12:19]	IAS-12-8			
Unused tax losses or unused tax credits [IAS 12:34–36]	IAS-12-9			
Temporary differences between the carrying amount and the tax base of investments in subsidiaries, branches, associates, or interests in joint ventures [IAS 12:38–39]	IAS-12-10			
Changes in the tax status of the entity or of its shareholders [SIC 25]	IAS-12-11			
Share-based payments [IAS 12:68A–68C]	IAS-12-12			
<b>VI) Statement of Cash Flows</b>				
<b>Is a statement of cash flows presented in accordance with the requirements of IAS 7 and presented as an integral part of its financial statements for each period for which financial statements are presented? [IAS 7] Consider the following:</b>				
Does the statement of cash flows report cash flows during the period classified by operating, investing, and financing activities? [IAS 7:10]	IAS-7-1			
Are cash flows from operating activities reported using either the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed, or the indirect method, whereby profit or loss is adjusted for the effects of transactions of a noncash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows? [IAS 7:18]	IAS-7-2			
Are cash flows from interest and dividends received and paid separately disclosed and classified in a consistent manner from period to period as operating, investing, or financing activities? [IAS 7:31]	IAS-7-3			
Are cash flows arising from taxes on income disclosed separately and classified as cash flows from operating activities, unless they can be specifically identified with financing and investing activities? [IAS 7:35]	IAS-7-4			
Are cash flows arising from an investment in an associate, joint venture or a subsidiary accounted for by using the equity or cost method (for example, dividends or advances)? [IAS 7:37]	IAS-7-5			
Are cash flows arising from an investment in a jointly controlled entity accounted	IAS-7-6			

for by the use of the equity method? [IAS 7:38]				
Are cash flows arising from changes in ownership interests in subsidiaries and other businesses presented separately and classified as investing activities? [IAS 7:39–40]	IAS-7-7			
Has the entity disclosed the components of cash and cash equivalents and presented a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the statement of financial position? [IAS 7:45]	IAS-7-8			
Has the entity disclosed, 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? [IAS 7:48]	IAS-7-9			
<b>VII) Other Financial statement Disclosures</b>				
<b>- Share-based Payment</b>				
<b>Is the accounting appropriate for share-based payment transactions? [IFRS 2] Consider the following:</b>	IFRS-2-1			N/A
<b>Are disclosures adequate for share-based payments, including</b>	IFRS-2-2			N/A
<b>-Business Combinations</b>				
<b>Is the accounting appropriate for business combinations entered into during the period? [IFRS 3] Consider the following:</b>				
Application of the acquisition method [IFRS 3:6–7]	IFRS-3-1			
Goodwill or a gain from a bargain purchase [IFRS 3:32–40]	IFRS-3-2			
Business combinations achieved in stages (for example, through successive share purchases) [IFRS 3:41–42]	IFRS-3-3			
Business combinations achieved without transfer of consideration [IFRS 3:43–44]	IFRS-3-4			
The measurement period and incomplete business combinations [IFRS 3:45–50]	IFRS-3-5			
Additional information obtained by the acquirer [IFRS 3:58]	IFRS-3-6			
Are all required disclosures presented for business combinations that occurred during the current reporting period and business combinations that occurred after the end of the reporting period, but before the financial statements were authorized for issuance? [IFRS 3:59–63; 3:B64–B67]	IFRS-3-7			
<b>-Insurance Contracts</b>				
<b>Is the accounting appropriate for insurance contracts, including reinsurance contracts? [IFRS 4] Consider the following:</b>				
Are embedded derivatives properly separated from their host contract and measured at fair value? [IFRS 4:7–8]	IFRS-4-1			
Are insurance contracts that contain both an insurance component and a deposit component properly unbundled? [IFRS 4:10–12]	IFRS-4-2			
Has the insurer properly assessed the adequacy of the recognized insurance liabilities at the end of each period using current estimates of future cash flows under its insurance contracts? [IFRS 4:15]	IFRS-4-3			
Did the insurer appropriately change its accounting policies for insurance contracts in order to make the financial statements more relevant to the economic decision-making of users? [IFRS 4:21–30]	IFRS-4-4			
Were insurance liabilities assumed or insurance assets acquired in a business	IFRS-4-5			

combination (as defined in IFRS 3) measured at fair value at the acquisition date? [IFRS 4:31–32]				
Were insurance contracts issued with a discretionary participation feature as well as a guaranteed element properly recognized and classified? [IFRS 4:34]	IFRS-4-6			
Were financial instruments with a discretionary participation feature properly recognized and classified? [IFRS 4:35]	IFRS-4-7			
<b>Are disclosures adequate for insurance contracts, including [IFRS 4:36–39]</b>				
Information that identifies and explains the amounts in its financial statements arising from insurance contracts?	IFRS-4-8			
The process used to determine the assumptions that have the greatest effect on the measurement of the recognized amounts of assets, liabilities, income, and expenses arising from insurance contracts?	IFRS-4-9			
Effects of changes in assumptions?	IFRS-4-10			
Nature and extent of risks arising from insurance contracts?	IFRS-4-11			
<b>-Exploration for and Evaluation of Mineral Resources</b>				
Is the accounting appropriate and are the disclosures adequate regarding expenditures related to exploration for and evaluation of mineral resources for the current or prior period? [IFRS 6]	IFRS-6-1			
<b>-Consolidated Financial Statements</b>				
<b>Are consolidated financial statements properly presented for an entity that controls one or more entities during or at the end of the reporting period? [IFRS 10] Consider the following:</b>				
The reporting entity's control of one or more entities during or at the end of the reporting period. Consider the following: — The existence of power over an investee [IFRS 10:10–14] — The existence of exposure or rights to variable returns from an involvement with an investee [IFRS 10:15–16] — The ability of the organization to use its power over the investee to affect the amount of the reporting entity's returns [IFRS 10:17–18]	IFRS-10-1			
Loss of control in a subsidiary due to changes in the reporting entity's ownership interest in the subsidiary [IFRS 10:25–26]	IFRS-10-2			
Exceptions to consolidation for investment entities [IFRS 10:27–33]	IFRS-10-3			
Application of the guidance in appendix C of IFRS 10 for initial application [IFRS 10, appendix C]	IFRS-10-4			
<b>-Joint Arrangement's</b>				
<b>Is the accounting appropriate and are disclosures adequate for situations where entities have an interest in arrangements that are jointly controlled? [IFRS 11] Consider the following:</b>				
The existence of joint arrangements: — Are the parties bound by a contractual arrangement? [IFRS 11:B2–B4] — Does the contractual arrangement give two or more of those parties joint control of the arrangement? [IFRS 11:7–13]	IFRS-11-1			
The classification of the joint arrangement as a joint operation or a joint venture	IFRS-11-2			

based on the rights and obligations of the parties to the arrangement [IFRS 11:14–19]				
Financial statements of parties to a joint arrangement include the following: — Joint operations [IFRS 11:20–23] — Joint ventures [IFRS 11:24–25]	IFRS-11-3			
Separate financial statements [IFRS 11:26–27]	IFRS-11-4			
First time application of IFRS 11	IFRS-11-5			
Transition from proportionate consolidation method to equity method while accounting for joint ventures [IFRS 11:C2–C6]	IFRS-11-6			
Transition from the equity method to accounting for assets and liabilities in joint operations [IFRS 11:C7–C11]	IFRS-11-7			
<b>-Disclosure of Interests in other Entities</b>				
<b>Are disclosures adequate for interests in other entities (for example, subsidiaries, joint arrangements such as joint operations or joint ventures, associates, or unconsolidated structured entities)? [IFRS 12] Consider the following:</b>				
Has the entity disclosed information that enables users of its financial statements to evaluate [IFRS 12:1] — The nature of, and risks associated with, its interests in other entities; and — The effects of those interests on its financial position, financial performance, and cash flows?	IFRS-12-1			
Has the following been disclosed: <input type="checkbox"/> Significant judgments and assumptions made in determining <input type="checkbox"/> The nature of its interest in another entity or arrangement. <input type="checkbox"/> The type of joint arrangement in which it has an interest. [IFRS 12:7–9] <input type="checkbox"/> That it meets the definition of an investment entity, if applicable. [IFRS 12:9A–9B]	IFRS-12-3			
Information about its interests in <input type="checkbox"/> Subsidiaries. [IFRS 12:10–19] <input type="checkbox"/> Unconsolidated subsidiaries. [IFRS 12:19A–19G] <input type="checkbox"/> Joint arrangements and associates. [IFRS 12:20–23] <input type="checkbox"/> structured entities that are not controlled by the entity (Unconsolidated structured entities). [IFRS 12:24–31]	IFRS-12-4			
<b>-Fair value Measurement</b>				
<b>Is the accounting appropriate and are disclosures adequate for any assets or liabilities for which another IFRS requires or permits fair value measurements or disclosures about fair value measurements? [IFRS 13] Consider the following:</b>				
Is fair value properly defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date? [IFRS 13:9]	IFRS-13-1			
With regard to the fair value measurement, did the entity properly determine [IFRS 13:B2] — The particular asset or liability that is the subject of the measurement (consistently with its unit of account)?	IFRS-13-2			

<ul style="list-style-type: none"> <li>— For a nonfinancial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)?</li> <li>— The principal (or most advantageous) market for the asset or liability?</li> <li>— The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized?</li> </ul>				
<p>Have valuation techniques been used that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs? [IFRS 13:61–66]</p>	IFRS-13-3			
<p>Have all required disclosures been presented, including [IFRS 13:91–99]</p> <ul style="list-style-type: none"> <li>— The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (level 1, 2, or 3)?</li> <li>— Transfers between level 1 and level 2 of the fair value hierarchy and the reasons for those transfers?</li> <li>— A description of the valuation technique and inputs used in the fair value measurement for level 2 and level 3 measurements?</li> <li>— The amount of total gains and losses, the line item in the profit or loss, and the description of the valuation process for level 3 investments?</li> <li>— Quantitative disclosures in a tabular format?</li> </ul>	IFRS-13-4			
<p>Has the entity disclosed information that helps users of its financial statements assess [IFRS 13:91]</p> <ul style="list-style-type: none"> <li>— For assets and liabilities that are measured at fair value on a recurring or nonrecurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements; and</li> <li>— For recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on profit or loss or other comprehensive income for the period?</li> </ul>	IFRS-13-5			
<p>Were disclosures adequate for assets or liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed? [IFRS 13:97]</p>	IFRS-13-6			
<b>-Accounting Policies, Changes in Accounting Estimates, and Errors</b>				
<b>Is the accounting appropriate and are the disclosures adequate for changes in accounting policies, changes in accounting estimates, or corrections of errors? Has the entity applied the criteria in IAS 8 for selecting, disclosing, and changing accounting policies? [IAS 8] Consider the following:</b>				
<p>Were any changes in accounting policies made only [IAS 8:14; 8:19–27]</p> <ul style="list-style-type: none"> <li>— If required by an IFRS, or</li> <li>— If it resulted in the financial statements providing reliable and more relevant information?</li> </ul>	IAS-8-2			
<p>Changes in accounting policies during the reporting period due to the initial application of a standard [IAS 8:28]</p>	IAS-8-3			
<p>Voluntarily changes made to any accounting policies during the reporting period [IAS 8:29]</p>	IAS-8-4			
<p>Disclosure of new IFRS that have been issued but are not yet effective [IAS</p>	IAS-8-5			

8:30–31]				
Changes in accounting estimates that have an effect on the current or future reporting periods [IAS 8:32–40]	IAS-8-6			
Prior period errors [IAS 8:41–49]	IAS-8-7			
<b>-Events after the Reporting Period</b>				
<b>Is the accounting appropriate and are disclosures adequate for any favorable or unfavorable events occurring between the end of the reporting period and before the date when the financial statements are authorized for issue? [IAS 10] Consider the following:</b>				
Events that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period). [IAS 10:3(a)]	IAS-10-1			
Adjustments to the amounts recognized in its financial statements to reflect adjusting events after the reporting period. [IAS 10:8–9]	IAS-10-2			
Events that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period). [IAS 10:3(b)]	IAS-10-3			
Non-adjusting events that arose after the reporting period. [IAS 10:10–11; 10:21–22]	IAS-10-4			
Declared dividends. [IAS 10:12–13]	IAS-10-5			
Going concern. [IAS 10:14–16]	IAS-10-6			
Date the financial statements were authorized for issue and who gave the authorization. [IAS 10:17–18]	IAS-10-7			
Updated disclosures for conditions that existed at the end of the reporting period. [IAS 10:19–20]	IAS-10-8			
<b>-Construction Contracts</b>				
<b>Is the accounting appropriate and are disclosures adequate regarding contracts in the financial statements of contractors, for the construction of an asset, or a combination of assets which are closely interrelated or interdependent in terms of their design, technology, and function or their ultimate purpose or use? [IAS 11] Consider the following:</b>				
Has contract revenue been properly recognized? [IAS 11:11–15; 11:22–35]	IAS-11-1			
Have contract costs been properly recognized? [IAS 11:16–21; 11:22–35]	IAS-11-2			
Where it is probable that total contract costs will exceed total contract revenue, have the expected losses been immediately recognized as an expense? [IAS 11:36–37]	IAS-11-3			
Has the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, been appropriately accounted for as a change in accounting estimate in accordance with IAS 8? [IAS 11:38]	IAS-11-4			
Has the entity disclosed the amount of contract revenue recognized in the period, the method used to determine the contract revenue recognized, and the method used to determine the stage of completion of contracts in progress? [IAS 11:39]	IAS-11-5			
For contracts in process, has the entity disclosed the aggregate amount of costs incurred and recognized profits to date, the amount of advances received, and the amount of retentions?	IAS-11-6			

[IAS 11:40]				
Has the entity presented the gross amount due from customers for contract work as an asset and the gross amount due to customers for contract work as a liability? [IAS 11:42]	IAS-11-7			
<b>-Leases</b>				
Are leases that transfer substantially all the risks and rewards incidental to ownership classified as finance leases, and are those that do not transfer substantially all the risks and rewards incidental to ownership classified as operating leases? [IAS 17:8]	IAS-17-1			
Has the entity properly recognized finance leases as assets and liabilities in their statements of financial position? [IAS 17:20]	IAS-17-2			
Have assets held under a finance lease been recognized in the statement of financial position and been presented as a receivable at an amount equal to the net investment in the lease? [IAS 17:36]	IAS-17-3			
<b>Is the accounting appropriate and are disclosures adequate regarding leases? [IAS 17] Consider the following:</b>				
Transactions or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involve the legal form of a lease where the substance of the arrangement may be such that it does not meet the definition of a lease under IAS 17. [SIC-27:1 and 3:9]	IAS-17-4			
Arrangements, comprising a transaction or a series of related transactions, which do not take the legal form of a lease but that convey a right to use an asset in return for a payment or series of payments. [IFRIC 4:6–15]	IAS-17-5			
Changes to the terms of an existing lease agreement. [IAS 17:13]	IAS-17-6			
Lease agreements that include both land and building(s) elements. [IAS 17:15A19]	IAS-17-7			
Finance leases. [IAS 17:31–32]	IAS-17-8			
Disclosures for operating leases for lessees, including the following: [IAS 17:35] — Minimum future lease payments under non-cancellable operating leases for not later than one year, later than one year and not later than five years, and later than five years — Future minimum sublease payments expected to be received — Lease and sublease payment recognized as expense in the period — General description of the lessee’s significant lease arrangements	IAS-17-9			
Disclosures for finance leases. [IAS 17:47–48]	IAS-17-10			
Assets subject to operating leases presented in the statements of financial position according to the nature of the asset. [IAS 17:49]	IAS-17-11			
Disclosures for operating leases. [IAS 17:56–57]	IAS-17-12			
Sale and leaseback or lease and leaseback transactions in respect of the same asset. [IAS 17:58–66]	IAS-17-13			
<b>-Employee Benefits</b>				
<b>Has the undiscounted amount of short-term employee benefits been recognized, if expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service for the following: [IAS 19:8–24]</b>				

Wages, salaries, and social security contributions	IAS-19-1			
Paid annual leave and paid sick leave	IAS-19-2			
Profit sharing and bonuses	IAS-19-3			
Nonmonetary benefits (such as medical care, housing, cars, and free or subsidized goods or services) for current employees	IAS-19-4			
Have postemployment benefit plans been classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions? [IAS 19:27–31]	IAS-19-5			
Have postemployment defined contribution and defined plans been appropriately recognized, measured, and disclosed? [IAS 19:50–152]	IAS-19-6			
<b>Is the accounting appropriate and are the disclosures adequate for employee benefits? [IAS 19] Consider the following:</b>				
Postemployment benefits such as retirement benefits (for example, pensions and lump sum payments on retirement) or other postemployment benefits, such as postemployment life insurance and postemployment medical care [IAS 19:8; 19:26]	IAS-19-7			
Presentation of the defined benefit obligation surplus or deficit [IAS 19.113]	IAS-19-8			
Multiemployer postemployment benefit plans [IAS 19:8; IAS 19:32–39]	IAS-19-9			
Plan that share risks between various entities under common control [IAS 19:40–42]	IAS-19-10			
State postemployment benefit plans [IAS 19:43–45; 19:32–39]	IAS-19-11			
Use of insurance premiums to fund a postemployment benefit plan [IAS 19:46–49]	IAS-19-12			
Other long-term employee benefits, including items such as the following: [IAS 19:8; 19:153–158] — Long-term paid absences, such as long-service or sabbatical leave — Jubilee or other long-service benefits — Long-term disability benefits — Profit sharing and bonuses — Deferred remuneration	IAS-19-13			
Termination benefits [IAS 19:159–171]	IAS-19-14			
<b>-Accounting for Government Grants and Disclosure of Government Assistance</b>				
<b>Is the accounting appropriate for government grants? [IAS 20] Consider the following:</b>				
<b>Are disclosures adequate for government grants? Consider the following: [IAS 20:39]</b>				
The accounting policy adopted for government grants, including the methods of presentation adopted in the financials	IAS-20-1			
The nature and extent of government grants recognized in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited	IAS-20-2			
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognized	IAS-20-3			
<b>-The Effects of Changes in Foreign Exchange Rates</b>				

Is the functional currency of the entity properly reported on in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies, if the currency is from a hyperinflationary economy? [IAS 21:14]	IAS-21-1			
<b>Have the effects of changes in foreign exchange rates been appropriately accounted for and disclosed? [IAS21] Consider the following:</b>				
Transactions in foreign currencies or foreign operations [IAS 21:9–13]	IAS-21-2			
Foreign currency denominated assets or liabilities that are used for hedging purposes [IAS 39:88]	IAS-21-3			
Reporting foreign currency transaction in the functional currency [IAS 21:21–34]	IAS-21-4			
Use of a presentation currency other than the functional currency [IAS 21:38–43]	IAS-21-5			
Translation of foreign operations [IAS 21:45–47; 21:38–43]	IAS-21-6			
Disposal (or partial disposal) of a foreign operation [IAS 21:48–49]	IAS-21-7			
Tax effects of exchange differences [IAS 12]	IAS-21-8			
<b>-Borrowing Costs</b>				
<b>Is the accounting appropriate and are disclosures adequate for borrowing costs? [IAS 23] Consider the following:</b>				
Capitalization of borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset. [IAS 23:8–25]	IAS-23-1			
Other borrowing costs recognized as an expense in the period in which they were incurred. [IAS 23:8]	IAS-23-2			
Has the entity disclosed [IAS 23:26] — The amount of borrowing costs capitalized during the period, and — The capitalization rate used to determine the amount of borrowing costs eligible for capitalization?	IAS-23-3			
<b>-Related party disclosures</b>				
<b>Are related party disclosures adequate? [IAS 24] Consider the following:</b>				
Have all related party relationships, transactions, and outstanding balances, including commitments, been identified? [IAS 24:9–12]	IAS-24-1			
Is the related party relationship disclosed when control exists? [IAS 24:14]	IAS-24-2			
Have all related party relationships, transactions, and outstanding balances, including commitments, been appropriately disclosed? [IAS 24:13–24]	IAS-24-3			
Is compensation for key management personnel appropriately disclosed? [IAS 24:17]	IAS-24-4			
<b>-Separate financial statements</b>				
<b>When an entity prepares separate financial statements, is the accounting and are the disclosures for investments in subsidiaries, joint ventures, and associates in accordance with IAS 27? Consider the following:</b>				
Are investments in subsidiaries, joint ventures, and associates accounted for at either cost or in accordance with IFRS 9? [IAS 27:10]	IAS-27-1			
Has the parent, in accordance with paragraph 4(a) of IFRS 10, elected not to prepare consolidated financial statements and instead prepared separate financial statements? [IAS 27:16]	IAS-27-2			
When a parent (other than a parent covered by IAS 27:16) or an investor with	IAS-27-3			

joint control of, or significant influence over, an investee prepares separate financial statements, has the parent or investor identified the financial statements prepared in accordance with IFRS 10, IFRS 11, or IAS 28 (as amended in 2011) to which they relate? [IAS 27:17]				
<b>-Investments in Associates and Joint Ventures</b>				
<b>Is the accounting appropriate and are disclosures adequate for investments in associates and joint ventures? [IAS 28] Consider the following:</b>				
Did the entity with joint control of, or significant influence over, an investee properly account for its investment in an association or a joint venture using the equity method? [IAS 28:10–39]	IAS-28-1			
Was consideration given to whether it is necessary to recognize an impairment loss in accordance with IAS 39 to an entity’s investment in an associate or joint venture? [IAS 28:40–43]	IAS-28-2			
Have investments in associates or joint ventures in the entity’s separate financial statements been accounted for in accordance with paragraph 10 of IAS 27 (as amended in 2011)? [IAS 28:44]	IAS-28-3			
<b>-Earnings Per Share</b>				
<b>If the entity is required to present or has chosen to voluntarily present earnings per share (EPS) information, has the EPS information been appropriately calculated and disclosed? [IAS 33] Consider the following:</b>				
Calculation of basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders [IAS 33:10–29]	IAS-33-1			
Issuance of ordinary shares as part of the consideration transferred in a business combination during the year [IAS 33:22]	IAS-33-2			
Agreements whereby the issuance of ordinary shares is contingent upon the occurrence or nonoccurrence of certain events [IAS 33:24]	IAS-33-3			
Events that occurred (other than the conversion of potential ordinary shares) that have changed the number of ordinary shares outstanding, without a corresponding change in resources [IAS 33:26–29; 33:A2; 33:A15]	IAS-33-4			
Calculation of the diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders [IAS 33:31–63]	IAS-33-5			
The effects of the following in the calculation of diluted EPS: — Options, warrants, and their equivalents [IAS 33:45–48] — Convertible instruments [IAS 33:49–51] — Contingently issuable shares [IAS 33:52–57] — Contracts that may be settled in ordinary shares or cash [IAS 33:58–61] — Purchased options [IAS 33:62] — Written put options [IAS 33:63]	IAS-33-6			
Presentation of basic and diluted EPS [IAS 33:66–69]	IAS-33-7			
Required disclosures for basic and diluted EPS [IAS 33:70–73A]	IAS-33-8			
<b>-Impairment of Assets</b>				
<b>Is the accounting appropriate and are disclosures adequate for impairment</b>				

<b>losses? [IAS 36] Consider the following:</b>				
Assessment at the end of each reporting period whether there is any indication that an asset may be impaired [IAS 36:9; 36:12– 17]	IAS-36-1			
The estimated recoverable amount of impaired assets [IAS 36:9; 36:18–57]	IAS-36-2			
Annual testing for impairment of intangible assets with an indefinite useful life or any intangible assets not yet available for use [IAS 36:10(a); 36:24]	IAS-36-3			
Annual testing for impairment of goodwill acquired in a business combination [IAS 36:10(b); 36:80–99]	IAS-36-4			
Impairment losses for an individual asset [IAS 36:59–64]	IAS-36-5			
Carrying amounts, impairment losses, and goodwill of cash generating units [IAS 36:66–108]	IAS-36-6			
Impairment losses recognized in prior periods [IAS 36:110]	IAS-36-7			
Reversals of impairment losses [IAS 36:117–123]	IAS-36-8			
Disclosures for material impairment losses recognized or reversed during the period, including the following: [IAS 36:126– 133] — Events and circumstances that led to the recognition or reversal of the impairment loss — Amount of impairment loss recognized or reversed — Disclosures related to individual assets and cash-generating units subject to impairment testing — Whether the recoverable amount of the asset is its fair value less costs of disposal or its value in use — If recoverable amount is fair value less costs of disposal, the basis used to measure fair value less costs of disposal — If recoverable amount is value in use, the discount rate used in the current estimate and previous estimate of value in use	IAS-36-9			
Disclosure of the details of estimates and assumptions used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives [IAS 36:134–137]	IAS-36-10			
<b>-Provisions, Contingent Liabilities, and Contingent Assets</b>				
<b>Have provisions, contingent liabilities, and contingent assets been appropriately accounted for and disclosed? [IAS 37]</b>				
Has a provision been recognized when all the of following conditions are met: — An entity has a present obligation as a result of a past event. — It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. — A reliable estimate can be made of the amount of the obligation. [IAS 37:14 – 26; 37:84–85; 37:91–92]	IAS-37-1			
Is the amount recognized as a provision the best estimate of the expenditure required to settle the present obligation at the end of the reporting period? [IAS 37:36–62]	IAS-37-2			
Are contingent liabilities properly disclosed, but not recognized? [IAS 37:27–30; 37:86–88; 37:91–92]	IAS-37-3			
If an inflow of economic benefits is probable, is the contingent asset disclosed, but not recognized? [IAS 37:31–35; 37:89–92]	IAS-37-4			

Have provisions not been recognized for future operating losses? [IAS 37:63–65]	IAS-37-5			
If the entity is party to an onerous contract, is the present obligation under the contract recognized and measured as a provision? [IAS 37:66 –69]	IAS-37-6			
Has the entity properly recognized a provision for restructuring costs? [IAS 37:70–83]	IAS-37-7			
Did the entity have an interest in or have an obligation to make potential additional contributions to fund some or all of the costs of decommissioning, restoration, and environmental rehabilitation? [IFRIC 5:7–13]	IAS-37-8			
<b>-Intangible Assets</b>				
<b>Is the accounting appropriate and are disclosures adequate for intangible assets held or acquired during the year? [IAS 38] Consider the following:</b>				
Is the initial recognition and measurement appropriate for intangible assets that have been [IAS 38:18–24] — Separately acquired. [IAS 38:25–32] — Acquired as part of a business combination. [IAS 38:33–43] — Acquired by way of a government grant. [IAS 38:44] — Acquired in an exchanges of assets. [IAS 38:45–47] — Internally generated. [IAS 38:48–67]	IAS-38-1			
Were expenditures related to research or development, or both, properly recognized? [IAS 38:51–56]	IAS-38-2			
Were all research costs expensed when incurred? [IAS 38:54]	IAS-38-3			
Did the entity appropriately recognize any intangible assets from development or the development phase of an internal project when all of the criteria in IAS 57 were met? [IAS 38:57–64]	IAS-38-4			
Are intangible assets accounted for using the cost model? [IAS 38:74]	IAS-38-5			
Did the entity properly revalue any class of its intangible assets under the revaluation model? [IAS 38: 75–87]	IAS-38-6			
Was the accounting appropriate for a sale, scrapping, or otherwise disposal of any intangible assets, or are there intangible assets from which no further economic benefits are anticipated? [IAS 38:112–117]	IAS-38-7			
Is the accounting appropriate for costs related to the development of an internet website or intranet? [SIC 32:7–10; IAS 38:21; 38:57]	IAS-38-8			
Are disclosures adequate for intangibles assets? [IAS 38:118–128]	IAS-38-9			
<b>-Agriculture</b>				
<b>Is the accounting appropriate and are disclosures adequate for agricultural or farming activities with respect to living plants or animals or any biological assets? [IAS 41] Consider the following:</b>				
Fair value of biological assets. [IAS 41:10–33]	IAS-41-1			
Government grants related to agriculture. [IAS 41:34–38]	IAS-41-2			
Are disclosures appropriate for — Biological assets in general; [IAS 41:40–53] — Biological assets where fair value cannot be measured reliably; and [IAS 41:54–56] — Government grants? [IAS 41:57]	IAS-41-3			
<b>Management Commentary</b>				

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