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The impact of adopting International Accounting Standards 1 (IAS 1) in Ghana: The extent of disclosures, and their relationship to corporate characteristics

Ben Kwame Agyei-Mensah

Department of Accounting Education College of Technology Education,Kumasi University of Education Winneba.
E-mail:bkamben2@yahoo.co.ukTel: 233 20 812 1150 Box KS 12641 Kumasi Ghana.

This paper investigates the extent of disclosure by firms complying with IAS 1. The key relationships examined are between extent of disclosure and company size, profitability, liquidity, leverage and auditor size. The results of the disclosure level, mean of 60.9%, indicate that most of the firms listed on the Ghana Stock Exchange did not overwhelmingly comply with the IAS 1 disclosure requirements. The result of the multiple regression analysis shows that only liquidity is associated on a statistically significant level as far as the extent of disclosure is concerned. The results did not provide support for a positive relationship between company size, profitability, leverage and auditor size.

Key words: International Accounting Standards, mandatory disclosure, Ghana.

INTRODUCTION

The International Accounting Standards Board's (IASB) Framework states that; *"The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions".* The statements prepared also show the results of the management's stewardship.

Publicly traded companies (that is, companies listed on the stock market) are required to make more financial statement disclosure (compared to privately held companies) for the benefit of outside investors. Since the accounting scandals of Enron and Worldcom, the regulatory bodies have focused on companies disclosing information about the relationship with their public audit firm to determine proper independence.

The International Accounting Standards (IAS) defines the minimum level of disclosure in corporate annual reports expected by regulatory forces and they are stated in distinct sections of each standard and prescribe what information should be presented in the financial statements.

Financial information disclosure is defined as the release of information concerning the economic performance, position or prospects particularly as measured in monetary terms (Gibbins et al., 1990).

The Institute of Chartered Accountants Ghana (ICAG) requested in 1999 that all companies in Ghana should comply with International Accounting Standards (IAS). With the development of the International Financial Reporting Standards (IFRSs), 2007 was set as the deadline for compliance with the IFRS. Fekete (2008) states that IFRS disclosure compliance literature can be considered as part of disclosure research. It is on the basis of this statement and the fact that The Chartered Institute of Chartered Accountants Ghana (ICAG) expects all companies in the country to comply with these regulations that this study is being undertaking to check whether Ghanaian companies are complying with the disclosure requirements of IAS 1. IAS 1 requires that an entity whose financial statements comply with IFRSs make an explicit and unreserved statement of such compliance in notes. Financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs (including inter-

pretations) (IAS 1.16).

As Baiman and Verrecchia (1996) put it, the provision of quality accounting disclosures would tend to enhance the efficiency of the stock market. Thus a study into the extent of disclosure is not out of place.

INTERNATIONAL ACCOUNTING STANDARDS 1 (IAS 1): PRESENTATION OF FINANCIAL STATEMENTS

The objective of IAS 1 is to ensure comparability of financial statements. This includes both comparability from one period of time to the next for a particular entity and comparability within the same period of time for more than one entity. It prescribes the basis for preparation of general purpose financial statements. According to IAS 1, a complete set of financial statements includes the following components;

1) Statement of financial position: The purpose is to show the financial position of an organisation at a moment of time.
2) Income statement and/or statement of comprehensive income: This is to help ascertain the amount of net income earned or loss incurred during a specified period.
3) Statement of changes in equity: This is to show the change in the amount of capital invested during a particular period.
4) Statement of cash flows: This is to show the total amount of cash receipts and cash payments during a period of time.
5) Accounting policies and explanatory notes: This is to disclose the alternative methods selected in calculating the items in the various financial statements.

The preparation of these statements is the responsibility of the board of directors. IAS 1 also encourages a financial review by management and the production of any other reports and statements which may aid users. It is expected that the financial statements prepared by board of directors should present fairly the financial position, financial performance and cash flows of an entity. Compliance with IASs and IFRS will almost always achieve this.

The following points made by IAS 1 expand this principle:

(a) Compliance with IASs/IFRS should be disclosed.
(b) All relevant IASs/IFRS must be followed if compliance with IASs/IFRS is disclosed.
(c) Use of an inappropriate accounting treatment cannot be rectified either by disclosure of accounting policies or notes/explanatory material.

As an apparent compromise, IAS 1 allows that in extremely rare circumstances, where compliance with a standard would be so misleading as to conflict with the objective of fair presentation, a company shall depart from compliance with that requirement. Departure from the IAS/IFRS is therefore required to achieve a fair presentation. The following should be disclosed in such an event;

i) Management confirmation that the financial statements fairly present the entity's financial position, performance and cash flows.
ii) Statement that all IASs/IFRSs have been complied with except departure from one IAS/IFRS to achieve a fair presentation.
iii) Details of the nature of the departure, why the IAS/IFRS treatment would be misleading, and the treatment adopted.
iv) Financial impact of the departure.

In addition, IAS1 states what is required for a fair presentation as:

a) Selection and application of accounting policies.
b) Presentation of information in a manner which provides relevant, reliable, comparable and understandable information.
c) Additional disclosure where required.

IAS 1 lists the required content of a company's income statement and statement of financial position. It also gives guidance on how items should be presented in the financial statements. IAS 1 specifies disclosures of certain items in certain ways:

1) Some items must appear on the face of the statement of financial position or income statement
2) Other items can appear in a note to the financial statements instead.

IAS1 requires more disclosure about the source of earnings (for example, continuing, discontinuing, acquired operations, individually significant items, etc.). The implication is that firms that are not performing well are not likely to voluntarily abide by the requirements of IAS 1. On the other hand firms that are doing well would be inclined to comply with IAS 1, in order to provide evidence of superior managerial ability (Iatridis and Valahi, 2010).

One potential role of mandatory disclosure is to serve as a commitment device. Disclosures thus reduce the firm's cost of capital, but only if they are credible and not self-serving. Owusu-Ansah (1998) defines adequate disclosure as the extent to which mandated applicable information is presented in annual reports of firms and the degree of intensity by which a firm discloses those items in its annual report.

Given the significant impact adoption of AIS 1 will have on listed companies in Ghana and the interest shown by the local professional accounting body, that is, Institute of

Chartered Accountants Ghana and the financial market regulator, Securities and Exchange Commission (SEC), a study investigating the extent of disclosures made by Ghanaian listed companies under AIS 1 is timely. The study demonstrates the effectiveness of a particular regulatory policy by showing the extent of compliance with the requirements of the standard. AIS 1 disclosure have the advantage of being discretely and easily identified and isolated in the notes of the annual report and thus the extent of disclosure can be directly measured.

The disclosure of financial information in corporate annual reports and their determinants has attracted considerable attention by researchers in recent years. Despite this concern, most work has been done in developed economies to the detriment of the less developed ones. A review of the literature on the subject shows that only a handful of work have been carried out in developing countries on the issues of disclosure and its determinants. Some of the researches conducted on determinant factors of disclosure include: Switzerland (Raffournier, 1995); Hong Kong (Wallace and Naser, 1995) Japan (Cooke, 1992) and France (Depoers, 2000). Therefore, very little is known about the degree of disclosure and corporate attributes influencing it in the less developing economies (Dahawy, 2007). The aim of this paper therefore is to analyse the extent of disclosures in company annual reports of listed firms in Ghana and examine if such disclosures are associated with any corporate characteristics.

The remainder of the paper proceeds as follows: A look at empirical studies on disclosures and variables associated with different disclosure levels that provide the theoretical background for the study and the development of the hypotheses; research methods used to test the hypotheses; study's results; conclusion and the potential limitations of the study and considering future areas of research.

EMPIRICAL STUDIES ON THE EXTENT OF DISCLOSURE AND VARIABLES ASSOCIATED WITH DIFFERENT DISCLOSURE LEVELS

The first study conducted on disclosures was done by Cerf (1961) when he examined 527 corporate annual reports against a disclosure index comprising thirty one information items. He found that level of disclosure was positively associated with corporate size and listing status but not with profitability.

Following closely after Cerf (1961), Singhvi (1967) also found that disclosure quality was associated with asset size, number of stockholders, rate of return, earnings margin, security price fluctuations, listing status and Certified Public Accounting (CPA) firm.

Research in disclosure level and compliance with IAS began around the turn of the century with research conducted by Tower et al. (1999), Cairns (1997) and El-Gazzar et al. (1999). The study that analysed the factors influencing IAS compliance was done by Street and Gray (2001). Using an international sample of 279 firms they tested several variables against the level of disclosure such as; listing status, company size, industry, type of auditor, profitability, notes to the accounts, country, size of home stock market among others.

Dumontier and Raffournier (1998) in their study on the use of IAS in Switzerland hypothesized that the adoption of IAS would lead to increased information disclosure. They found that there was a positive influence of size, internationality, listing status, auditor type and ownership diffusion on IAS usage.

Street and Bryant (2000) on the other hand found that greater disclosure is associated with an accounting policies footnote that specifically states that the financial statements are prepared in accordance with IAS and an audit opinion that states that International Standards on Auditing (ISA) were used when conducting the audit.

Hope (2003) found that countries with weaker investor protection mechanisms are more likely to adopt IFRS, and therefore concluded that IFRS represent a vehicle through which countries can improve investor protection and make their capital markets more accessible to foreign investors.

The extent and quality of disclosure in annual financial reports have been examined by writers such as Choi (1973), Cooke (1989, 1992), Wallace (1988) and Zarzeski (1996). Zarzeski (1996) examined annual reports from seven countries to determine whether cultural and market forces correlate with levels of disclosure by the firms. He noted that for financial information to be comparable, three related, yet distinct issues must be considered;

1) Is the same amount of information presented (that is, disclosure issues)?
2) Is the same information presented (that is, recognition and measurement issues)?
3) Is the information equally reliable (that is, audit issues)?

Iatridis and Valahi (2010) cited in (Lang and Lundholm, 1993; Healy and Palepu, 2001) has saying that the factors that appear to affect the quality and detail of accounting disclosure as being: firm size, industry sector, stock ownership, stakeholder interests, international exposure, investors' expectations and other key financial variables such as profitability, liquidity, financial leverage, and growth. Researchers like Jensen and Meckling (1976) have argued that agency theory provides a framework that link disclosure behaviour to corporate governance. To them corporate governance mechanisms are introduced to control the agency problem and ensure that managers act in the interests of shareholders.

In theory, the impact of internal governance mechanisms on corporate disclosures may be complementary

or substitutive. If it is complementary, agency theory predicts that a greater extent of disclosures is expected since the adoption of more governance mechanisms will strengthen the internal control of companies and provide an "intensive monitoring package" for a firm to reduce opportunistic behaviors and information asymmetry (Leftwich et al., 1981; Welker, 1995).

Managers are not likely to withhold information for their own benefits under such an intensive monitoring environment, which lead to improvement in disclosure comprehensiveness and quality of financial statements (Apostolou and Nanopoulos, 2003).

On the contrary, if the relationship is substitutive, companies will not provide more disclosures for more governance mechanisms since one corporate governance mechanism may substitute another one. If information asymmetry in a firm can be reduced because of the existing "internal monitoring packages," the need to install additional governance devices is smaller. These apparently conflicting viewpoints on the impact of corporate governance have not been totally resolved.

According to Bushman and Smith (2001) the reduction of information asymmetry following the provision of voluntary accounting disclosures would tend to reduce the related agency and political costs, and lead to lower costs in issuing equity capital (Diamond and Verrecchia, 1991) and debt (Sengupta, 1998). From the literature review, the following hypotheses will be tested in the study.

Hypotheses

Liquidity refers to a firm's ability to meet its short-term obligations when they fall due. Cooke (1989) argued that the soundness of the firm as portrayed by high liquidity is associated with greater disclosure level. Belkaoui-Raihi (1978) found no relationship between liquidity and disclosure level. Wallace et al. (1994) on the other hand found a significant negative association between liquidity and disclosure level for unlisted Spanish companies. From the foregoing, the following hypothesis can be developed:

H$_1$: The liquidity is positively associated with the level of compliance with IAS1 disclosure requirements.

Studies by Wallace and Naser (1995), Raffournier (1995), Owusu-Ansah (1998) and Alsaeed (2006) found a significant relationship between the size of a company and the level of disclosure. The explanations provided by these writers can be summarized as follows:

1) It is expected that the media and financial analysts focus more on financial statements of large forms and may consider a low level of disclosure as a signal for hiding bad news. Therefore, such firms would be more motivated to increase the level of disclosure to gain investors' confidence.
2) The costs of dissemination of financial information is lower in large firms that have more expertise and financial resources compared with small firms.
3) For financing purposes, large firms are more likely to disclose more financial information.

Cooke (1993) on the other hand suggests that larger companies, requiring more funding than smaller companies, have a need to raise capital at the lowest cost, and to do this companies will increase their voluntary and compliance with mandated disclosures like is stated in IAS 1.Based on the aforementioned findings the second and third hypotheses state as follows:

H$_2$: Company size is positively associated with the level of compliance with IAS 1 disclosure requirements.

A positive relationship between profitability and the level of disclosure has been found by a number of studies (Inchausti, 1997; Wallace et al., 1994; Wallace and Naser, 1995).

These studies found that firms with high profitability would be more motivated to send good news to the market than firms with low profitability. IAS1 requires more disclosure about the source of earnings (for example, continuing, discontinuing, acquired operations, individually significant items, etc.). The implication is that firms that are not performing well are not likely to voluntarily abide by the requirements of IAS 1. On the other hand, firms that are doing well would be inclined to comply with IAS 1, in order to provide evidence of superior managerial ability (Iatridis and Valahi, 2010). Following from the aforementioned studies, the following hypotheses would be tested:

H$_3$: Profitability is positively associated with the level of compliance with IAS 1 disclosure requirements.

Several studies have tested the relationship between the size of audit firm and the level of disclosure. Wallace et al. (1994) postulate that bigger accounting firms are "backed by the expertise of the international firms to which they affiliated" and that a "theory of association" exits, suggesting that the contents of annual reports "are not only audited but also influenced by auditors". However, different results reported by Marston and Robson (1997) and Owusu-Ansah (1998) that auditor size is not significantly associated with level of disclosure. This leads to the sixth and seventh hypotheses of this study:

H$_4$: Auditor type is positively associated with the level of compliance with IAS 1 disclosure requirements.

Leverage

Several studies have examined the association between the debt equity ratio and the level of disclosure (Malone

et al., 1993; Hossain et al., 1994; Ahmed and Nicolls, 1994; Jaggi and Low, 2000). These studies found a positive relationship between the debt equity and the level of disclosure. Firms with high debt equity may have more incentives to disclose more financial information to suit the needs of their creditors. Such firms are therefore expected to be monitored more by financial institutions which drive them to disclose more than firms with low debt equity. From the aforementioned, the following hypothesis will be tested:

H5: Leverage is positively associated with the level of compliance with IAS 1 disclosure requirements.

RESEARCH METHOD

Several methodologies have been used in IAS/IFRS disclosure compliance research. Cerf (1961), Cooke (1989), Wallace and Naser (1995) and Sejjaaka (2003) used disclosure index to test their hypotheses.

The index approach according to Sejjaaka (2003) combines several variables of interest (disclosure measures) into a single measure. The index is constructed through an accumulation of scores assigned to individual voluntary and mandatory information items. The construction of an index involves two major stages. The first stage involves the selection of items for inclusion in the index. The second stage is the assigning of weights to the items in the index, that is, a rule for relating disclosure items to the index (score). The annual reports are then scored using the index. A high score implies that disclosure is adequate and vice versa.

The index approach was first used by Cerf (1961) and the technique has since been adopted and used by several researchers (Raffournier, 1995; Owusu-Ansah, 1998).

This study used the dichotomous procedure whereby an item is given a score of one if disclosed and zero if not disclosed (Cooke, 1991, 1998; Ahmed and Nicholls, 1994, Raffournier, 1995). The annual reports of the 35 listed companies were used (disclosure = 1, non disclosure = 0). The index was constructed after taking into consideration the presentation requirements of IAS 1. Based on these requirements each company must prepare income statement, statement of financial position, Statements of cash flow, statements of changes in equity and notes to the accounts.

Sample size

The study involved using sample based on the list of companies listed on the Ghana Stock Exchange (GSE). To measure the extent of disclosure compliance, the study used indexes derived from IAS 1 (Owusu-Ansah, 1998). The disclosure indexes developed consisted of 2000 items for both listed and unlisted firms.

Data source

The disclosures made to comply with IAS 1 will be in narrative form in the notes accompanying companies' financial reports. Data were therefore collected from annual reports of the companies in the sample and all of the reports accessed from the companies web sites.

Measurement of the variables

The dependent variables in this study are, the extent of disclosure

made by companies complying with IAS 1. As noted earlier on IAS 1 specifies the disclosure that must be made, but the extent of the disclosure is likely to vary among the companies in the sample. Hence, the study focuses on all the mandatory and voluntary disclosure items and seeks to measure the extent and of that disclosure. This implies that inferences will be drawn from what the companies have disclosed.

Extent of disclosure

The extent of disclosure index is the proxy measure for the extensiveness of disclosures made by the companies as required by IAS1. This variable captures the amount of mandatory disclosures in the annual reports. A company was initially awarded a score of 1 if an item was disclosed and 0 if an item was not disclosed. The total number of items disclosed by a company was then divided by the total number of items applicable to the company and the result was used as the index of disclosure. The disclosure index can be mathematically shown as follows;

$$TI = TD/M = \frac{\sum_1^m di}{\sum_1^n di}$$

where:

TI = Total Disclosure Index
TD = Total Disclosure Score
M = Maximum disclosure score for each company
di = Disclosure item i
m = Actual number of relevant disclosure items (m≤n)
n = Number of items expected to be disclosed

Independent variables measure

To examine the extent of disclosure in accordance with IAS 1 in the annual reports of the companies listed on the Ghana Stock Exchange (GSE), the following independent variables were tested: company size, leverage, profitability, liquidity and auditor type. The selection of the independent variables was based on the literature reviewed.

RESULTS

Table 1 displays the industry classification of firms listed on the Ghana Stock Exchange (GSE). 31.4% are from the Finance/Insurance category; 17.2% from Manufacturing/Trading category; 14.3% from Paper conversion/Information Technology and Pharmacy/ Beverages categories. 11.4% from Agric./Agro processing and Metals and Oils categories.

From Table 2, 83% of the firms listed on the Ghana Stock Exchange are being audited by audit firms with international affiliations.

Table 3 displays the descriptive statistics of the variables. The mean score for net assets is ¢45,805.45 with the maximum being ¢516,084. The mean return on equity is 12.1% with the maximum of 82.7% and a standard deviation of 29.6%. The mean score for disclosure index is 60.9% and maximum of 61% and a standard deviation of 0.06%.

Table 1. Industry classification of Ghana listed companies.

Industry type	Frequency	Percentage (%)
Finance / insurance	11	31.4
Paper conversion / IT	5	14.3
Manufacturing / trading	6	17.2
Agric / agro processing	4	11.4
Metals / oils	4	11.4
Pharmacy / beverages	5	14.3
Total	35	100

Table 2. Auditor affiliation by industrial sector.

Industry	Auditor affiliated with international auditing firm		Auditor not affiliated with international auditing firm		Total
	Frequency	%	Frequency	%	
Finance and insurance	11		-		11
Paper conversion/ IT	2		3		5
Manufacturing/trading	6		-		6
Agric/agro processing	1		3		4
Metals/oils	4		-		4
Pharmacy/beverages	5		-		5
Total	29	(83)	6	(7)	35

Table 3. Descriptive statistics.

	N	Minimum	Maximum	Mean	Standard deviation
Net assets	35	240.0000	516084.0	45805.45	91522.664
Return on equity	35	-93.1244	82.6622	12.10888	29.614212
Debt equity ratio	35	0.0000	6.3635	1.176389	1.6734913
Disclosure index	35	0.6061	.6100	0.609889	0.0006592
Auditor	35	0	1	0.86	0.355
Liquidity	35	0.0687	1.4825	0.648146	0.3061416
Valid N (listwise)	35				

The results of the disclosure level, mean of 60.9%, indicate that most of the firms listed on the Ghana Stock Exchange did not overwhelmingly comply with the IAS 1 disclosure requirements (Table 4). Whilst the findings are not encouraging, they are consistent with Street and Gray (2001), Barako (2007) and Dahawy (2009) who found similar results for compliance from companies in many countries.

A regression analysis was performed on the dependent and independent variables to check on the existence of the multicolinearity problem. In a multiple regression model, multicollinearity exists when two independent variables are perfectly correlated with each other. The result is shown in Table 5.

The variable inflation factor (VIF) in excess of 10 should be considered an indication of harmful multi-colinearity according to Neter et al. (1989). All the VIF are less than 10 and the average VIF is 1.1796 therefore, it can be said that there is no multicolinearity problem for the model. The results of the regression analysis can therefore be interpreted with a greater degree of confidence. The Durbin-Watson value of 1.723 indicates that the data has no serial correlation or autocorrelation problem.

The multiple regression model is highly significant ($p \leq$ 0.000). The coefficient of determination (R^2) indicates that 14.1% of the variation in dependent variable is explained by variation in the independent variables.

In order to test the specified hypotheses, the stepwise method was used. The great advantage that this method has is that, it optimizes the econometric model so that all statistically non significant variables are eliminated from the model.

The results of the multiple regression analysis shown in

Table 4. Spearman's rho correlation.

		Disclosure index	Net assets	Return on equity	Debt equity ratio	Auditor	Liquidity
Disclosure index	Correlation coefficient	1	-0.389*	-0.108	0.219	-0.029	0.029
	Sig. (2-tailed)	.	0.021	0.536	0.206	0.867	0.867
	N	35	35	35	35	35	35
Net assets	Correlation coefficient	-0.389*	1	0.069	-0.216	0.360*	0.132
	Sig. (2-tailed)	0.021		0.692	0.214	0.034	0.451
	N	35	35	35	35	35	35
Return on equity	Correlation coefficient	-0.108	0.069	1	-0.268	0.101	0.417*
	Sig. (2-tailed)	0.536	0.692		0.119	0.563	0.013
	N	35	35	35	35	35	35
Debt equity ratio	Correlation coefficient	0.219	-0.216	-0.268	1	0.121	0.291
	Sig. (2-tailed)	0.206	0.214	0.119		0.488	0.090
	N	35	35	35	35	35	35
Auditor	Correlation coefficient	-0.029	0.360*	0.101	0.121	1	0.251
	Sig. (2-tailed)	0.867	0.034	0.563	0.488		0.146
	N	35	35	35	35	35	35
Liquidity	Correlation coefficient	0.029	0.132	0.417*	0.291	0.251	1
	Sig. (2-tailed)	0.867	0.451	0.013	0.090	0.146	
	N	35	35	35	35	35	35

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

Table 5. Multiple regression analysis results.

Coefficients(a)								
Model		Unstandardized coefficients		Standardized coefficients	t	Sig.	Collinearity statistics	
		B	Standard error	Beta			Tolerance	VIF
1	(Constant)	0.641	0.048		13.232	0.000		
	Return on capital employed	-0.001	0.001	-0.306	-1.667	0.106	0.808	1.237
	Debt equity ratio	0.010	0.010	0.170	0.933	0.358	0.822	1.216
	Auditor	-0.006	0.047	-0.024	-0.137	0.892	0.887	1.128
	Net assets	-2E-07	0.000	-0.222	-1.271	0.214	0.893	1.120
	Liquidity	0.057	0.056	0.184	1.019	0.316	0.835	1.197

a) Dependent variable: Extent of disclosure.

Table 6. Model summary.

Model	R	R Square	Adjusted R square	Standard error of the estimate
1	0.376(a)	0.141	0.115	9.637

a) Predictors: (constant), liquidity

Tables 6, 7 and 8 shows that only liquidity is associated   on a statistically significant level as far as the extent of

Table 7. ANOVA (b).

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	504.938	1	504.938	5.436	0.026(a)
	Residual	3065.062	33	92.881		
	Total	3570.000	34			

a) Predictors: (Constant), liquidity; b) Dependent variable: EOD.

Table 8. Excluded variables (b).

Model		Beta In	t	Sig.	Partial correlation	Collinearity statistics
						Tolerance
1	Net assets	-0.017	-0.104	0.918	-0.018	0.994
	Return on equity	0.014	0.082	0.935	0.015	0.928
	Debt equity ratio	-0.017	-0.103	0.918	-0.018	0.952
	Auditor	0.062	0.367	0.716	0.065	0.952

a) Predictors in the model: (constant), liquidity; b) Dependent variable: disclosure index.

disclosure is concerned.

Therefore only hypothesis 1; H_1: *Liquidity is positively associated with the level of compliance with IAS1 disclosure requirements* is accepted and the others cannot be accepted. The finding is consistent with earlier research by Wallace et al. (1994).

The study also finds that there is no significant positive relationship between profitability level and compliance with IAS 1 disclosure requirements. This result is consistent with that of Raffournier (1995), Wallace and Naser (1995), Alsaeed (2006) and Haneh (2009).

The result that firm size, represented by net assets is insignificantly related to disclosure level suggests that bigger firms do not disclose more than smaller firms. This may be due to the less variation in the size of the firms as shown in the descriptive analysis. The findings of this research is inconsistent with other earlier studies, for example, Haniffa and Cooke (2002), Ghazali and Weetman (2006) and Al-Shammari (2008) have all found positive relationship between firm size and level of voluntary disclosure.

Table 2 shows that 83% of the firms were audited by audit firms that have international affiliation. However, the regression analysis did not find any significant relation-ship between audit firm size and compliance with IAS 1 disclosure requirements. The importance of audit firm size in determining the extent of voluntary disclosure is due to the fact that audit firms that have international exposure, and experience and higher reputation have the power to affect the extent of voluntary disclosure compared to smaller audit firms.

With regards to the debt equity ratio, the study found that there is no significant positive relationship between debt equity ratio and compliance with IAS 1 disclosure requirements. This finding is inconsistent with the agency cost theory which argues that leverage imposes some good governance mechanisms which helps to control, conflict of interest between management and debt holders. Ahmed and Courtis (1999) found a significant positive relationship between leverage and disclosure levels but this study found otherwise.

CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH DIRECTION

This paper investigates the impact of adopting International Accounting Standards 1 (IAS 1) in Ghana, using companies listed on the Ghana Stock Exchange (GSE). The results of the disclosure level, mean of 60.9%, indicate that most of the firms listed on the Ghana Stock Exchange did not overwhelmingly comply with the IAS 1 disclosure requirements. Whilst the findings are not encouraging, they are consistent with Street and Gray (2001), Barako (2007) and Dahawy (2009) who found similar results for compliance from companies in many countries.

The key relationships examined are between extent of disclosure and company size, profitability, liquidity, leverage and auditor size. The result of the multiple regression analysis shows that only liquidity is associated on a statistically significant level as far as the extent of disclosure is concerned. The results did not provide support for a positive relationship between company size, profitability, leverage and auditor size. This result is consistent with that of Raffournier (1995), Wallace and Naser (1995), Alsaeed (2006) and Haneh (2009).

This study contributes to the literature on corporate financial reporting and disclosure practices. The Ghana Stock Exchange is one of the important capital markets in

the Africa, south of the Sahara, in which International Financial Reporting Standards (IFRSs) are mandatory. Therefore a study on the impact of adopting IAS 1 is significant. It also contributes to the literature on whether the company characteristics that researchers have found to be significant in companies in developed countries can be applied in developing countries like Ghana. This has been achieved as results are consistent with some of the research conducted in the developed economies.

The main limitation of this study is that the findings are based on firms listed on the Ghana Stock Exchange which may limit the generalizability of the results to all the firms in Ghana. To overcome this shortcoming, a study can be done which would include unlisted companies and not for profit organizations. There is the need also to research into not only the extent of disclosure but also the quality of the disclosures as far as the IAS 1 requirements are concerned.

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