EFFECT OF CORPORATE DISCLOSURE ON EARNINGS MANAGEMENT AMONG LISTED FIRMS AT THE UGANDA SECURITIES EXCHANGE

ROBERT OGUTI ETENGU

DOCTOR OF PHILOSOPHY

(Accounting)

JOMO KENYATTA UNIVERSITY

OF

AGRICULTURE AND TECHNOLOGY

2022

Effect of Corporate Disclosure on Earnings Management Among Listed Firms at the Uganda Securities Exchange

Robert Oguti Etengu

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy in Accounting of the Jomo Kenyatta University of Agriculture and Technology

2022

DECLARATION

This Thesis is my original work and has not been presented for a degree in any other university.

Signature………………………………………… Date…………………………..

    Robert Oguti Etengu

This thesis has been submitted for examination with our approval as the University Supervisors.

Signature…………………………………………. Date…………………………..

    Dr. Tobias Omondi Olweny, PhD

    JKUAT, Kenya

Signature………………………………………… Date…………………………..

    Dr. Josephat Oluoch Oluoch, PhD

    JKUAT, Kenya

DEDICATION

I dedicate this Thesis to God the Almighty who created me and keeps shaping my life's journey from time to time, to my mother who worked so tirelessly and ensured I acquired university education, and my father who relentlessly kept reminding me to complete the PhD programme.

ACKNOWLEDGEMENT

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

ABBREVIATIONS AND ACRONYMS

AC   Audit Committee

AEM   Accrual-Based Earnings Management

ASE   Amman Stock Exchange

AQ   Accruals Quality

CD   Corpoate Disclosure

CDP   Carbon Disclosure Project

CED   Corporate Environmental Disclosure

CEOs   Chief Executive Officers

CFOs   Chief Finance Officers

CGI   Corporate Governance Index

CGMs   Corporate Governance Mechanisms

CMA   Capital Markets Authority

CSERD   Corporate and Social Environment Responsibility Disclosure

CSI   Corporate and Strategic Information

CSID   Corporate and Strategic Information Disclosure

CSR   Corporate Social Responsibility

DACC   Discretionary Accruals

DQ   Disclosure Quality

EADB   East African Development Bank

EM   Earnings Management

EQ   Earnings Quality

FCMD	Financial and Capital Market Data
FLDs	Forward-looking Disclosures
FLFDs	Forward-looking Financial Disclosures
FLI	Forward-looking Information
FLID	Forward-looking Information Disclosure
FLPD	Forward-looking Performance Disclosure
FLPDs	Forward-looking Performance Disclosures
FRQ	Financial Reporting Quality
FSIZE	Firm Size
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICGMs	Internal Corporate Governance Mechanisms
ICPAU	Institute of Certified Public Accountants
IFRS	International Financial Reporting Standards
IPO	Initial Public Offer
MD&A	Management Discusion and Analysis
OFR	Operating and Financial Review
OLS	Ordinary Least Squares
OS	Ownership Structure
PIT	Public Interest Theory
PRFT	Profitability

REM	Real Earnings Management
SEC	Securities Exchange Commision
SI	Strategic Information
SID	Strategic Information Disclosure
UCL	Uganda Clays Limited
UK	United Kingdom
US	United States
USE	Uganda Securities Exchange

DEFINITIONS OF KEY TERMS

Corporate Disclosure The release of information by a firm, which may be financial or non financial, qualitative or quantitative; mandatory or voluntary, disseminated through formal or informal channels (Alqatamin, 2016).

Corporate Governance Mechanisms According to Sharma (2017), corporate governance mechanisms are the systems that make a better coordination between the agent and principal relationship.

Earnings Management Earnings management is a purposeful intervention in financial reporting, designed to reach earnings targets by varying accounting practices (Wrowblewski, 2015).

Financial Information Disclosure The disclosure of historical information presented in the accounts, including key financial ratios, a re-examination of the company's performance, issues pertaning to wealth creation, in addition to the trend of volume of shares traded, market capitalisation and share prices (Ho & Taylor, 2013).

Forward-Looking Information Disclosure Forward-looking disclosure refers to information on current plans and future forecasts that enable investors and other users to assess a company's future financial performance (Bravo, 2016).

Forward-Looking Performance Disclosures This refers to information on expected payoffs from current and future investment plans and from structural business changes that enables users to predict a company's future financial performance (Katmon & Farooque, 2015).

Mandatory Disclosure The disclosure required by laws, regulations and/or formal authorities such as stock exchange regulatory bodies (Marwa, 2012).

Strategic Information Disclosure Strategic information disclosure refers to the disclosure of information relating to firm background, market and competition, industry competitiveness, and prevailing economic and political situations that can affect a firm's operational performance (Ho & Taylor, 2013).

Voluntary Disclosure The discretionary release of financial and non-financial information which companies are not obliged to disclose by a standard-setting accounting body (Scalitro, 2015).

ABSTRACT

The primary purpose of this study was to empirically examine the effect of corporate disclosure on earnings management among listed firms at the Uganda Securities Exchange.The study consists of five main objectives covering: effect of mandatory disclosure of IAS/IFRS on earnings management among listed firms at the Uganda Securities Exchange; effect of strategic information disclosure on earnings management among listed firms at the Uganda Securities Exchange; effect of financial information disclosure on earnings management among listed firms at the Uganda Securities Exchange; effect of forward-looking information disclosure on earnings management among listed firms at the Uganda Securities Exchange; and, the moderating effect of corporate governance mechanisms on the relationship between corporate disclosure and earnings management among listed firms at the Uganda Securities Exchange. The research design of the study consists of two parts. First and in accordance with prior empirical disclosure research, corporate disclosure is examined using a disclosure index. Second, earnings management represented by the absolute value of discretionary accruals is measured using the modified Jones Model. The study provides several interesting findings. With regard to the first objective, the panel robust regression results revealed that mandatory disclosure of IAS/IFRS has a positive but insignificant effect on earnings management. In line with the second objective, strategic information disclosure was found to have a negative significant effect on earnings management. With regard to the third objective, financial information disclosure was found to have a positive and insignificant effect on earnings management. Similarly and in line with the fourth objective, forward-looking information disclosure was also found to have a positive but insignificant effect on earnings management. With respect to the fifth objective, the results of robust regression showed that audit committee characteristics have a negative significant moderating effect on the relationship between corporate disclosure and earnings managemet. This result perhaps provides support to an emerging trend of the outperformance of internal corporate governance mechanisms over corporate disclosure in lessening earnings management. Overall, the lack of clarity and the mixed relationships provided, shows that the association between corporate disclosure and earnings management is complex and dynamic.The study contributes to the body of knowledge by shedding light on the relationship between corporate disclosure and earnings management. It also provides new evidence on the moderating effect of corporate governance mechanisms on the relationship between corporate disclosure and earnings management, in the context of a developing country. The study recommends a test of the effect of corporate disclosure on the different aspects of earnings management to cover both financial and non-financial firms at not only the USE, but also the East African Securities Exchange.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the current global economy, there is growing concern about the relevance of financial reports produced by business entities. The main concern is about the presence of earnings management (EM) practices in financial reporting processes that produce manipulated and misleading financial reports to influence investor and stakeholder decisions (Kumari & Pattanayak, 2017). According to Awidat and Vladan (2014), the practice of EM has received much consideration and interest from both the regulators and practitioners in the field of accounting, with literature referring to this practice through the use of various lenses, including *inter alia*, accounting manipulation, aggressive accounting, creative accounting, and income smoothing. Moreover, influential investors and academics have criticised firms for playing the earnings game, where executives, under pressure, guide market expectations and manage earnings to meet or beat short-term earnings targets given by analysts (Cal *et al*., 2010). The mounting gravity of EM naturally stems from the elementary roles that accounting earnings plays for a wide spectrum of users. This has led to calls for a positive accounting theory to explain why accounting is what it is, why accountants do what they do, and what effects these phenomena have on people and resource utilization by a number of accounting empiricists (Alsharairi, 2012).

EM by companies is a broadly researched area since the late eighties (Ruiz, 2018) and has been a global concern for the reliability of published accounting reports (Pereira & Alves, 2019). Moreover, scholars over the past two decades have extensively investigated the phenomenon of EM given the potential harm that this unethical practice entails for a company's stakeholders particularly the investors (Gavana *et al*., 2019). The extent of the impact of this phenomenon is evidenced by the financial scandals that marked the beginning of this millennium, such as Enron, Parmalat and WorldCom (Gavana *et al*., 2019). One factor that encouraged this line of research as suggested by DeFond (2010) was the Securities Exchange

Commisions (SEC's) harsh allegations during the 1990's of widespread EM among public companies. These assertions depicted managers as routinely engaging in opportunistic EM aimed at meeting capital market expectations.

The general interest in EM research has also been partly attributed to the infamous Arthur Levitt speech expressing concerns of the Securities Exchange Commision (SEC) about what he termed the numbers game (Walker, 2013), and due to the effect of this practice on the quality of reported earnings (Lin *et al.,* 2014). In addition, Warren Buffet and Michael Jensen have equally criticized the practice of providing short-term earnings guidance arguing that this fosters myopic management behaviour and subsequently EM, calling for an end to the earnings guidance game (Fuller & Jensen, 2010). It is because of the above reasons that a number of high profile companies in the United States (U.S.) such as McDonald's, Coca-Cola, and Pepsi have discontinued the issue of quarterly earnings guidance (Chen *et al*., 2011).

According to Enomoto *et al*. (2015), EM occurs when managers apply judgment in financial reporting and in structuring financial transactions with the aim of misleading stakeholders about the underlying economic performance of a firm. Accordingly, the process of managing earnings can be construed as planning and controlling the financial reporting system to meet the management objective of misleading investors, meeting analysts' expectations, maintaining the economic growth projector or arriving at the predetermined target income for their incentive pay (Kumari & Pattanayak, 2017). From the agency theory perspective, EM is viewed as a form of agency cost that leads to earnings mispricing by the market players and, consequently, misrepresenting the capital market's information (Sun & Al Farooque, 2017). Following Kitiwong (2014), EM comes in two general forms: income-increasing and income decreasing EM. Income-increasing EM can be achieved by adopting aggressive accounting techniques through, for example, underestimating the irrecoverable debts and drawing down reserves; while income-decreasing EM can be attained by adopting conservative accounting through, for example, overly recognising provisions or reserves or overstating restructuring charges and assets' write-offs (Alsharairi, 2012).

Various incentives have been advanced in scholarly work to explain why managers are motivated to engage in EM (Rezaei, 2012). These include, *inter alia*, managing earnings to achieve their desired goals, which constitutes opportunistic EM, and managing earnings to achieve stockholders' incentives, which constitutes beneficial EM. In light of the discourses apparent in extant literature, EM by companies is undertaken by means of three broad strategies. The first strategy is accruals-based earnings management (AEM) in which the management of a company changes estimates and accounting policies in order to increase or lessen earnings figures (Elkala, 2017). The second strategy referred to as real earnings management (REM) occurs when managers deliberately make operating decisions that have real cash flow consequences with the aim of altering reported earnings figures.

The third broad EM strategy is referred to as classification shifting-based EM in which the main expenses of a firm are moved to special items in the statement of profit and loss in order to increase earnings before other comprehensive income. Of all the three strategies highlighted earlier, AEM is the most detrimental to the value of financial reports value. According to Dechow *et al.* (2010) abnormal accruals, which reflect EM, are the most extensively used proxy of earnings quality (EQ) in empirical accounting research. Since accruals are the primary product of accounting standards, if earnings are managed, it is more likely that EM occurs on accruals rather than the cash flow component of earnings (Pantelis, 2011). Moreover, investors are usually unconscious of the amount of accruals manipulated (Alzoubi & Selamat, 2012). As such and in line with most EM literature and data constraints, accrual-based EM is the focal point of this study and is therefore examined in this study.

In order to overcome the problem of earnings manipulation and mitigate agency costs, various accounting reforms and constructive corporate governance (CG) structures like the Organization for Economic Cooperation and Development (OECD) Principles of 1999, the stock exchange listing standards, and the International Financial Reporting Standards (IFRS), have been introduced to improve the governance environment and promote fair business practices (Kumari & Pattanayak, 2017). Moreover, prior research suggests that a firms' strong disclosure

transparency and CG create disincentives for managers to commit EM (Sun & Al Farooque, 2017).

According to Kolsi (2012), the past corporate financial wrongdoings highlighted by the subprime crisis like Lehman Brothers Holding Inc in 2008 and Toshiba in 2015, have raised doubts about the reasonableness of financial and accounting information disclosed by corporate entities. These events exemplify how corporate managers manipulated the accounting system by abstaining from reporting significant liabilities and providing erroneously positive pictures of firm financial situation to the market (Vural, 2017). Herein, not only did firm managers fail to act on behalf of shareholders, but also the monitoring mechanisms such as those supposed to be carried out by the board of directors (BoDs) and the independence of the external auditors proved inefficient. As a consequence of these consecutive financial scandals, investors' have become aware that the information disclosed by companies might not represent their true reality, thus tainting their confidence (Pereira & Alves, 2017). These scandals originated from the incorrect application of accounting practices. In this context therefore, the study of issues such as EM practices which managers resort to for purposes of meeting earnings estimates and analyst expectations as suggested by Mishra (2016), becomes relevant.

In the aftermath of the aforementioned corporate financial scandals, there were calls for regulators and policy makers to improve corporate transparency and to enact significant changes to reporting and disclosure regulation (Leuz & Wysocki, 2015). One such regulation led to the implementation of the Sarbanes-Oxley Act of 2002 in the U.S. with the objective of increasing awareness of the need for accounting regulation worldwide. That same year, the European parliament decided that from 2005 onwards, all European listed firms would be required to follow the International IFRS in the process of preparing financial statements. The aim here was to increase the usefulness and confidence in financial accounting and reporting (IASB, 2010).

Although, these scandals saw major reforms in CG and reporting practices, corporate managers have relentlessly devised newer means of subverting accounting systems. These scandals as well the continuous breaches by Chief Executive Officers (CEOs) and Chief Finance Officers (CFOs), have led to an increasing demand for more

transparent disclosures by companies across the globe, with a view to sufficiently make the operations of public companies more visible to the multiplicity of users of corporate reports (Modige & Eboigbe, 2017). Moreover, a common response to CG failure (for example, the BCCI in the UK and Enron in the U.S.) has been to increase disclosure requirements, typically accompanied by greater and more stringent CG expectations through new codes of good practice (Beekes, Brown, Chin, & Zhang, 2012).

The concept of corporate disclosure is obscure due to the fact that attempts at defining and measuring it have not yielded a universal approach for accounting scholars (Modugu & Eboigbe, 2017). While Omran and Abdelrazik (2013) depict it as a channel through which existing and potential shareholders of a company obtain valuable information, Solomon (2013) portrays it as a whole array of different forms of information produced by firms such as the annual reports and all forms of voluntary corporate correspondences. Meanwhile, Vural (2017) delineates it as accounting information provided in the annual reports of companies. Regardless of the difficulties associated with defining and measuring it, corporate disclosure is very crucial for the operation of an efficient capital market because higher disclosure policy attenuates information assymetry and agency problems (Kolsi, 2012).

Globally, the origin of firm disclosure practices can be traced back to the Securities Exchange Act of 1934 in the U.S. which required exchange traded firms to disclose corporate information (Daines & Jones, 2012). However, it was only until the second half of the twentieth century that the need to improve corporate financial disclosure in developed countries increased significantly. Some of the factors that shaped this development include the growth of multinational corporations, the separation of management from ownership, the developments of various capital markets, and wider ownerships of companies (Al-Zarouni *et al*., 2015). Over the years, the demand for corporate disclosure is seen to be increasing rapidly due to agency conflicts and information asymmetry between managers and shareholders that have led to several corporate collapses (Nandi & Ghosh, 2012).

According to Farvaque *et al*. (2012), the main objective of disclosure is to generally communicate corporate performance and governance to outside investors. Therefore,

a firms disclosure is not only limited to financial information but also addresses a great variety of non-financial information (Grüning, 2011). Building on this, Meser *et al.* (2015) assert that the main role of disclosure is to reduce information asymmetry by requiring corporate managers to reveal all the information that affects investment decisions. Besides, corporate disclosure also plays two roles related to minimising two problems, namely: adverse selection and moral hazard (Vural, 2017).

Adverse selection problems result from trades in which information is unevenly distributed between the buyer and the seller, and the seller enjoys an information advantage at the cost of the buyer. In the widely held firm, shareholders, being the outsider of the firm, are dependent on insiders' (managers' and owner-managers') provision of corporate disclosure for their valuation and investment decisions. In this case, disclosure of accounting information has an information role in allowing capital providers to evaluate the potential return on future investments (Beyer *et al*., 2010).

Moral hazard on the otherhand*,* occurs when an individual agent takes a risk that he or she does not bear the cost for, or in any other way does not act in the best interest of the principal (Vural, 2017). The moral hazard problem is a result of imperfect information allocation among individuals, because individual actions cannot be observed. A typical example is where the CEO invests in risky projects that may not be in line with the investors' risk appetite. In this regard, the disclosure of accounting information can aid investors in their assessment of management's efforts and monitor its actions so that they are in line with the investors' aspirations.

Following the disclosure literature, it is interesting to note that the disclosure of corporate information possesses a number of advantages, such as being a significant indicator of a competent capital market, reducing information asymmetry, reducing the cost of capital and mitigating agency cost (Alotaibi, 2014). In spite of these benefits, there are two sorts of costs associated with corporate disclosure, namely: the direct and indirect costs. While direct costs occur during the dissemination phase of information to the public, indirect costs occur when parties other than investors, such as regulators, competitors, tax authorities, and so on, use information from listed firms'. In this scenario, firms' would be discouraged from circulating information whenever other parties, other than investors, take advantages.

Harkening all the way to Farvaque *et al.* (2012), past studies have classified corporate disclosure in different forms; with the first form being the disclosure of financial information relating to financial statements, whose contents are defined by accounting standards. Secondly, public corporate disclosure can also be obtained via alternative communication channels like press releases, earnings guidance, quarterly reports and management forecasts (Vural, 2017). In spite of whatever forms disclosure takes, two other distinctions can be made regarding corporate disclosures. The first distinction is based on the opposition between financial and non-financial disclosures. The latter includes information relating to a firm's social and environmental responsibility and CG, as well as information relating to the firm's operating methods (Farvaque *et al.*, 2012). The second distinction is based on the opposition between voluntary and mandatory disclosure. The main difference between the two is that government and regulatory bodies intervene in the production and release of mandatory disclosure and stays out of the way for voluntary disclosure (Tucker & Zhang, 2016). Although public corporate disclosure can be obtained via alternative communication channels, in this thesis the focus is on voluntary narrative and mandatory disclosures in the form of notes to the financial statements, presented in the annual reports of quoted companies. Moreover, such disclosures are vital in explaining the quantity and quality of corporate disclosure and therefore should not be seen as separate elements of financial reporting (Bilal & Jon, 2011).

According to Zhang (2015), corporate disclosure research has attracted a significant amount of attention from the accounting research community since the 1980's. Disclosure is regarded as crucial for a functioning modern capital market because it helps to solve the information asymmetry and agency problem between management and investors. Following the findings of a survey by Beyer *et al.* (2010) on the financial reporting environment, it is worth noting that accounting information plays the ex-ante or valuation role, which addresses the information asymmetry problem and the ex-post or stewardship role, which addresses the agency problem, respectively. It is in this context that Farvaque *et al*. (2012) have argued that disclosure, whether voluntary or mandatory, would have the virtue of reducing information asymmetries, allowing effective control of managers, and re-establishing good governance. Moreover, disclosure is considered a form of monitoring tool that

enables investors and other external users to minimise the problem of asymmetric information (Huang & Zhang, 2011) and, consequently the likelihood of EM practices (Alqatamin, 2016).

Many prior studies in the developed countries have investigated, both theoretically and empirically, different hypotheses and debates on the topic of corporate disclosure and EM. The first strand of research has focused on IFRS and its relationship with EM. Whereas some investigations find that EM augments after the adoption of IFRS (see for example, Callao & Jarne, 2010; Collins & Jeanjean, 2012; Hoque *et al*., 2012), other studies (Khalina *et al*., 2015; Lemma *et al*., 2013) exhibit a negative relationship between mandatory disclosure and AEM. Moreover, other studies like for instance Doukakis (2014) have documented no significant impact of mandatory IFRS adoption on EM. One possible explanation for these mixed results has been provided by Kaaya (2015) who argues that IFRS are a critical determinant for quality reporting, but not a prima facie guarantor for quality reporting.

Another strand of literature has concentrated on voluntary disclosure and EM. For instance, Einhorn and Ziv (2012) investigated the association between voluntary disclosure and EM. Their analytical model predicted that managers' decision to voluntarily disclose private information is not affected by the extent to which they can misreport their information, or by the costs of misreporting. In other words, managements choice on whether to provide more voluntary information is autonomous of the decision to bias the financial statements. Conversely, Aerts and Zhang (2014) find a positive relation between the intensity of causal reasoning in the Management Discussion and Analysis (MD&A) section of corporate reports and AEM. They argue that an increase in causal reasoning mitigates investors' concerns about EM. With regard to developing economies, Rudra and Bhattacharjee (2012) show that Indian firms that employ IFRS are more likely to smooth earnings relative to firms that do not.

Lastly, studies undertaken on the moderating effect of corporate governance mechanisms (CGMs) on the asssociation between corporate disclosure and EM (see for instance, Katmon & Farooque, 2015; Lakhal, 2015; Susanto, 2016) also ahow that CGMs have a moderating effect on the association between corporate disclosure

and EM. The significance of CGMs in this relationship ensues from the vital role it plays in helping firms to attract investment and provide reasonable credibility in financial reporting (Alghamdi, 2012). Moreover, CGMs gurantee investors that they will receice adequate returns on their investment (Mansor *et al*., 2013).

In the African setting, there is considerable evidence to show that some studies have been conducted. While some researchers highlight improved earnings quality (EQ) after mandatory IFRS adoption (Yeboah & Yeboah, 2015), others studies show evidence of either no improvement or a decrease in EQ (Ames, 2013; Belgacem & Omri, 2015). In the Ugandan context, however, research on the effect of corporate disclosure and EM is limited. Sejjaka (2006) for example, examines the topic of corporate mandatory disclosure practices by financial institutions in Uganda. Much as this study provides a sense of direction to the current study, the researcher does not examine the effect of corporate disclosure on EM. Besides, Sejjaka's study is not comprehensive enough because his focus was essentially on financial institutions, which are deemed to be closely regulated and therefore do not provide a useful area of analysis. This study therefore extends prior CD research by examining the effect of corporate disclosure on EM among listed firms at the USE.

According to Maghanga and Quisenberry (2015), the USE is among the newest stock markets in Africa and is Uganda's only stock exchange having been founded in June 1997. The Exchange's doors opened to trading in January 1998 and became operational with the listing of the first ever product on the USE; the East African Development Bank (EADB) bond in 1998, followed by Uganda Clays Limited (UCL) equity listing in 2000. Today there are 17 listings of domestic and East African companies in the stock market. Since its inauguration in the Ugandan market in 1997, the USE has been using the old tradition of floor trading, manually, using markers and a white board.

The exchange operated the open outcry auction trading system till mid-2015, when the automated trading system was introduced in July 20th, 2015 to keep pace with times, and catch up with other stock exchanges around the globe (Bulere, 2015). Currently, trading is done online using computers. Ever since the development of automated trading at the USE, the performance of the exchange has improved since

automated trading systems are more efficient, cheaper, faster and less prone to errors. The major challenge of the USE, however, is the limited number of listings and the low market capitalization. Inspite of the low listings and market capitalization levels in the USE, the turnover ratios are promising.

In recent years, the regulatory authorities of Uganda have taken some measures to improve and promote the quality of corporate financial disclosure practices of quoted companies at the USE. Such measures include, among other things, the enactment of the improved Companies Act in 2012 and the mandatory adoption of IFRS. Prior to 2005, the approved accounting standards issued by IASB in Uganda were known as International Accounting Standards (IAS). However, following the worldwide convergence with IFRS, particularly the adoption of IFRS by European countries in 2005, the Institute of Certified Public Accountants of Uganda (ICPAU) mandatorily adopted the IFRS without any ammendments. ICPAU was established by The Accountants Act in 1992, now replaced by Accountants Act of 2013 with the objectives to, *inter alia*, regulate and maintain the standard of accountancy and prescribe and regulate the conduct of accountants and practising accountants in Uganda.

1.2 Statement of the Problem

In spite of an enormous amount of regulation and standards governing the financial reporting process, corporate collapses and prior studies have strongly indicated that earnings management is becoming a regular business practice in most firms today (Rani *et al*., 2013). Earnings management reflects managers opportunistically adjusting earnings to transfer wealth from shareholders to themselves (Egbunike & Udeh, 2015). One possible suggestion for the prevalence of earnings management in corporate entities today is the fact that we live in a world that somehow falls short of the perfect world (Cotter, 2012).

According to Elkalla (2017), the adoption of IFRS minimizes earnings management since adopters of IFRS would be expected to report accounting information within the confines of these standards. Consistent with this argument, Ho *et al*. (2015) assert that IFRS adoption is likely to curb accruals-based earnings management, since more

principle-based accounting standards decrease the opportunistic interpretation of complex rules and force firms to comply with the intent of the standards. Similarly, available literature suggests that firms wishing to engage in earnings management may face a trade-off between voluntary disclosure and their wish to disguise their propensity to manage earnings (Pappas, 2015). In addition, Lin and Wu (2014) assert that good internal corporate governance mechanisms and accurate disclosure of relevant information can reduce the earnings management motive of managers.

Although empirical studies on corporate disclosure and earnings management has been a very active field of research in the last two decades, findings from these studies provide distorted and mixed results. While some studies (Chen, 2016) show that enhanced information transparency induced by mandatory disclosure requirements of auditor fees is useful in reducing earnings management, other studies (Ahmed *et al*., 2013; Christensen *et al*., 2015) document an increase in earnings management following the 2005 mandatory IFRS adoption.

In spite of the fact that disclosure quality is a monitoring mechanism which enhances investors' comprehension about how management prioritizes resources and a firm's decisions, researches on corporate disclosure quality and earnings management has continued to exhibit confounding results. Whereas some studies (Poshty *et al*., 2015) indicate no significant relationship between disclosure quality and accounting earnings, other studies (Jatiningrum *et al*., 2016) show that disclosure quality and good corporate governance can reduce earnings management. Moreover, there are also studies that show a negative relationship between disclosure quality and earnings management (Alzoubi, 2016) and a positive relationship between disclosure quality and accruals quality (Mouselli *et al*., 2012). It is not therefore completely clear, *a priori*, whether corporate disclosure increases or reduces the level of earnings management among listed firms at the Uganda Securities Exchange.

Albeit corporate governance mechnisms have been widely used in strengthening the quality of financial reporting and corporate disclosure, extant literature on the moderating effect of corporate governance mechanisms on the corporate disclosure-earnings management nexus is not clear. While Sun *et al*. (2010) find that some corporate governance variables affect the association between corporate environment

disclosure and earnings management, Istianingsih and Mukti (2017) reveal that the size of an audit committee (AC) has no effect on the relation between information asymmetry and earnings management.

In Uganda, limited empirical evidence exists on the occurrence and magnitude of earnings management. Herbling (2015) for example, has documented a case in which the management of Uchumi Supermarkets Limited inflated their earnings, hence, giving a false picture of its financial performance. Similarly, an ex-accountant in the New Vison Printing and Publishing Limited was convicted with 37 counts of fraudulent false accounting and for embezzling Shs 336 million by the Anti-Corruption Court of Uganda (Anyoli, 2016). Moreover, a number of companies (Uganda Clays Limited and Kenya Airways) have continued to report losses as late as 2013 for several years contrary to the capital market requirements. The Uganda Securities Exchange provides a peculiar setting for the study because the effect of corporate disclosure on earnings management has been rarely explored using data from quoted companies at the exchange.

1.3 Objectives of the Study

These are categorised into the general objective and the specific objectives.

1.3.1 General Objective

The general objective of the study was to examine the effect of corporate disclosure on earnings management among listed firms at the Uganda Securities Exchange.

1.3.2 Specific Objectives

The specific objectives of the study are:

1. To examine the effect of mandatory disclosure of International Accounting Standards/International Financial Reporting Standards on earnings management among listed firms at the Uganda Securities Exchange.

2. To examine the effect of strategic information disclosure on earnings management among listed firms at the Uganda Securities Exchange.

3. To examine the effect of financial information disclosure on earnings management among listed firms at the Uganda Securities Exchange

4. To examine the effect of forward-looking information disclosure on earnings management among listed firms at the Uganda Securities Exchange.

5. To examine the moderating effect of corporate governance mechanisms on the relationship between corporate disclosure and earnings management among listed firms at the Uganda Securities Exchange.

1.4 Hypotheses of the Study

The study generated the following five null hypotheses which are coterminous with the specific objectives:

H_{01}: There is no significant effect of mandatory disclosure of International Accounting Standards/ International Financial Reporting Standards on earnings management among listed firms at the Uganda Securities Exchange.

H_{02}: There is no significant effect of strategic information disclosure on earnings management among listed firms at the Uganda Securities Exchange.

H_{03}: There is no significant effect of financial information disclosure on earnings management among listed firms at the Uganda Securities Exchange.

H_{04}: There is no significant effect of forward-looking information disclosure on earnings management among listed firms at the Uganda Securities Exchange.

H_{05}: There is no moderating effect of corporate governance mechanisms has on the relationship between corporate disclosure and earnings management among listed firms at the Uganda Securities Exchange.

1.5 Significance of the Study

The findings of this study are likely to add to the literatute on corporate disclosure and EM in the accompanying manners. To start with, the findings of this research are likely to help investors with their decision-making processes. Available literature

shows that CG per se does not always help to reduce discretionary accruals (DACC). Consequently, relying on this as a basis for making investment choices might be lacking for investors (Katmun, 2012). Besides focusing on CGMs, investors should concentrate on CD that has been shown to be helpful in reducing managers' propensity to manipulate earnings.

Additionally, some prior empirical studies like for instance Capkun *et al*. (2016) and Pereira and Alves, (2017) and the evidence documented in this study shows that MD is positively related with EM. In light of this, accounting regulators should focus more on how to improve firms' disclosure practices by coming up with more explicit rules on disclosure in order to deter EM. Moreover, they should encourage firms to provide higher quality disclosures related to forward-looking information (FLI) and capital market disclosure, given their importance to the financial analysts in predicting companies' future earnings.

Researchers could benefit from this study since there are very limited studies on the moderating influence of CGMs on the association between corporate disclosure and EM, especially in the Ugandan context. This study therefore provides empirical evidence on the moderating effect of CGMs on the association between corporate disclosure and EM after controlling for firm specific characteristics.

The findings, conclusions, and recommendations of this study are likely to bring to the attention of corporate entities the relevance of CD quality in reducing managers tendencies to manipulate earnings, because compliance with the various disclosure policies and the corporate governance codes of best practice per se might fail to produce positive effects without efforts to ensure their effectiveness. Lastly, most prior researches examining the effect of mandatory disclosure of IFRS on EM have been conducted in the EU and the U.S. This study deals with an emerging country. Indeed, studies on IFRS and EM in emerging economies like Africa are limited. To this end, the findings of this study adds onto the ongoing debate on whether the mandatory adoption of IFRS is effective in constraining EM in emerging markets. Theoretically, this thesis does not only reprise literature on corporate disclosure and EM. It also closes the gap between the theory and practice of corporate disclosure evaluation by analysing the various corporate disclosure indices and their

interrelationships with CGMs and EM. This is crucial in identifying empirical gaps which form the foundation for recommending areas for further studies in the context of disclosure and its effect on EM.

1.6 Scope of the Study

The main objective of this study was to examine the effect of corporate discosure on EM on the one hand, and the extent to which CGMs affect this association, on the other hand, in the Ugandan setting. The rationale behind selecting this line of research is because available literature on corporate disclosure and EM practices (Katmun, 2012; Kiattikulwattana, 2014; Yadollah, Mehdi & Maryam, 2012) broadly supports the argument that the relationship between corporate disclosure and EM is contradictory. This study involved a pooled analysis covering a period of eight (8) financial years (2012-2019). To deepen our understanding of this time period the year 2012 was the point in time emerging markets started seriously reaping the benefits associated with the mandatory adoption of IAS/IFRS.

Effective 1 January 2005, all the listed companies in Uganda were required to mandatorily adopt the IFRS. The implication of this is that the first annual reporting date for which IFRS were generally applicable was 30 June 2006. Accordingly, the year 2012 is chosen to take into account the time lag effect associated with the post-harmonization stage, requiring all listed companies in Uganda to be fully implementing IFRS in their financial reporting. In addition, the year 2012 has been selected for purposes of comparing the effect of CD on EM practices with the findings of other related Ugandan studies (Sejjaka, 2006) which were conducted shortly post mandatory IFRS adoption period. Moreover, this time period is synchronized with key changes to disclosure regulations in the Companies Act (Amended 2012). Therefore the findings from the time-frame selected (2012-2019) will not only shed light as to whether the recommendations related to earnings quality (EQ) in the CG reforms in Uganda such as the adoption of IFRS and the amendments to the companies act, along with the market fluctuations have had any significant effect on the corporate disclosure-earnings management nexus but also collect the timeliest information available.

The study focused on all non-financial quoted companies at the USE. This was drawn form the following four sectors: commercial and services, manufacturing, energy and petroleum, and investments. The choice of listed firms is due to the fact that they follow stringent disclosure requirements imposed on them by the CMA and the Securities Exchange Commision; and, their annual reports can be easily obtained. These disclosures provided adequate data for the study.

1.7 Limitations of the Study

In spite of the evidence documented in this study, it is crucial to remark that the same caveats apply in the current study as to all prior studies on corporate disclosure practices, CGMs and EM. Although the corporate disclosure variables tested in this study are treated as exogenously determined, it is probable that the discretionary accruals (DACC) as a measure of EM is endogenously determined. The problems of endogeneity is very important in disclosure research due to the fact that this can impact the study results. The outcome of this is that the ordinary least squares (OLS) assumptions would be violated when estimating the regression equations. The problem of endogeneity and omitted variables was mitigated using the following control variables - firm size, leverage, and profitability. The choice of these variables was based on theoretical predictions, prior disclosure studies and the availability of data.

Additionally, this study employed the absolute value of DACC obtained from the modified Jones (1995) Model as a measure of EM. Some researchers like for instance Velayutham (2014) have criticized this model arguing that the model provides noisy and biased results. Much as this is recognised as a limitation in this study, prior researchers like Dechow *et al*. (2010) claim that this model is still the best, especially in developed countries like the U.S., UK and a few other countries like Malaysia, Taiwan and India (Islam *et al*., 2011).

Furthermore, in recent years, researchers have exhibited interest in measuring EM through real activities in addition to accrual based activities (Gunny, 2010; Wang, 2014; Zang, 2012). Managers may prefer to use real activities manipulation over

accruals manipulation as a way to manage reported earnings. This study did not use REM as a proxy for EM due to unavailability of data and time.

Due to the fact that the corporate governance definition of good best practices is still ambiguous and unresolved as suggested by Katmun (2012), it is important to admit that the internal governance measures that have been employed in this study might have suffered from measurement bias. The study, nonetheless, examined some of the most influential CGMs - board characteristics, audit committee (AC) characteristics, and ownership structure (OS) features.

Another limitation is that this study considered only annual reports and company websites as the only disclosure avenue for capturing information on corporate disclosure and EM and excluded disclosure channels like social networking sites, disclosure through radio and television channels and press releases. Much as this is a limitation, the annual reports was considered primarily as an information source for three main reasons. First, it has been indicated that annual reports contain quantitative and qualitative data, and financial and non-financial information (Elghuweel, 2015). Second, it has been suggested that the extent of disclosure supplied by firms in annual reports of financial statements is positively associated with the magnitude of disclosure reported via other media. Finally, reliance on annual reports is in line with most previous studies (Allegrini & Greco, 2013; Ntim *et al*., 2012a).

Moreover, the number of listed non-financial firms trading at the floor USE is small. Consequently this limited the number of firm-year observations over the eight year period (2012-2019). In an attempt to overcome this limitation, the number of disclosure items for mandatory corporate disclosure, voluntary corporate disclosure and CGMs were increased in addition to pooling both cross-sectional and time series data. Besides, the number of firms used is comparatively larger than those used by prior studies in Uganda, and large enough to make a significant contribution to literature. Notwithstanding the aforementioned limitations, the results of this study are sufficiently interesting to warrant an extension to a larger number of firms, and of course, to other African countries. In fact a cross-national study will offer a more systematic comparison of different regulatory environments.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the relevant theoretical and empirical literature on corporate disclosure and EM. Specifically, the chapter addresses six (6) cardinal issues in 6 different sections as follows: In Section 2.1, relevant theories on CD, CGMs and EM are reviewed. In Section 2.2, a conceptual framework on CD, CGMs and EM is presented while Section 2.3, empirical literature relating to each of the five study objectives is explored. In Section 2.4, a critique of the empirical literature reviewed on each of the objectives spelt out in Chapter One is provided. Sections 2.5 and 2.6 cover a summary of the empirical literature reviewed and the research gaps.

2.2 Theoretical Review

This section of the thesis discusses the theories that recognise actual features of financial markets resulting from market failure, information asymmetry and adverse selection in a bid to provide a justification of the need for corporate fnancial reporting regulations and managerial incentives. Information asymmetry occurs where one party of an enterprise has more or better information than the other and appears where one investor or several investors has/have confidential information about the value of an enterprise while most of the investors have only the publicly available information (Varci, 2013).

Adverse selection, on the other hand, refers to insiders (corporate managers and employees) having more information about the firm's current situation and its future plans than interested outsiders (Alberti-Alhtaybat *et al*., 2012). Various theoretical supplements - the economic theory of regulation (public interest theory), theories that explain both mandatory and voluntary disclosure (agency theory), and theories that explain voluntary disclosure per se (signalling and stakeholder theory) - are explored.

2.2.1 Public Interest Theory

The public interest theory (PIT) was initially developed by Pigou (1932) and was later enhanced by Posner (1974). The theory states that accounting regulation is supplied in demand for the correction of market failures (Pigou, 1932). PIT is anchored on the presumption that the regulator devises rules and regulations in pursuit of a 'public interest' objective (Soobaroyen, 2012). Deegan (2004) explores this argument stating that regulation is initially put in place to benefit society as a whole , rather than particular vested interests , and the regualatory body is considered to represent the interests of society in which it operates, rather than the private interests of the regulators.

PIT assumes that regulation is thought of as a cost-benefit analysis mainly between the cost of regulation and its social benefits in the form of improved markets' operation (Alberti-Alhtaybat *et al.*, 2012). Moreover, this theory of regulation has been used both as a prescription of what governments should do, and as a description of what they actually do, especially in democratic countries (Cristina-Maria, 2012). Two fundamental reasons have been put forward in support of PIT of corporate disclosure requirements of stock exchanges.

The principal reason is as a result of the existence of inadequate incentives to disclose information, unequal possession of information and the motivation to suppress unfavourable information in an unregulated environment (Owusu-Ansah, 1998). The subsequent explanation is that PIT helps in reducing the chances of misleading information disclosures by firms, at least in the short term (Nalikka, 2012). The implication of this theory in financial reporting is that the needs of stakeholders of corporate annual reports are best served if the disclosure of both financial and non-financial information in them is made mandatory (Owusu-Ansah, 1998).

Nevertheless, much as PIT considers the stewardship function of regulators, it overlooks the opportunistic roles of regulators, the capture of the regulatory process by the regulates and the private interests of other stakeholders (Etengu *et al*., 2019a). In addition, the possible dearth of competence by regulatory bodies and their being

indisposed to protect the public interest may reduce the potential efficacy of this theory (Omran & El-Galfy, 2014). Moreover, regulators are often captured by those whom they are charged to regulate, and even if the regulator is independent and wants to do good by acting in the public interest, they are generally incompetent and likely to fail (Bushman & Landsman, 2010).

2.2.2 Agency Theory

Agency theory was introduced by Berle and Means (1932) who explained that the separation of ownership and control results in potential conflicts between management and shareholders in modern corporations with widely held share ownerships (Abhijeet, 2014). The theory is dominant in corporate disclosure and CG literature (Nasr & Ntim, 2017; Tunyi & Ntim, 2016). Moreover, the prevailing view in empirical literature explains the phenomenon of earnings management by the principal-agency theory (e.g. Cornett, Marcus & Tehranian, 2008; Rutherford, Springer & Yavas, 2005). The principal-agency theory describes the shareholders as the principals (providers of capital) and managers as the agents who control the firm (Birk, 2018). In result, the ownership and control of the firm is separated.

According to Alqatamin (2016), agency theory refers to a contract under which the principal engages an agent to achieve some service on their behalf, that includes delegating some decision-making authority to the agent. The theory expresses the relationship between the managers and shareholders of a firm and explains why managers try to maximise their own benefit. Agency theory generally states that the aim of principals is to motivate the agents to act in accordance with their interests (Jensen & Meckling, 1976). In particular, the principals' aim is to maximize the welfare of their investment (shareholder value). However, the agents equally have their own interests, which are contradictory to the welfare maximization of the principals. Due to the fact that the agents generally head the firm for a limited time, their planning horizon for the development of the firm might be short and this could encourage them to maximize their self-interests (Birk, 2018) by acting opportunistically at the expense of the principal's best interests (Beekes *et al*., 2016).

The theory further states that the relationship between the principals and the agents is characterized through asymmetric information (see for example, Wongsunwai, 2013). Since managers control the firm, the shareholders are generally not involved in the day to day running of the business and thus have less information. As a consequence, the principals cannot be sure about the motives and backgrounds of management decisions (Birk, 2018). For example, a reduction in advertising spend might be caused through economic reasons or to opportunistically manipulate earnings. From its roots in economics, agency theory has been used by scholars across several different disciplines, including law (Lan & Heracleous, 2010), marketing (Bergen, Dutta 7 Walker, 1992), healthcare (Jiang, Lockee & Fraser, 2012), accounting (Reichelstein, 1992), and family business (Tsai *et al*., 2006).

According to Bendickson *et al.* (2016), the lens offered by agency theory typically hinges around either CGMs or the principal-agent problem. In essence, agency theory stems from an economic view of risk sharing (Eisenhardt, 1989), which occurs between two parties; principals and agents, yet each of the two parties may possess different approaches to solve the problem (Jensen & Meckling, 1976). The principal's appetite for risk sharing is of concern because the principal has bestowed certain responsibilities unto the agent to achieve like-minded goals. This cooperative behaviour (Barnard, 1938) is expected to yield the outcomes specified by the principal.

As argued by Bendickson *et al.* (2016), one of the most significant contributions to the development of agency theory emerged from the work of Max Weber, the great German sociologist. Weber's (1947) work on bureaucracy, in particular, represents an important attempt to contend with the agency problem. In his work, Weber describes an ideal type of bureaucracy where individuals are rational, and rules and preferences are clearly understood and respected.

According to Berle and Means (1932), the concentration of wealth into the hands of so few meant that firms no longer had to worry about the price market system or competition. Despite the work of Berle and Means, the emergence of a coherent agency theory did not occur until the 1970's -1980's, when the theory was developed by Jensen and Meckling (1976) and Fama and Jensen (1983). One particular issue as

to why this theory emerged is that the 1970's, like the 1930's, saw a steep decline of the U.S. economy. In this context, some of the most interesting comments on the issues related to agency theory came from the Chicago School of Economics. During the period from the 1950's to the 1980's, the economics department at Chicago was a citadel of free market capitalism under the intellectual leadership of Milton Friedman, George Stigler and other leading lights (Yergin & Stanislaw, 2002). One of the most interesting arguments behind the agency approach came from finance, in particular, Jensen and Meckling's (1976) examination of financial markets and of the ways in which they promote efficiency. However, gradually the domain of the theory was extended to the management area for determining the cooperation between various people with different goals in the organisation (Eisenhardt, 1989).

According to Birk (2018), the lack of complete information regarding the management of the firm by the principals leads to the so called principal-agency conflicts. The principal-agency conflicts can be distinguished between two types of conflicts: adverse selection (Laffont & Martimort, 2002) which occurs prior to the conclusion of the contract with the agent and moral hazard (Rutherford *et al*., 2005) which arises after the selection of the manager. Adverse selection which is caused by information asymmetry describes a situation in which the principals are not sure whether the agent, who they have chosen, is able to manage the firm in accordance with their interests (Birk, 2018). For instance, the agent may lie regarding their qualifications and experiences during the selection process.

As far as empirical CG literature is concerned, this phenomenon is known as `hidden characteristics´ (Laffont & Martimort, 2002). Moreover, a manager to be hired could hide his true motivation during the selection process. As a result of this the shareholders might choose a manager who does not aim to maximize their welfare, but his self-interests (e.g. own enrichment, prestige, self-fulfilment and show of his force). Effective monitoring is therefore crucial during the financial periods prior to changes of personnel on the level of the top management. In this regard therefore, EM activities constitute an instrument for the agents to fulfil their self-interests (Birk, 2018).

In order to reduce information asymmetries and avoid principal-agency problems, agency costs are incurred. According to Boshnak (2017), one possible avenue of reducing agency costs is to disclose information about the actions of management and the real economic situation of a firm. With this kind of information, shareholders and other corporate stakeholders will be able to monitor managers more effectively (Etengu *et al.*, 2019b). Thus, the disclosure of corporate information can act as an instrument of control for firms' shareholders, as well as a mechanism of legitimacy for managers. Moreover, agency theory has a direct nexus with corporate disclosure research because corporate disclosure presents an ample opportunity to apply positive agency theory (Modugu & Eboigbe, 2017). This is because managers have better access to corporate information and can *ceteris paribus* make timely, reliable and credible correspondences with the market to optimise firm value.

In summary, and based on the aforementioned arguments, increased mandatory disclosure can scale down the agency costs arising from information asymmetries and strengthen the reputation of management. Furthermore, firms may use voluntary disclosure, to mitigate the conflict of interest between management and shareholders (Alqatamin, 2016) and, consequently this decrease opportunistic EM. Nonetheless, agency theory is lacking, for it does not provide an elaborate explanation of the available disclosure options and measurement methods (Omran & El-Galfy, 2014).

In addition, agency theory focuses on the basic control structure (managers and shareholders) and ignores the double agency problem. In large companies, the BoDs act on behalf of shareholders and therefore ignoring the role of the BoDs as a control mechanism is considered a failure of agency theory (Nasr & Ntim, 2017). Furthermore, the theory ignores the fact that managers have significant motives to manipulate results in a bid to maximize their benefits (Aburaya, 2012). Moreover, the theory has been considered as a cause of failure in CG because there may be no relationship between the principal and agent.

2.2.3 Signalling Theory

Signalling that is based on the research contributions by Arrow (1972), Leland and Pyle (1977), Ross (1977) and Schipper (1981) was borne at the beginning of the

1970's. The theory was developed for purposes of providing an explanation to the problems of information assymetry in markets (Sukthomya, 2011) and therefore illustrates how these asymmetries can be reduced by the party with more information by signalling it to others (Boshnak, 2017). Sukthomya (2011) explains information assymetry under two aspects. The first aspect concerns the difficulty in distinguishing high quality products from other products which may result in the withdrawal of products from the market by sellers of high quality products. The second aspect is a signalling process that represents the efforts of sellers in conveying information to buyers about the superiority of their products.

Signalling theory was initially applied to consumer behaviour to explain the problems related to buyers being imperfectly informed about the quality of products (Sukthomya, 2011). According to Akerlof (1970), given the existence of uninformed buyers, all products are valued at an average price based on buyers' perceptions of their quality, but not their actual quality. This implies an opportunity loss for the sellers because the higher quality products could be sold at a higher price. However, this loss can be reduced by communicating the higher quality aspect of the products.

The concept of signalling is also applied in the context of capital markets, where information assymetry exists between management and the market participants (Sukthomya, 2011). Moreover, signalling theory recognizes that managers have an advantage by being better informed than stakeholders, and thus introduces the concept that firms must find ways to credibly signal information to stakeholder or outsiders in order to reduce information asymmetry (Elghuweel, 2015). With regard to corporate disclosure, managers with information that implies higher firm values than those set by the market will increase their disclosure with the intention that share prices will be increased (Boshnak, 2017).

In addition, providing transparent information on corporate disclosure and CG practices, especially in corporate annual reports, will positively affect stakeholders' perceptions. In contrast, managers with information that implies lower firm values than those set by the market will remain silent. Furthermore, the absence of disclosure will be interpreted by the market as bad information (Akerlof, 1970), and, consequently the firm's shares will be revalued downwards. This downward price of

non-disclosing firms will even further encourage those firms with good news, to screen themselves out of the group by disclosing this information. In contrast, bad news firms will provide an incentive for managers to release available information, as failure to do so may lead to an increase in agency costs. Moreover, non-disclosure of information may suggest to outsiders that either the firm does not engage in good CG practices or that it has negative information; and both possibilities may dissuade potential investors from investing

Signalling theory is considered to be particularly relevant for purposes of this study in the sense that the transition to mandatory IFRS reporting, by all the companies listed at the USE and the increase in disclosures required of them, will enable companies with good quality financial reports to signal certain information to investors in a bid to show that they are better than other companies in the market, for the purpose of attracting investments. Research on disclosure to financial markets posits that the most profitable companies have something to gain from signalling their competitive advantage through more and better communications (Nassreddine, 2016).

Nonetheless, there are a number of limitations associated with signalling theory. The main criticism of signalling theory arises from the assumption that managers act in their own interest (Aburaya, 2012). Another weakness associated with this theory has been pointed out by Chitambo (2013) who argues that the predictive ability of the theory relies on the assumption that the receiver will accurately notice and interpret the signal as originally conceptualised by the sender, yet the dynamic nature of the operating environment means that the timing and the calibre of the signal might affect the interpretive ability of the receiver.

Additionally, the pressumption of classifying firms into high and low quality is also somewhat faulty, since in reality firms do exist in a continuum not in dichotomy. Besides, the fact that the theory underscores the intentional signalling of positive information means that the role of unintentional signalling of negative information is dismissed (Connelly *et al*., 2011). Moreover, the tenets of the theory are still unknown and requires further development. Authors like Gray *et al.* (1996), have also criticized the assumption of equal distribution of power arguing that it is not

individuals who exercise power but institutions. Finally, the applicability of the theory is questioned especially when investors are less sophisticated and/or when data are unavailable (Aburaya, 2012).

2.2.4 Stakeholder Theory

The word stakeholder, which means all agents that are essentially concerned with a firm's development and good health (Abhijeet, 2014), first appeared in an internal memorandum at the Stanford Research Institute in 1963. The term was meant to challenge the notion that stockholders are the only group to whom management needs to be responsive. Throughout the 1990's, a number of scholars have taken separate methodological strands in contributing to the stakeholder concept classifying stakeholders as narrow and wide stakeholders (Evan & Freeman, 1993); primary and secondary stakeholders (Clarkson 1995; Donaldson & Preston 1995); active and passive stakeholders (Mahoney, 1994), among other classifications.

One of the original advocates of stakeholder theory whose conceptualization extended far beyond the owner-manager position by recognizing the existence of numerous stakeholder groups resulting in the focus from which stakeholder theory subsequently developed was Freeman (1984). Adjusting the original definition of stakeholder, Freeman (1984) stated that a stakeholder group is any group or individual who can affect or is affected by the achievement of the firm's objectives. Subsequently, Clarkson (1995) provided a more dynamic explanation of stakeholder theory viewing firms as a set of interdependent relationships among primary stakeholders. Later and in a more detailed explanation of stakeholder theory, Donaldson and Preston (1995) defined stakeholders as those having legitimate interests in an organization viewing firms as organizational entities through which numerous and diverse participants accomplish multiple purposes. Arising from the aforementioned explanation are two crucial intentions as pointed out by Abhijeet (2014): (1) claimants are groups or persons with legitimate interests and are known and have been identified; and (2) all stakeholder groups' interests have at least a modicum of intrinsic value, though not necessarily equal value.

The theory asserts that the decisions made by managers must take into account the interests of all stakeholders in a firm which include not only the financial claimants, but also employees, customers, communities, government officials, and under some interpretations the environment, terrorists, blackmailers, and society at large (Jensen, 2010). According to Freeman (1983), the basic supposition of stakeholder theory is that a firm's success is based on the successful management of all its relationships with stakeholders. The theory conjectures that corporate entities serve a broader social purpose than just maximizing the wealth of shareholders (Mulili & Wong, 2011).

Moreover, the theoretical premise of stakeholder theory is that organisations are so huge, and their effect on society so inescapable, that they should discharge accountability to many more sectors of society than exclussively their shareholders (Chen & Roberts, 2010). Relative to agency theory, stakeholder theory assumes that the management of a firm is accountable to all its stakeholders. This implies that a firm has to protect the interests of not only its shareholders but also the other stakeholders, (Solomon, 2010). The theory is significant in this study because it is related to the parties that are interested in the affairs of a firm; those who will be affected and influenced by the activities of the firm.

As argued by Almahrog *et al*. (2015), stakeholder theory provides a prescription on how the management of a firm can undertake strategies to manage and treat their various stakeholders. Because stakeholders govern resources that are fundamental for the existence of an organization, a manager who wishes for the continued success of the firm has to strategically devote his attention to the needs of stakeholders (Gras-Gil *et al*., 2016). It is on this basis that socially responsible companies try as much as possible to foster long-term relationships with stakeholders rather than maximising their short-term profit per se. In this regard therefore, providing quality earnings is closely linked to corporate social responsibility activities, especially with the aim of meeting the needs of the stakeholders (Choi *et al*., 2013).

However, since managers endeavour to attend to a multilateral set of stakeholders objectives, the information asymmetry between them and the stakeholders is high and the presence of information asymmetry provides a conducive environment for

managers to engage in EM practices (Grougiou *et al*., 2014). In spite of the relevance of stakeholder theory in explaining voluntary corporate disclosure, Omran and El-Galfy (2014) contend that the theory is flawed because it only emphasizes the way a company should manage its stakeholders. In other words, the level of attention that a company would give to each stakeholder is based on how those stakeholders can benefit the company.

2.3 The Conceptual Framework

The conceptual framework in Figure 2.1 exhibits the expected links between corporate disclosure (the independent variable), CGMs (the moderating variables), and EM (the dependent variable) after controlling for firm size, leverage and profitability. The arrows $H_1 - H_4$ represent effect of mandatory disclosure of IAS/IFRS on EM, effect of strategic information disclosure on earnings management, effect of financial information disclosure on EM, effect of forward-looking information disclosure on EM, and the moderating influence of CGMs on the relationship between corporate disclosure and EM, respectively.

2.3.1 Mandatory Disclosure of IAS/IFRS

Mandatory disclosure (compulsory, obligatory, non-discretionary) in this study has been looked at in terms of the disclosure of IFRS. Conceptually, IAS/IFRS refer to a set of principles-based financial reporting standards that allow firms to prepare and disclose information that better reflect their financial and economic reality (Rathke *et al*., 2016). Acccording to Kasum (2011), the fundamental drive for issuing accounting standards is to protect the interest of both shareholders and other firm stakeholders. The minimum level of corporate mandatory disclosure is clearly spelt out by the IAS/IFRS, the legal framework of a country, industrial norms or standards and stock market requirements. This disclosure should be sufficient in the annual reports of companies. Disclosure of information in the annual reports of companies is considered 'sufficient' if it is relevant to the needs of users, capable of meeting those needs, and timely released (Sufian, 2016). Meaningful communication through disclosure ensures transparency, accountability, fairness and responsibility.

Extant literature points out that the extent of disclosure in annual reports of companies in the developed economies is higher than that of companies in developing economies (Al-Zarouni *et al.,* 2015). The low levels of disclosure in the annual reports of companies in emerging economies can be attributed to the lack of effective legal frameworks, the absence of organised financial markets, and a shortage of qualified accounting professionals (Salawu, 2013). In addition, the free-market mechanisms that ensure voluntary disclosure of company-specific information are either immature or non-existent in emerging markets.

Furthermore, many other variables have been investigated to explore the relationship and the extent of corporate disclosure. Interestingly, the results of these studies emphasized the importance of transparency in the financial system, the urgent need for unified applicable international accounting standards to help stakeholders make sound decisions (Arabi, 2010; Baba, 2011) and the extent of disclosure subject to regulatory enforcement (Rambo, 2013; Salawu, 2013). Further still, other studies tried to examine the disclosure of particular accounting standards and their role in financial markets. For example, while Pinnuck (2012) infers that there is no empirical evidence that IFRS and in particular fair value accounting added to the severity of the latest global financial crisis, Linsmeier (2011) suggests that in order to prevent future financial crises, timely disclosure with full fair value reporting for financial instruments should be undertaken.

There's also evidence of non-compliance with accounting standards or mandatory disclosure requirements among companies in developing countries. Abdullah (2011) for instance found that none of the examined companies fully complied with the mandatory disclosure requirements, even though the management had declared that the preparation of the annual report of financial statements was in line with the approved accounting standards. Al Zoubi and Al Zoubi (2012) explored the accounting academics and investors' perceptions on the adequacy of the quality and quantity of disclosed information by Jordanian listed companies under the circumstances of the global financial crisis. They found that while accounting academics perceived the quantity of disclosed information as sufficient, investors perceived the quantity of accounting disclosure as inadequate. Similarly, other

studies revealed the inadequacy of corporate financial disclosure to help different stakeholders make sound investment decisions and to ensure stability of the financial sector (see for example, Rambo, 2013).

2.3.2 Strategic Information Disclosure

According to Poh-Ling and Grantley (2013), voluntary disclosures are of growing importance in today's capital market. This is partly due to the contemporary phenomenon of globalization of the stock market and convergence of accounting standards. Consequently, this has raised the interests of capital market participants for enhanced information beyond the minimum statutory requirements. Conceptually, strategic information (SI) relates to firm background, market and competition, industry competitiveness, and prevailing economic and political situations that can affect a firm's operational performance (Ho & Taylor, 2013).

Both financial and non-financial companies frequently voluntarily disclose information about their strategies in the narrative section of their annual reports and in their communications with analysts or the press (Thakor, 2013). Such information, including corporate/managerial vision, is inherently qualitative and subjective in nature, and therefore associated with multiple interpretations related to whether these strategies are best for the firm.

According to Hashim *et al*. (2014), the disclosure of SI is considered to be very crucial in the sense that it could reduce the costs of external financing, enhance decision making and keep away the management of a firm from engaging in budgetary discretion for their personal interests. Consistent with this contention, Hermalin and Weisbach (2012) hasten to add that this type of disclosure is the most preferred of all corporate practices since it helps investors and financial analysts to monitor and assess the firm's financial performance and position. Following Zunker (2011), this study employs two proxies to signify the nature of a company's strategic posture towards voluntary disclosure of employee related information. The first is the affirmation by the firm of employees in its mission statement, and the second is the firms' corporate governance practices. Company mission statements are used to define and communicate the types of relationships a company wishes to establish

with each of its major stakeholder groups including employees. They are also a key management tool and form the foundation for any major strategic planning initiative (Khalifa, 2011).

Another ex-ante strategy to manage stakeholders for the voluntary disclosure of employee related information in annual reports relies upon the foundation of a fim's CG practice. The CG structure specifies the distribution of rights and responsibilities among different participants in the company, such as the board, managers, shareholders and other stakeholders, and reveals the rules and procedures for making decisions on corporate affairs (Zunker, 2011). By doing this, it also provides the structure through which the company objectives are established, and the means of attaining those objectives and monitoring performance. Moreover, the amount of SI disclosure can be controlled and monitored directly by the board of directors (BoDs) in order to ensure the stakeholders obtain relevant and adequate corporate information (Hashim *et al*., 2014).

Although fundamentally different from the more commonly examined disclosure types, strategic alternatives disclosures are a compelling application of a general voluntary disclosure model, where endogenous relations between information asymmetry, market incentives, and disclosure costs affect the firm's disclosure choice (Zha, 2016). Furthermore, firms that seek strategic alternatives and face the disclosure decision also face drastic operational and competitive pressures during a transformative time.

2.3.3 Financial Information Disclosure

Conceptually, financial information (FI) refers to the historical information presented in the accounts, including key financial ratios, a re-examination of the company's performance, issues pertaning to wealth creation, in addition to the trend of volume of shares traded, market capitalisation and share prices (Ho & Taylor, 2013). This quantitative information provides an overall understanding of the factors that play a role in the performance and future growth of a company and may be of particular

31

relevance to decision-making. In addition, this information is the basis for the primary disclosure to investors (Cahyaningtyas *et al.*, 2015).

Based on signalling theory, firms expecting future positive financial perspectives have stronger incentives to disclose more discretionary information than firms expecting poor financial perspectives (Kolsi, 2012). Specifically, managers disclose future positive discretionary accrual levels along with changes in the dividend policy. The disclosure of such information leads to a reduction in the levels of information asymmetry between the management of a firm and outsiders along with agency costs.

2.3.4 Forward-Looking Information Disclosure

According to Kılıç and Kuzey (2018), information disclosed in the annual reports can be differentiated into backward and forward-looking information (FLI). Whereas backward-looking information refers to past financial results along with their related disclosures (Dey *et al.*, 2020), FLI can be depicted as information related to future prospects, forecasts, and the potential of a company (Cahyaningtyas *et al.*, 2015). Meanwhile forward-looking information disclosure (FLID) refers to the provision of information that allows stakeholders to assess the future performance of a firm (Mahboub, 2019). Such forward-looking disclosure (FLD) might involve both financial forecasts such as the following years' earnings, expected revenues, anticipated cash flows, and non-financial information such as risks and uncertainties that are likely to impact on the performance of a firm.

Given that the economic environment is too dynamic to depend only on past information, listed firms disclose FLI about their prospects that may give competitive advantages in the financial markets (Kılıç & Kuzey, 2018). Moreover, all the requirements of narrative reporting recommend that the analysis and discussion in narrative reporting should have a forward-looking orientation (Hassanein, 2015). Uyar and Kilic (2012) explore the arguments raised above stating that providing FLI enables stakeholders to evaluate the future performance of a company. Disclosing such FLI as is the case in other information disclosure fields reduces information asymmetry between firms and stakeholders. In a nutshell, forward-looking information disclosure (FLID) is a mechanism for providing more information

(financial or non-financial) to investors and other stakeholders through formal and informal channels, and is widely perceived as a feature of an efficient capital market. Note, however, that FLID can be theoretically uninformative if it does not change from the previous year, especially after a major change in firm performance (Hassanein & Hussainey, 2015).

According to Aribi *et al*. (2018), the disclosure of FLI may be viewed as a key aspect of financial reporting quality (FRQ) since this information is highly likely to be perceived as being of higher quality. Since FLID capture current plans and future forecasts, the lack of sufficient FLID may end up with volatile stock prices and uncertainty in investments. The traditional reporting, largely based on financial statements, has been questioned in terms of its ability to meet the increasing information needs (Michelon *et al*., 2015). It is quite challenging for many users to appreciate the elements that constitute the financial statements without narrative explanations due to the increasing complexity of regulations, business contexts, and firm's strategies, among other things. In fact, narrative disclosures contribute not only through the clarification of quantitative and financial measures, but also through the identification of value-generation drivers not represented well in the financial statements (Michelon *et al*., 2015). Obviously, FLI is subjective and consequently its preparation requires the exercise of professional judgement. Moreover, some prior research (see for example, Li, 2010; Muslu *et al*., 2011) identifies FLI in the annual report narratives using some keywords such as forecast, expect, anticipate, estimate, predict or other comparable terminology.

Empirically, prior research that has examined the usefulness of the disclosure of FLI found that the publication of FLI is associated with the prediction of future performance, the accuracy of analyst forecasts, and the share price anticipation of future earnings. For instance, Li (2010) examined whether forward-looking statements in MD&A were informative about future performance. He found that forward-looking statements in MD&A were informative with respect to future firm performance. A further group of researchers examined the impact of of FLI disclosure in annual reports on the stock markets. This research assessed the usefulness of forward-looking statements in narrative reporting by their impact on

future earnings. For example, Muslu *et al*. (2011) examined whether disclosure of FLI in MD&A helped investors to anticipate future earnings. They found that additional disclosure of FLI in MD&A helped investors to anticipate future earnings, especially, when there was earnings guidance.

On the other hand, some prior research focused on the association between disclosure of FLI and future returns in the UK narrative reporting. For example, Wang and Hussainey (2013) found that FLI in the Operating and Financial Review (OFR), statements of well-governed firms improved the stock market ability to anticipate future earnings. Athanasakou and Hussainey (2014) examined the credibility of forward looking information in narrative sections of the annual reports. They found that investors relied on future oriented information to anticipate future earnings.

2.3.5 Earnings Management

Earnings is essentially another way to call profits of the company. On the grounds of common knowledge, most current or prospective investors observe earnings as one of the most effective accounting information on the statement of comprehensive income to reflect the financial strength of the firm so that they are able to make relatively basic evaluations on its future prospects. In other words, the share price of a particular firm whether lower or higher is much likely to be susceptible to the volatility of earnings (Guthrie & Sokolowsky, 2010). Thus, corporate earnings are such an important source of information that triggers managerial motives of manipulation, increasing the information asymmetry between insiders and outsiders.

EM affects the personal wealth of executives as well as other stakeholders (Sellami & Adjaoud, 2010); however, despite being critical, it remains a construct that is extensively investigated in extant literature and yet lacks a uniform definition (Wasan & Mulchandani, 2020) implying therefore that it has been defined in a large number of alternative ways. In this section, however, the definition offered by Alzoubi (2016) is deemed appropriate. According to Alzoubi (2016), EM can be depicted as the application of judgment in financial reporting and in structuring financial transactions with the aim of misleading stakeholders about the underlying economic performance of a firm. Based on this definition, it can be concluded that

EM is deliberate distortion of accounting numbers or financial statements by the management of a firm. Moreover, this depiction is in line with the agency theory assumption that EM is an agency cost detrimental to shareholders and is an opportunistic behaviour of firm managers.

Earnings manipulation on the other hand, is an instance in which a company's managers violate generally accepted accounting principles (GAAP) to favourably represent the firm's financial performance. Abhijeet (2014) assert that EM is often used as a synonym for earnings manipulation since prior research generally finds that managers use the broad discretion permitted by GAAP to deceive investors by resorting to practices such as the premature acceleration or deferral in the recognition of revenues and expenses, aggressive merger and acquisition practices, and revision of estimates such as depreciation and bad debts expenses (Krishnan *et al.*, 2011). Moreover, these practices do not only materially misrepresent the financial performance and position of the firm but also misguide investors who make excessively optimistic expectations regarding the future performance of the corporate firm (Abhijeet, 2014).

EM can be differentiated into two perspectives, that is, the information perspective and the opportunistic perspective. The information perspective suggests that the practice of EM is designed to signal the expectations about a company's future cash flows to investors. Accordingly, this kind of EM behaviour is exhibited in line with GAAP with the aim of achieving stable and predictable financial results and to sustain the firm's value is acceptable and lawful (Abhijeet, 2014). It is in this regard that Sun *et al*. (2013) view EM as a strategic instrument used by managers to signal information unknown to markets about the firm's future performance in order to create value for stakeholders.

As suggested by agency theory, flexibility in reporting earnings is crucial for managers since they are in the best position to choose the method of reporting that best aligns with the interest of shareholders (Abhijeet, 2014). Moreover, many other studies find evidences that EM can also be an efficient approach for the management of a firm to exactly reflect underlying economic substance of transactions (Palepu *et al.*, 2013). The opportunistic perspective posits that EM is a tool used by managers

for securing private gains and is therefore a negative and detrimental practice relative to an informational perspective (Lin & Wu, 2014).

Extant EM literature has considered agency theory as its main theoretical framework, since the manipulation of accounting information can be interpreted as the result of agency conflicts (Paiva *et al.,* 2016). Gavana *et al.* (2019) have offered four different motivations derived from agency conflict that lead to EM. The first type of agency conflict arises from the separation of a firm's ownership and control in which the agent would tend to act in his own interest in place of the principal, giving rise to moral hazards and adverse selection. This type of agency conflict may result in upward EM in order to achieve benchmarks on which managerial incentives are based or in downward EM when the economic result for the year exceeds the aforementioned benchmark, the future performance of the firm is uncertain and management moves part of the profit to the following year in order to ensure the objectives of the firm are achieved (Gavana *et al*., 2019).

The second type of agency conflict is associated with ownership concentration and arises because of information asymmetries between the majority shareholders, who control the firm's management decisions and the minority shareholders. Moreover, this type of conflict is linked to downward EM with the aim of reducing the distribution of dividends and increasing a firm's net self-financing in order to avoid the use of the external equity financing that can dilute the firms ownership structure (Achleitner *et al*., 2014).

The third type of agency conflict arises between the debt providers and shareholders leading to upward EM with the aim of containing the cost of the debt or to avoid interference in administration of the firm by the lenders. A fourth type of agency conflict occurs between the principal (the state) and the firm (the agent). Since the state requires private enterprise to satisfy the needs and aspirations of citizens directly, through the production of goods and services and indirectly, through the production of tax revenues, this would lead to a conflict of interest (Gavana *et al*., 2019). The consequence of this is downward EM with the aim of reducing the taxes that the firm will have to pay for the income earned.

The term EM was first investigated by Hepworth (1953). Since then, studies on EM have made significant progress with most investigations concentrating on two general types of EM, namely: AEM and REM (Man & Wong, 2013). The focus of this thesis is on AEM because most researchers have used accrual-based measures as key proxies of EM (Enomoto *et al.,* 2015). Secondly, because of the existence of choice in accounting, accrual accounting creates opportunities for EM (Enomoto *et al.,* 2015). The principal goal of accrual accounting is to help stakeholders assess an entity's economic performance through the use of a number of accounting principles such as revenue recognition and matching. However, accrual accounting is often subjective, leaving room for managerial discretion and hence, a potential for misuse. Thus, on the one hand, accrual accounting is expected to enhance the value of accounting information by improving relevance and allowing managers to share their private knowledge of the firm with outsiders. On the other hand, the subjectivity involved in accrual accounting could allow managers to be opportunistic and mislead investors in order to acquire private gains (Houqe, 2010).

Wang *et al*. (2018) assert that manipulation of operating accruals is the oft favoured EM method due to its detection difficulties and the absence of direct cash flow consequences. Many scholars view the accrual component of income as (1) a greater measure of current and future performance as opposed to the cash component of income, and (2) a measure of earnings quality (Ma & Ma, 2017). Moreover, this component of earnings is closely related with sales growth, is less persistent than cash flow, and is negatively correlated with future stock prices (Martens *et al*., 2021).

Managers who engage in either AEM or REM face costs. The cost of applying accrual-based EM is that their effects will reverse sometime in the future. For example, earnings that are enhanced in year one, due to accrual choices, result in a reduction of earnings in the subsequent year (Constantatos, 2018). If managers on the other hand, choose to engage in REM, they will in essence change the way their firm does business. For example, if increased profits is their goal, they could choose to decrease advertising or R&D expenses. Accordingly, this action is costly since it negatively affects future cash flows and might negatively affect shareholder value

(Constantatos, 2018). According to Zang (2012), firms prefer AEM in situations when they are less competitive in the industry, have a poor financial health, are monitored heavily by institutional investors and/or are associated with higher tax expenses. Moreover, the focus of prior research has been on the manipulation of accruals as an approximation of EM. In contrast, REM is employed by firms in cases where they have exercised excessive accrual manipulation in previous years and/or have a short operating cycle. It is on this basis that this study has employed AEM models.

Extant empirical literature sheds light on four sets of incentives that incite the practice of EM, namely: capital markets incentives; meeting or beating earnings benchmarks; contractual arrangements; and, regulatory motivations. The capital market incentives to engage in EM practices include implementing management buyout plans, seasoned equity offerings, and merger plans to meet earnings forecasts or to smooth income. According to Abhijeet (2014), management buyouts (MBOs) are a form of leveraged buyouts wherein the management of the firm being acquired is a part of the investment group buying the company. Although the fiduciary role of management in this regard is to represent shareholders and perform their legal duty of seeking the best possible price for the firm, the separation between ownership and control of the firm leads management to act on their own behalf and thereby seeking a favourable purchase price for the proposed buyout (Abhijeet, 2014).

Prior research has, by and large, established that personal economic stake can motivate the management of a firm to engage in the practice of income-decreasing EM with the sole aim of depressing pre-buyout accounting earnings in a bid to portray a less favourable picture of the firm (Mao & Renneboog, 2013). For instance, Ang *et al*. (2014) document that managers tend to manipulate earnings downwards for as long as they continue to have a strong equity tie with the targets after the buyout.

Many scholars have also provided evidence of accruals management when firms raise capital through seasoned equity offering process reflecting that incentives influencing equity market valuations affect accrual choices of firms. For example, Cohen and Zarowin (2010) find the presence of a high quality auditor, long auditor

tenure, high-litigation industry, and high level of a firm's net operating assets to be associated with firms engaging more in REM than in AEM around seasoned equity offerings. Roychowdhury *et al*. (2012) document that an overvaluation at the time of a seasoned equity offering is more apparent when firm management actively engages in more costly opaque channels with the aim of overstating earnings as offered by real activities manipulation.

As far as mergers and share-for-share acquisitions is concerned, it is logical to expect the acquiring firms to inflate earnings in order to transfer as little stock as possible to finance the transaction (Abhijeet, 2014). Moreover, the shareholders of the acquirer have to ratify the deal since such an EM strategy is consistent with their preference against diluting their ownership (Ronen & Yaari, 2010). A number of empirical studies provide evidence suggesting that acquirers in stock for stock mergers manage earnings ahead of their planned acquisitions. For example, Gong *et al*. (2008) find a positive association between share for share pre-merger earnings announcements and post- merger lawsuits in the US. Botsari and Meeks (2008) in their examination of bidders in share for share mergers on the London Stock Exchange (LSE) find that bidders manage earnings ahead of share-financial bids.

According to Abhijeet (2014), one way to avoid adverse market reactions to earnings disappointment is to manage earnings to achieve market expectations. Empirical studies have highlighted a number of capital market and managerial incentives to meet or beat earnings expectations. In this regard, Dikolli *et al*. (2009) find the number of past quarterly performance surprises in form of decreases in earnings, negative analysts' forecast errors and stock returns to be positively related with the likelihood of CEO dismissal. In addition, Mergenthaler *et al*. (2012) find that CFOs and CEO who just miss the latest consensus analyst forecasts are penalized through forced turnovers and with bonus cuts. Moreover, Beardsley *et al*. (2021) in their investigation on whether executives manage earnings to beat individual analyst forecasts as additional earnings benchmarks using year-end effective tax rate manipulation and establish that managers consider individual forecasts to calibrate EM decisions.

Contractual agreements in prior EM research have been studied by looking at executive compensation contracts (bonus plans or equity based compensation like for example executive stock) as well as debt contracts. Considerable research has highlighted the extent to which executive compensation contracts stimulate EM behaviour with the executives of the firm looking to maintain and/or increase earnings-based compensation. Since managers have inside information, they have the opportunity to net income to maximize their bonuses. Moreover, managers may manage current earnings upwards at the expense of future earnings in order to ensure job security (Man & Wong, 2013).

Carter *et al*. (2009), for example, find a positive relationship between executive bonuses and EM in US firms. Alves (2012) reveals that managers are more likely to engage in EM when they hold stock options hence suggesting that stock options may not always be effective in aligning the interests of managers and shareholders. Rather, executive stock options seem to affect the informational quality of earnings negatively, and consequently reduce the quality and value relevance of published financial data. More recently, Elage and Dardour (2021) in a study on the effect of CEO incentive pay ratio on REM in the context of SBF 120 listed companies find CEO incentive pay to be positively associated with the extent of REM.

In addition, using the discretionary component of loan loss provision as a proxy for EM, Cheng *et al*. (2011) find that bank managers with high equity incentives are more likely to manage earnings, but only when capital ratios are closer to the minimum regulatory capital requirements. Similarly, Lee and Hwang (2019) reveal higher EM using a loan loss provision with more variable compensation and if the proportion of equity-linked compensation to incentive compensation increased, then EM increases too.

On examining debt contracts, a large number of scholars find an association between EM and debt covenant violations (Dyreng *et al*., 2020; Jha, 2013). Normally a long-term debt contract has covenants to protect debt holders. In the event that firms violate debt covenants, they will face higher costs. On this basis, managers are therefore more likely to manage earnings in a bid to avoid debt covenants. For instance, Jha (2013) in a study that uses a large sample of quarterly data finds that

managers manage earnings upward in the quarters preceding a debt-covenant violation, but downward in the quarter a violation occurs; and they continue to manage earnings downward while the firm remains in violation. A further analysis shows that the earnings management around the debt-covenant violation is also done to improve the manager's bargaining power in the renegotiation that follows the violation. Very recently, Dyreng *et al*. (2020) provide evidence that shareholders at high violation risk firms are better off when their firms successfully engage in AEM to avoid a violation compared to shareholders at firms that violate a covenant but do not manage earnings.

Prior literature also shows that regulatory factors motivate managers to engage in the practice of EM. For instance, in the Chinese jurisdiction in which there is strong government control over capital markets, Chen *et al*. (2009) find that Chinese firms employ asset reversals as a primary EM tool to avoid the possibility of de-listing because of profitability-based regulations in China. Moreover, Hu *et al*. (2012) provide additional evidence that policies issued by the CSRC can induce managers of listed firms to engage in EM to either meet requirements like for instance refinancing or to avoid negative consequences such as delisting. In France, Abaoub and Nouri (2015) show that after the introduction of International Financial Reporting Standards (IFRS) and over a period from 2005 till 2011, analysts' coverage and experience reduce the level of EM.

In this and the subsequent paragraphs, a roadmap through many years of investigations on EM, showing the most important developments over the years is made. In this review, it is interesting to note that the empirical studies into EM behaviour explored here have generally focused on determining whether accounting accruals differ from expectations (i.e., whether they are abnormal), and whether the differences are congruent with managerial incentives (Habib *et al*., 2013; Krishnan *et al*., 2011). However, due to the impossibility to describe all the papers in this thesis, only papers for three (3) years, between 2011 and 2013 (Alhadab *et al*., 2013; Hadani *et al*., 2011; Hashim & Devi, 2012; Okamoto, 2011) will be explored. Hadani *et al*. (2011) focused on information asymmetry between owners and managers, and the effect of shareholder activism on EM. The results revealed that the number of

shareholder proposals received by firms was positively related with EM. Okamoto (2011) points out the problems which arise in disputes concerning corporate aggressive EM. He attempts to shed new light on the present debate over principles-based versus rules-based accounting standards and aggressive EM. His paper concludes by supporting principles-based accounting standards accompanied by true and fair override provisions.

Hashim and Devi (2012) examined the relationship between institutional ownership and EQ in Malaysia. Employing the AQ model as measure of EQ, the study provided evidence that concentrated shareholdings, in the hands of institutional investors afforded greater incentives to closely monitor firms' activities. The results confirmed the active monitoring hypothesis, which suggests that institutional investors are likely to actively monitor their investments due to the large amount of wealth they invested. Alhadab *et al.* (2013) analyzed the relationship between real and accrual EM activities and IPO failure risk. They presented evidence that IPO firms manipulated earnings upward utilising real and accrual EM around the IPO. Additionally, they found that IPO firms with higher levels of real and accrual EM during the IPO year had a higher probability of IPO failure and lower survival rates in subsequent periods.

2.3.6 Corporate Governance Mechanisms

The concept of CG and hence CGMs is not new. Its need aroused with the separation of control and ownership in listed companies (Kjærland *et al.*, 2020), which as suggested by Jensen and Meckling (1976), resulted in agency problems. As a result, the responsibility to present credible financial information and protect shareholders' interests fell on the corporate governance system (Kjærland *et al.*, 2020). CG refers to mechanisms (both internal and external to the firm) employed by firms to help resolve agency problems which arise from the separation of ownership and control and the fact that contracts, between the principals and the agents, are typically incomplete in the sense that they do not cover all future possibilities (Beekes *et al.*, 2016). Moreover, these mechanisms act as tools for reducing agency costs (Mousav *et al.*, 2012). Accordingly, the manner in which a firm is governed and monitored should have an impact on its transparency and level of disclosure as potentially

increased disclosure could be associated with a lower cost of capital (Hermalin & Weisbach, 2012).

Among the several types of CG systems (Anglo-American, Japanese, and German systems) this study will focus more on the Ango-American system because the common law system is apparently regarded as the most effective corporate governance system (Man & Wong, 2013). CGMs can be broadly classified into two, namely: internal and external CGMs (Sharma, 2017). Moreoever, a usual classification scheme makes a difference between external and internal control mechanisms (Kazemian & Sanusi, 2015).

Internal corporate governance mechanisms (ICGMs) are the internal means in the firm that can encourage managers to maximise firm value (Damak, 2013), moreover, these internal governance mechanisms are determined by a firms internal factors. They include BoDs structure and characteristics, audit committees (AC), auditor, ownership structures (OS), mutual monitoring and supervisory board. External governance mechanisms relate to outside forces that ensure that firms are governed in line with shareholders' and other stakeholders' interests and includes mechanisms, such as country legal systems and takeover rules (Constantatos, 2018).

While regulators concentrate on ICGMs, in practice external corporate governance mechanisms (ECGMs) are also important (Man & Wong, 2013). Whereas the market for corporate control is widely known as being the most outstanding external corporate governance mechanism (ECGM) (Reyna, 2012), there are a number of possible enternal corporate governance mechanisms such as the legal system, and the factor and product market (Fahrat, 2014). While internal corporate governance mechanisms (ICGMs) are applicable to research involving either individual or multi-country settings, external corporate governance mechanisms (ECGMs) are only applicable in research involving the comparison of various corporate governance systems across countries for studies in a multi-country setting (Constantatos, 2018). This study concentrates on internal governance mechanisms since the analysis is based on a single country (Uganda) and therefore a single legal system is applied.

Empirically, it is widely accepted that governance practices limit a manager's ability to manipulate earnings (Dimitropoulos & Asteriou, 2010; Lo *et al*., 2010). Put differently, firms with weaker governance mechanisms allow their managers to exercise greater power and discretion over their boards (Buniamin *et al*., 2012), and as such, are more likely to engage in EM. In addition, agency theory views CGMs as one of the classical solutions to reduce conflicts of interests and information asymmetry and in turn EM (Brick *et al*., 2012). Abstracting from other dimensions of ICGMs, the researcher focused on three mechanisms – BoDs, OS, and AC. Moreover, these variables have been gleaned from previous studies.

According to Mansor *et al*. (2013), the BoD is considered a central point in providing effective oversight over a company's financial reporting system to the stakeholders. Shareholders elect members of the board to act on their behalf and the board in turn delegates power to top management while monitoring management performance and ratifying any decision that demonstrates a lack of good faith for shareholders (Man & Wong, 2013). If the board members do not do a good job monitoring managers' behaviour, shareholders can vote to replace members of the board.

OS reflects the power and authority distribution between the shareholder for company operational activities (Jaya *et al*., 2017). As argued by Man and Wong (2013), when owners are managers of a firm (the alignment effect), the overlap between ownership and control of a firm could lead to a reduction in conflict of interest (the agency problem) and, therefore, higher firm value. On the other hand, when owners are not manageres of a firm, they may have greater freedom in pursuing their own objectives and, thereby, reducing firm value (the entrenchment effect). An AC is a sub-committee of the board that specializes in, and is responsible for, ensuring the accuracy and reliability of the financial reports provided by firm management (Ayemere & Afensimi, 2015). The role of the Audit committees (ACs) is to review the financial statements of a firm and offer assurance that they portray a fair picture of the firm's actual performance (Mishra & Malhotra, 2016). The other roles of the AC include providing assurance that firms are in compliance with pertinent laws and regulations, conducting internal and external affairs ethically,

maintaining the control mechanism in an effective way against fraud, and dealing with conflicts of interest (Man & Wong, 2013).

As argued by Kumari and Pattanayak (2017), the various attributes of corporate governance structure (BoDs, an AC, independent directors, ...) play an important role in controlling managers discretionary powerthe financial reporting process, and EM practices. Moreover, prior empirical studies have documented evidence that BoDs, OS and AC influence the monitoring mechanism a company uses including the monitoring of EM activities. For instance, Abed *et al*. (2012) provide evidence that having a large board assists in hindering the incidence of EM due to the varied exrtise among its members that could assist in identifying any misconduct arisen. Daghsni *et al*., (2016) found a negative association between board size (BS) and EM. Aygun *et al*. (2014) showed that institutional ownership has a negative significant effect on EM. The agency theory explanation for this is that institutional investors can provide active monitoring that is difficult for smaller, more passive or less-informed investors (Kazemian & Sanusi, 2015).

At firm level agency theory postulates that OS (Fakhfakh, 2011) and board independence (Waweru & Riro, 2013) should act as constraints to earnings manipulation. Research into CG, OS and discretionary accruals in emerging economies highlights that the quality of law enforcement and investor protection create an environment in which information asymmetry is reduced, thus making it difficult for managers to manipulate earnings (Gaio, 2010; Memis & Cetenak, 2012).

In addition to OS, the AC also plays a key role in a key role in corporate governance. Ahmad-Zaluki and Wan-Hussin (2010) have for instance documented evidence that companies with a larger percentage of NED in the AC exhibit greater forecast accuracy. Hamdan, Mushtaha and Al-Sartawi (2013) found that the size of the AC is inversely connected with earnings quality.

2.3.7 Control Variables

The decision to manage earnings is a complex and multi-faceted one, thus, it is appropriate to consider the simultaneous effects of the independent and control variables on EM. Following the practice in prior research, this study includes three

standard control variables: firm size, leverage, and profitability. Arguably, there may be other variables that can influence voluntary corporate governance disclosure and earnings management, which have not been used in this study. Some of the reasons for for limiting the study to these variables has been provided by Albassam (2014) and include non-availability of data, which limits the use of other variables and their being used widely in prior studies and therefore enabling comparisons of the findings with those of previous studies.

First, the larger the firm the less the extent of EM since larger companies have more sophisticated internal control systems and more competent internal auditors that would mitigate earnings manipulation (Elkalla, 2017). Similarly, larger firms are also usually audited by big audit firms with more experienced staff that could prevent EM. Moreover, large firms are more concerned about their reputation, which could prevent them from manipulating earnings (Lemma *et al.,* 2013).

Second, because highly leveraged firms may tend toward EM in order to prevent breaches of debt covenants (Lemma *et al.*, 2013; Sun & Rath, 2009), higher leverage may result in more thorough scrutiny and control of firms by lenders, which could mitigate the extent of EM (Zamri *et al*., 2013).This position has been backed up by Lee *et al*. (2012), who argue that since there are more restrictions under debt covenants, higher leverage is likely to lower the extent of discretionary accruals (DACC).

Third, firms characterized by higher profitability can have higher incentives to mannipulate earnings since firm financial performance affects the compensation of management (Hessayri & Saihi, 2015). Consistent with the proposition that higly profitable firms engage in EM, Ghazali *et al*. (2015) found that Malaysian listed firms characterised by higher profitability exhibited higher DACC. In sum, profitable firms are more likely to engage in EM, in a bid to continue performing well and meet the expectations of analysts and investors.
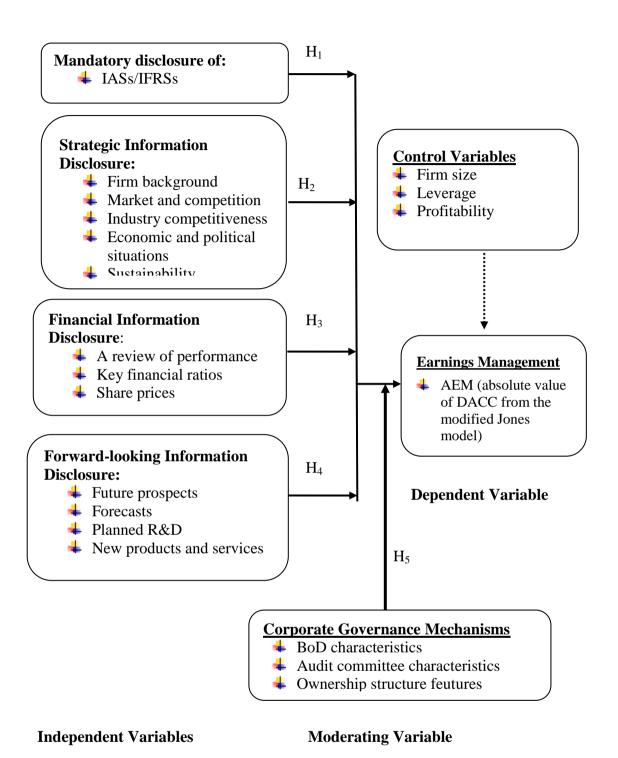
```
┌────────────────────────────┐
│ Mandatory disclosure of:   │  H₁
│   ↓ IASs/IFRSs             │
└────────────────────────────┘
```

Mandatory disclosure of:
  ↓ IASs/IFRSs

H_1

Strategic Information Disclosure:
  ↓ Firm background
  ↓ Market and competition
  ↓ Industry competitiveness
  ↓ Economic and political situations
  ↓ Sustainability

H_2

Financial Information Disclosure:
  ↓ A review of performance
  ↓ Key financial ratios
  ↓ Share prices

H_3

Forward-looking Information Disclosure:
  ↓ Future prospects
  ↓ Forecasts
  ↓ Planned R&D
  ↓ New products and services

H_4

Control Variables
  ↓ Firm size
  ↓ Leverage
  ↓ Profitability

Earnings Management
  ↓ AEM (absolute value of DACC from the modified Jones model)

Dependent Variable

H_5

Corporate Governance Mechanisms
  ↓ BoD characteristics
  ↓ Audit committee characteristics
  ↓ Ownership structure feutures

Independent Variables   **Moderating Variable**

Figure 2.1: The Conceptual Framework

2.4 Empirical Literature Review

This section of the thesis documents empirical reviews of literature related to corporate disclosure, CGMs and EM practices in listed firms. The section is

organized into five sub-themes comprising of empirical studies on mandatory disclosure of IFRS and EM, strategic information disclosure and EM, FID and EM, FLID and EM, and studies on corporate disclosure, CGMs and EM.

2.4.1 Effect of Mandatory Disclosure of IAS/IFRS on Earnings Management

A considerable number of studies have been conducted on mandatory IAS/IFRS adoption and accounting quality (AQ) while paying particular attention to the possible effect of IFRS adoption on EM. Authors in the literature employ various measures to proxy for AQ, including among other things, proxies using value relevance (Suadiye, 2016), proxies using EM measures based on estimating the correlations between accruals and cash flows (Capkun *et al*., 2016), proxies based on changes in cash flow and earnings (Capkun *et al*., 2016), proxies based on the variance of net income over cash flows (Capkun *et al.,* 2016), proxies based on the frequency of positive earnings (Capkun *et al*., 2016), and proxies related to timely loss recognition (Capkun *et al*., 2016; Suadiye, 2017). A majority of the above studies investigated if and how the adoption of IFRS was likely to be related to changes in the manipulation of earnings by company managers.

Ames (2013) for instance, conducted a study on the effect of mandatory IFRS adoption on AQ in South Africa. His *a priori* hypothesis was that EQ would increase post IFRS adoption. His final sample resulted into 3,950 variables drawn from 2000 through to 2011. The researcher tested for value relevance by merging 3,950 observations from COMPUSTAT global with Centre for Research in Security (CRSP) data. He then regressed components of book value of equity as well as some statement of comprehensive income components on a firm's subsequent stock price. The findings of the study revealed no significant improvent in EQ post-IFRS adoption in a variety of specifications.

Doukakis (2014) studied the effect of mandatory adoption of IFRS on AEM and REM in Europe for a period of 11 financial years (2000-2010). The study employed a control sample of voluntary IFRS adopters and used a differences-in-differences design that controls for contemporaneous changes in the economic environment that may have an impact on EM behaviour of firms and that are unrelated to mandatory

IFRS adoption. Doukakis (2014) employed a sample of 15,206 firm-year observations of available data obtained from 22 European countries. The absolute value of discretionary accruals (DACC) was used to proxy for AEM and this was estimated using the modified Jones Model. The empirical findings of the study revealed no significant effect of IFRS adoption on the level of AEM and REM.

Yeboah and Yeboah (2015) tested the extent of IFRS adoption by South African listed firms for the period 1998 to 2012. The population of their study consisted of all quoted firms on the Johannesburg Stock Exchange (JSE). Their final sample was made up of 2,535 firm-year observations obtained from 181 quoted companies that adopted IFRS in South Africa (SA). The study employed the OLS estimators based on prior studies to measure the metrics of EM. The findings of their study revealed a reduction in the prevalence of EM within the post-IFRS adoption period. One possible explanation for this study findings have been provided by Zhang *et al.* (2013), who argue that accounting standards affect the level of EM because they determine the degree of managerial discretion with regard to revenue and loss recognition.

Bello *et al*. (2016) examined the impact of IFRS adoption on EM in Nigeria. The researchers used both the correlational and the ex-post factor design. The population of their study comprised of 165 listed firms on the Nigerian Stock Exchange as of December 31, 2014. Their final sample was made up of 75 non-financial listed firms that had consistently published their audited annual financial statements between 2010 and 2014. EM was measured by DACC estimated using the modified Jones Model. The data gathered for the study was subjected to descriptive analysis, correlation analysis and a panel multiple regression analysis to highlight the trends and possible effects of IFRSs adoption on general EM. The results of the study revealed that IFRS adoption does not significantly affect the tendency of Nigerian firms to manage earnings.

Capkun *et al.* (2016) studied IFRS adoption and EM in the European Union (EU) member countries. Their sample comprised of firms in 29 in the EU. Four sets of inter-temporal comparisons were conducted: (1) Early adopters transition from local Generally Acepted Accounting Principles (GAAP) to old IAS/IFRS; (2) early

adopters transition from old IAS/IFRS to new (2005) IAS/IFRS; (3) late adopters transition from local GAAP to new (2005) IAS/IFRS; and (4) mandatory adopters transition from local GAAP to new (2005) IAS/IFRS. Their findings generally demonstrated an increase in EM from pre-2005 to post-2005 IFRS adoption period.

Suadiye (2017) examined mandatory adoption of IFRS and FRQ in Turkey. He utilised four proxies to measure AQ, namely: EM, earnings smoothing, timely loss recognition and value relevance. These proxies were analysed by data prepared and reported under Turkish GAAP from 1999 to 2002 with those prepared and reported under IFRS from 2005 to 2015. The empirical analysis was carried out on a sample of 2,041 firm-year observations for 157 firms that had shares listed on Istanbul Stock Exchange. He found that firms applying IFRS exhibited a more likelihood to smooth earnings, and engaged in less timely recognition of losses, but more value relevance, namely, a higher association of book value (BV) and earnings with share prices compared to firms applying Turkish GAAP. The findings of this study indicated that switching to IFRS did not improve FRQ except value relevance in Turkey.

Motivated by the current debate regarding mandatory adoption of IAS/IFRS, Pereira and Alves (2017) analyzed how accounting standards and the mandatory adoption of IAS/IFRS affect EM in Portuguese listed companies. The study sample firms consisted of Portuguese non-financial companies listed on the Euronext Lisbon stock Exchange from 2005 through to 2015. Their final sample consisted of 533 firm-year observations over the sample period. The choice of the listed companies was based on their compulsory adoption of the IAS/IFRS.

The evidence of EM was measured through discretionary accruals (DACC) estimated by the Dechow *et al*. (2003) econometric model. Their results revealed that the non-financial companies listed on the Euronext present evidence of earning management practices after mandatory adoption of IAS/IFRS in 2005. Moreover, the investigation provides evidence that EM still continues to exists in continental Europe after a decade of mandatory adoption of IAS/IFRS and consequently contributing to the debate on the relative benefits and costs of IFRS adoption.

2.4.2 Effect of Strategic Information Disclosure on Earnings Management

Although various studies have been conducted on the topic of voluntary disclosure and EM, prior research on SID and EM is not as widespread as overall voluntary disclosure research. Morris and Troness (2018) for example, studied the role of country level and firm level characteristics in explaining the variations in company voluntary strategy disclosures across the 12 countries of Belgium, Denmark, France, Germany, Hong Kong, Japan, Malaysia, Netherlands, Norway, South Korea, Sweden and the UK in 2005. They measured strategy disclosure using an index of 40 items in 204 corporate annual reports and in addition to this, used the OLS regression to test whether total disclosure score bore any relationship with country level and firm level characteristics. They found the occurence of strategy disclosures to be more in firms with greater economic incentives to disclose.

Sieber *et al*. (2014) performed an analysis on the effect of voluntary strategy disclosure on the cost of equity capital using a sample of 100 German listed firms from 2002 to 2008. They employed a cross-sectional design that resulted into 700 firm-year observations. They measured strategy disclosure levels using hand collected strategy disclosure scores and found higher disclosure levels to be associated with lower cost of equity capital even after controlling for overall DQ.

Hamrouni *et al*. (2015) examined whether the level of corporate voluntary disclosure mitigated asymmetric information and adverse selection in the Euronext Paris Stock Exchange. Their final sample comprised of 159 commercial and manufacturing French companies that resulted into 954 firm-year observations. They used a disclosure index to measure the level of voluntary disclosure in annual reports. Their finding was that strategic information volume had a significant effect on effective bid-ask spreads.

Velayutham (2014) examined the impact of CGMs on greenhouse gas emission disclosure and the extent to which the disclosure of greenhouse gas emission information was associated with EM and the liquidity of firms' shares. The sample for this study was drawn from Australian publicly listed firms that voluntarily disclosed their greenhouse gas emission information through voluntary disclosure

channels such as the Carbon Disclosure Project (CDP), annual reports, standalone sustainability reports, and corporate websites between 2006 and 2009. The study adopted the Carbon Disclosure Project 2010 scoring methodology to proxy the quality of greenhouse gas emission disclosure. Moreover, a content analysis was used to score the quality of voluntary disclosures in corporate annual financial and sustainability reports, and the information provided on corporate websites. The study found a weak negative association between voluntary disclosure of greenhouse gas emission and EM.

Gras-Gil *et al.* (2016) examined the connection between CSR and EM for a sample of 100 Spanish non-financial firms between 2005 and 2012. Their final sample was made up of a panel of 286 firm-year observations. They used the MERCO index to measure the degree of CSR disclosure and the Dechow, Sloan, and Sweeney (1995) Model to calculate the value of EM. Their findings revealed a negative impact of CSR on EM practices.

Rezaee and Tuo (2017) evaluated the quantity and quality of sustainability disclosures and EQ. They collected their data using a sample of 35,110 firm-year observations between 1999 and 2015 and employed both the difference-in-difference tests and OLS regression to perform their analysis. They found sustainability disclosure quantity to be positively related to innate AQ and negatively related to DACC quality. Ajay and Madhumathi (2013) examined the link between diversification strategies and EM for firms operating in the manufacturing sector for a period of 10 years (2004-2013). Their final sample included business groups affiliated firms and standalone firms. They employed both univariate analysis and multivariate analysis. They documented that international diversification did not increase EM. However, diversification across product segment provided a favourable condition for managing earnings and consequently reduced the quality of reported earnings.

Houqe *et al*. (2014) investigated the link between business strategy and EQ in the U.S. over the period 1999-2009. They examined 23,390 firm-year observations in order to test for the association between business strategy and EM. Their principal measure of EM was the absolute value of DACC calculated using the modified Jones

Model. They proxy for strategy following the work of Snow and Hambrick (1980). Using four metrics for strategy classification, that is, the ratio of research and development (R&D) expense to sales, the ratio of employees to sales, the ratio of market to BV, and R&D expense per employee, - they computed composite strategy scores for each company. Their findings exhibited higher levels of EM in defender-strategy firms.

Muktiyanto (2017) assessed the effect of corporate strategy on EM. His final sample comprised of 90 manufacturing firms quoted on the Indonesian Stock exchange for a period of two years (2008-2010). The study utilized the discretionary revenue model developed by Stubben (2010) as proxy for EM. Strategy disclosure was measured using the classification of R&D intensity, asset utilisation efficiency, and price premium capability. He documented that corporate strategy had an effect on EM.

2.4.3 Effect of Financial Information Disclosure on Earnings Management

Previous studies on FID and EM are not very extensive especially in the emerging markets like in the developed markets. Although the evidence from these studies reveals mixed views with regard to the effectiveness of voluntary disclosure in constraining EM, by and large, they provide supporting evidence for the association between voluntary disclosure and EM. Riahi and Arab (2011) explored the association between disclosure frequency and EM by listed Tunisian companies. They carried out their study on a sample of 19 non-financial quoted companies on the Tunisian Stock market over a 10-year period (1999-2008). They estimated DACC using the model of Kothari *et al*. (2005). The findings of the study showed that when the level of disclosure increases, EM decreases. The implication of this finding is that information disclosure related to economic decisions and performance negate the proliferation of EM.

Latridis and Alexakis (2012) used a sample of 171 Greek firms to study the relationship between voluntary disclosure and EM in quoted companies on Athens Stock Exchange. Accounting and financial data were collected from DataStream. The emepirical analysis focused on the period 2006-2009. Information regarding accounting policies of the sampled firms was obtained from financial statements that

were collected from the Financial Times Annual Report Service.They used binary logistic regression to test for the hypotheses and the OLS regression analysis. The findings show that voluntary disclosers exhibit higher profitability and a higher share trading volume. Their results also provides evidence that the provision of voluntary disclosures was negatively associated with EM.

Pour and Arabi (2015) assessed the impact of voluntary disclosure of financial information on AQ. AQ was measured using the level of DACC estimated using the Jones (1995) and the Kothari *et al*. (2005) Models. The authors collected the necessary data for their study using a sample of 149 quoted companies Iran for a period of 8 financial years (2005 to 2012). They performed their analysis using the combined data method and random effect models. The findings of their survey shows that earnings' management is a decreasing function of the disclosure frequency measured in terms of press releases (voluntary publications communicated by the firm about a one year-business activity); in other words, if the level of disclosure increases, earnings' management decreases. In addition to this, the study reveals that the disclosure of information about financial decisions and performances (financial ratios and useful projected information) constitute a constraint to the proliferation of earnings' management and therefore implying that information disclosure reduces incentives of EM since it increases transparency and helps investors to detect this phenomenon.

Consoni *et al*. (2017) evaluated the relationship between the disclosure of economic and financial information and EM in the Brazilian capital market. They conducted their evaluation on a random sample of 66 non-financial Brazilian quoted firms in the 2005-2012 period. The researchers used the index advanced by Consoni and Colauto (2016) to proxy voluntary disclosure and the Dechow *et al*. (1995) Model to estimate the value of DACC. They carried out their analysis using a system of simultaneous equations and the random effects regression method with panel data. The findings of their study was that voluntary disclosure and EM were not associated.

2.4.4 Effect of Forward-Looking Information Disclosure on Earnings Management

Studies examining the relationship between FLID and EM are relatively few. Mouselli *et al*. (2012) for example, studied the association between DQ and AQ for UK non-financial companies quoted on the stock market for the period July 1997 to June 2004. Cognisant of the fact that the measurement of DQ is exceptionally difficult due to the lack of a clear definition of 'quality' (Beyer *et al*., 2010), they chose to employ a narrow definition of DQ, that is, the quantity of future-oriented earnings statements in the narrative sections of the annual report of financial statements because the UK Accounting Standards Board recommended the adoption of a revised Operating and Financial Review (OFR), which should have a forward-looking orientation identifying those trends and factors relevant to the members' assessment of the current and future performance of the business and the progress towards the achievement of long-term business objectives. In addition, prior research indicates that future-oriented earnings statements increase the stock market's ability to forecast future earnings changes (Hussainey & Walker, 2009; Hussainey & Mouselli, 2010).

In order to measure AQ, they employed the absolute value of DACC calculated using the modified-Jones Model (Dechow *et al*., 1995). The initial sample of data on AQ covererd was made up of 7989 firms. Their findings revealed a positive relationship between DQ and AQ, implying that companies with higher DQ have higher AQ because they engage less EM.

Attanassakou and Hussainey (2014) investigated the credibility of forward-looking performance disclosures (FLPDs) in the narrative sections of annual reports of UK companies over the period 1996–2007. The sampled firms comprised the FTSE All Share non-financial UK companies. The actual number of annual reports collected over the period was 10,095. They employed the scoring methodology developed in Hussainey *et al*. (2003) to calculate FLPD. They found that companies issue more FLPDs when raising debt or conveying bad news in the annual reports of financial statements implying that companies derive a benefit in terms of higher credibility for their narrative disclosures from having a reputation for high quality earnings.

Bravo (2016) investigated the effect of forward-looking disclosures (FLDs) on stock return volatility in the year 2009. His final sample was made up of 73 non-financial firms included in Standard and Poor's 100. Disclosure was calculated by reading and examining annual reports while stock return volatility was calculated in logarithmic terms (GarcíaLara *et al.*, 2014). The findings of the study revealed that FLI disclose had a greater effect on stock return volatility suggesting that the disclosure of financial FLI is highly relevant, since it triggers reactions in stock markets.

Alqatamin (2016) explored the association between FLID and EM among non-financial Jordanian firms quoted on the Amman Stock Exchange (ASE) during the period 2008-2013. They used content analysis was to examine FLID, and the extent of FLID was measured using a disclosure index. Three models, Jones (1991), Modified Jones (1995) and performance-matched Kothari *et al.* (2005) were employed to estimate DACC as a proxy for EM. The panel regression results showed a negative and significant relationship between the level of FLID and EM. These findings are consistent with agency and signalling theory perspectives.

2.4.5 The Moderating Effect of Corporate Governance Mechanisms on the Relationship between Corporate Disclosure and Earnings Management

EM can occur as a result of information asymmetry between the agent and principal in which the manager would signal the condition of the firm to the owner but does not convey information regarding the actual condition of the firm. Under these circumstances, CG can act as a control mechanism to align the different interests between both parties. According to Kent *et al.* (2010), CGMs have been significantly credited by several management scholars for constraining EM. Moreover, it is generally believed that better-governed firms disclose more information to external parties and are more transparent due to greater monitoring (Beekes *et al.*, 2016). So better governed firms tend to be associated with more frequent and more timely disclosures, other things being equal. Therefore, higher quality of CG does not only enhance growth of the company but also provides a very robust toolkit for preventing management from committing unethical conducts and fraud engagement (Beekes *et al.*, 2016).

In as far as the debate on the impact of CGMs on EM is concerned, Kazemian and Sanusi (2015) assert that this should be placed in the context of the agency problem arising from the ownership and control separation, creating interests asymmetries between managers and shareholders. When managers do not own the firm, their behaviour is affected by self-interest that puts off their goal of maximizing firm value and, consequently, the interests of the owners or shareholders (Ali, Salleh, & Hassan, 2010; Chen & Liu, 2010; Eldenburg *et al.*, 2011) which in the end leads to some form of earnings manipulation.

A handful of empirical studies have been conducted on the on the association between corporate disclosure, CGMs and EM. The significant function of CG in this relationship as suggested by Dhu and Hbp (2019) and Latif *et al.* (2017) is to control opportunistic actions of agents thereby ensuring high-quality reported earnings by reducing agency costs. Higher quality of CG doesn't only enhance the growth of the firm buts also prevents management from committing questionable conducts and thereby constraining opportunistic EM (Essa *et al.*, 2016). Moreover, CG, the legal environment and the quality of accounting standards form the cornerstones of the regulatory environment developed to ensure the quality of financial reporting and to constrain earnings manipulation (Rabin, 2016). Sun *et al.* (2010) for instance, explored the association between corporate environmental disclosure (CED) and EM and the effect of CGMs on that association in the UK. The study employed the performance-matched DACC to proxy for EM. Furthermore, OLS regression with robust standard errors was used to examine the association between CED and EM for a sample of 245 UK non-financial companies in the financial year ended March 2007. They found that corporate governance attributes affect the association between corporate CED and EM.

Katmon and Farooque (2015) studied the effect of internal corporate governance on the association between DQ and EM in the UK quoted companies for the period 2005 to 2008. The sample comprised 170 firms with 145 matched-pair samples equivalent to 290 firm-observations. Financial data relating to the control variables, disclosure information and CGMs was collected manually from the annual reports. The modified Jones Model was used to test the hypotheses of the study on a

matched-pair sample data of Investor Relation Magazine Award winning and non-winning firms. Their findings demonstrated that DQ was significantly and negatively related to EM relative to ICGMs.

Lakhal (2015) examined the association between corporate disclosure practices, ownership structure features, and EM, using a sample of 170 French quoted companies in the SBF 250's index in 2008. Their final sample consisted of 170 companies. They measured the level of corporate disclosure using a disclosure index and estimated EM using the modified Jones and the Kothari *et al.* (2005) Models. The results of their study generally revealed that corporate disclosure and ownership structure negatively affected EM.

Susanto (2016) studied the moderating effect of female AC on the association between corporate social and environmental responsibility disclosure (CSERD) and EM. The population of her study comprised 121 manufacturing quoted companies on the Indonesian Stock Exchange during the period 2010-2012. She sampled 61 manufacturing firms using purposive sampling method. CSERD was measured using content analysis, while EM was estimated using the modified Jones Model. The results of her study showed that female AC had a negative influence on the association between CSERD and EM.

2.5 Critique of the Empirical Literature Review

From the aforementioned empirical literature review, it is evident that a huge amount of literature has been documented on corporate disclosure and EM. This section attempts to critique the empirical literature reviewed in Section 2.4 on each of the study objectives in the order in which they appear therein. To begin with, the researcher critiques empirical studies conducted on the effect of mandatory disclosure of IFRS on EM. The authors documented in this regard include Capkun *et al.* (2012), Doukakis (2014), Ames (2013), Yeboah and Yeboah (2015), and Bello *et al.* (2014) and Suadiye (2017). Capkun *et al.* (2012) re-examine the question as to whether IFRS adoption deters or encourages greater EM in the EU member countries. They found an increase in EM from pre-2005 to post-2005 for early voluntary adopters and late adopters in countries that allowed early IFRS adoption,

and for mandatory adopters in countries that did not allow early IFRS adoption. Whereas this study provides very useful information regarding mandatory corporate disclosure and EM and complements country specific studies like Khalina *et al.* (2015) who use UK data, the study focuses on IFRS in the 1994 -2009 period distinguishing them between early (pre-2005) and late (post-2005) versions and therefore fails to take account of the changes to IFRS. The current study focuses on the time period 2012-2017.

Doukakis (2014) examined the effect of mandatory adoption of IFRS on both accrual-based and REM in Europe. The empirical findings suggested that mandatory IFRS adoption had no significant impact on the level of AEM and REM. Much as this study deserves plaudit in that the researcher examined the effect of mandatory adoption of IFRSs on AEM and REM, the context in which the study was conducted cannot be used as a spring board to mirror what takes place among listed firms at the USE.

Ames (2013) studied the effect of IFRS adoption on AQ in SA and found that EQ was not significantly improved post adoption. Although this study sheds light on the effect of IFRSs on EM in an African setting, this was an archival method of research which often suffers from the problem of collecting data in a carefully controlled environment, so it becomes naturally impossible to effectively control for all the effects influencing the data. Yeboah and Yeboah (2015) tested the extent of IFRS adoption by South African listed firms. The results of their study evidenced a reduction in the pervasiveness of EM by way of earnings smoothing and DACC within the post adoption period. Although this study deserves credit in the sense that it forms a benchmark for the current study, this study did not attempt to cite any theory from avaialbale literature to explain the relationship between IFRS and EM. Secondly and perhaps more importantly, SA has a comparatively longer IFRS adoption experience relative to Uganda, that mandated the post-2005 IFRS adoption, and therefore this allowed the study a sufficient information window to assess such impact and arrive at meaningful conclusions, which may not be the case for firms at the USE.

Bello *et al.* (2016) studied the effect of IFRS on EM in Nigeria. Their findings indicated that IFRS did not significantly affect the tendency to mannipulate earnings. Although this study is very instrumental in that it evaluates the effect IFRS on EM in an African setting, the study period of five years (2010-2014) is inadequate to provide robust findings. Lastly, Suadiye (2017) examined whether mandatory adoption of IFRS improved FRQ and found that switching to IFRS did not improve FRQ. The shortcoming with this study is that it focused on four AQ metrics, namely: EM, earnings smoothing, timely loss recognition and value relevance. This study focusses on EM per se as a measure of AQ.

Two, research studies on the effect of voluntary disclosure of CSI on EM included studies by Sieber *et al.* (2014), Hamrouni *et al.* (2015), Velayutham (2014), Gras-Gil *et al.* (2016), Rezaee and Tuo (2017), Ajay and Madhumathi (2013), Hoque *et al.* (2014), and Muktiyanto (2017). Sieber *et al.* (2014) analyzed the impact of voluntary strategy disclosure in management reports on the cost of equity capital using a sample of 100 German listed firms from 2002 to 2008. They found that higher disclosure levels were, on average, associated with lower cost of equity capital even after controlling for overall DQ. Although this study deserves plaudit, the major weakness with this study is that the researchers focused on cost of equity rather than AQ, which is the focus of this study. Hamrouni *et al.* (2015) investigated whether the extent of corporate voluntary disclosure mitigated asymmetric information and adverse selection in the Euronext Paris Stock Exchange. They documented a statistically significant effect of SI volume on effective bid-ask spreads. Albeit this study deserves praise, the weakness with the former researchers is that their emphasis was on how SI mitigates assymetric information rather than AQ.

Velayutham (2014) evaluated the extent to which the disclosure of greenhouse gas emission was associated with EM and found a weak negative relationship between voluntary disclosure of greenhouse gas emission and EM. The weakness with the former research is that the environment in which the study was undertaken was different from the environment in which this study has been conducted, so it is not possible to establish if the assumptions in the Australian regulatory environment can be replicated in the Ugandan setting. Gras-Gil *et al.* (2016) investigated the

relationship between CSR and EM in Spain. Their results revealed that CSR practices could be an organisational device that leads to more effective use of resources, which then has a negative impact on EM practices. The limitation with the former study is that it used a restricted sampling frame and a small sample size that included only the most reputable companies in Spain due to the feasibility of collecting CSR and financial data, so generalising their findings was not possible given this limitation.

Rezaee and Tuo (2017) examined the association between the quantity and quality of sustainability disclosures and EQ in the context of corporate ethical value and culture. They found that sustainability disclosure quantity was positively associated with innate EQ and negatively correlated with discretionary EQ in mitigating managerial earnings manipulation and unethical opportunistic reporting behaviour. The main limitation with this study is that EQ quality was measured using the modified Dechow and Dichev (2002) Model. Ajay and Madhumathi (2013) examined the link between diversification strategies and EM for firms operating in the manufacturing sector for a period of 10 years (2004-2013) and documented that international diversification did not increase relative to diversification across product segment. Much as the authors highlighted the relevance of agency cost in mitigating EM behaviour, no single theory was employed by the authors in explaining the relationship between diversification strategy and EM.

Hoque *et al.* (2014) investigated whether business strategy was associated with the quality of reported earnings in two U.S. listed companies over the period 1999-2009. Using a sample of 23,390 firm-year observations they documented that defender-strategy firms exhibited higher levels of EM. The apparent lacunae with the former study is that it controled for industry and year-effects relative to profitability, leverage and firm size that was employed in this study. Muktiyanto (2017) investigated the influence of corporate strategy on EM. His final sample consisted of 90 manufacturing companies listed on the Indonesian Stock exchange for a period of two years (2008-2010) and found that strategy orientation had an influence on EM. Much as the findings of this study are pertinent to the current research in that the researchers employed the modified Jones (also known as De Chow *et al*., 1995)

Model among other models in order to proxy for EM, it is not clear whether they did model specification tests to ascertain the robustness of their model.

Three, empirical studies on the effect of voluntary disclosure of FCMD on EM highlighted studies by Riahi and Arab (2011), Latridis and Alexakis (2012), Pour and Arabi (2015), and Consoni *et al.* (2017). Riahi and Arab (2011) studied the relationship between information disclosure by quoted Tunisian firms and EM and found that information disclosure reduced EM. One major disadvantage with the former research is that the paper examined a combination of strategic, financial and non-finacial information. Two, Riahi and Arab (2011) employed the performance-matched model of Kothari *et al.* (2005) to test for EM, which was deemed lacking because it could not entirely cure the model misspecification problem (Lee & Vetter, 2015).

Latridis and Alexakis (2012) examined the association between the provision of voluntary disclosure and EM in firms listed on Athens Stock Exchange and found evidence that the provision of voluntary disclosures was negatively associated with EM. Although their findings has a lot to offer to this study, a period of four years (2005-2008) is deemed inadequate to yield robust results. Pour and Arabi (2015) evaluated the effect of voluntary disclosure of FI on the relationship between AQ and information asymmetry and found that more information disclosure leads to a decrease in DACC. Much as the study provides meaningful insights on the relationship between voluntary disclosure of financial information and EM, the context in which the study was conducted (Iran) cannot be used to exactly mirror what takes place among listed firms at the USE.

Consoni *et al.* (2017) examined the association between the voluntary disclosure of economic and financial information and EM in the Brazilian capital market. The main result of the study indicated that voluntary disclosure and EM were not simultaneously determined or associated. One of the limitations with the former research is that the results obtained contradicted with the theoretical assumption that information asymmetry can be reduced through voluntary disclosure (Scott, 2012), consequently this limits the opportunistic practice of EM. The possible explanation for this is that several companies in Brazil may not be interested in providing high-

quality voluntary disclosure because most of their shareholders enjoy private benefits of control. Secondly and perhaps more importantly, the context in which this study was conducted (Brazil) is quite different from Uganda and so it is possible that institutional differences between markets could have influenced both voluntary disclosure and EM.

Four, the empirical review also explored studies on the effect of voluntary disclosure of FLI on EM. For instance, Mouselli *et al.* (2012) tested the relationship between AQ and DQ and found a positive association between AQ and DQ suggesting that firms with higher DQ engaged less in EM and had higher AQ. Albeit the study brings out meaningful insights on FLID and EM, the sample period of one year may be greatly inadequate to provide robust results. Attanassakou and Hussainey (2014) in a study on the credibility of FLDs as perceived by investors, found that companies issue more FLPDs when raising debt or conveying bad news in the financial statements. In a related study, Hassanein and Hussainey (2014) studied the change in forward-looking financial disclosure (FLFD) with respect to changes in financial performance and found that a change in FLFD negatively affected poorly performing firms. Much as these studies provide a benchmark for the current study, the former researchers used textual/thematic method of analysing annual report narratives using QSR N6 text analysis software that is not only less popular in disclosure studies, but also requires financial reports to be availed in soft copies, which may not be possible in emerging markets.

Bravo (2016) investigated whether FLDs and corporate reputation lead to a reduction in stock return volatility and found that FLDs and corporate reputation negatively affected stock return volatility. Notwithstanding the fact that the study provides some useful insights on FLDs, a period of one year is not sufficient to provide robust results. Maghfira and Tresnaningsih (2018) analyzed FLDs, corporate governance and their ability to anticipate future earnings and found no association between the level of FLDs and the ability to anticipate future earnings in current stock prices. The gap associated with this study is that their findings were limited to one industrial sector, which certainly does not mirror what takes place in other sectors. Alqatamin (2016) examineed the relationship between the level of FLID and EM practices. The

panel regression results showed a negative and significant relationship between the level of FLID and EM. This study is absolutely instrumental, although the results are based on data from the Jordanian context which may not be transferable to the Ugandan context.

Five, the empirical review equally highlighted studies on the moderating effect of CGMs on the relationship between corporate disclosure and EM. These include studies by Sun *et al.* (2010), Katmon and Farooque (2015), Lakhal (2015), and Susanto (2016). Sun *et al.* (2010) examined the association between CED and EM, and the impact of CGMs on this association in the UK. They found that some corporate governance attributes affected the relationship between CED and EM. This is one such unique study, however, there are several limitations associated with it. First, the study period is relatively short - three years (2010-2012). A longer period from six years and above would better describe the actual picture of EM. Second and more importantly, the sample of companies used was only limited to manufacturing firms listed at the Indonesian Stock Exchange which makes it practically difficult to generalise the results of the study. Third, and most importantly, only one CGM (female AC) was used in the study. Incorporating other CGMs (board characteristics, OS) would help to shed light on the aforementioned relationship.

Katmon and Farooque (2015) investigated the impact of internal corporate governance on the relation between DQ and EM in the UK listed companies. Their findings constantly demonstrated that DQ proxies were significantly negatively related to EM, as opposed to ICGMs, in combating EM practices. They provide an emerging trend of the outperformance of DQ over ICGMs in lessening EM by empirically documenting the importance of having a high-quality disclosure environment in a firm setting in addition to ICGMs to deal with manipulative managerial activities. It can, however, be critiqued on the basis of the CGMs, that is, the focus of the study was only on two ICGMs (board and audit committee-related governance instruments), leaving other internal governance mechanisms like OS features, among others.

Lakhal (2015) examined the relationship between corporate disclosure practices, OS features, and EM by French managers. Much as the findings of the study showed that

families, institutional investors and multiple large shareholders negatively influenced EM, and hence, acted as good corporate governance devices to limit managerial discretion, the author focused on OS features per se. The current study shall look at OS, BS, and AC characteristics. Susanto (2016) empirically studied the effect of CSERD on EM with female AC as a moderating variable. The result of the study showed that female AC had a negative influence on the relationship between CSERD and EM. Although the former study offers very insightful ideas to this current study, the author focused on the manufacturing industry per se and therefore this cannot be a representative of what takes place in other industry sectors.

2.6 Summary of the Empirical Literature Review

This chapter empirically reviewed literature on corporate disclosure and EM. From the review, it can be noted that the results from previous studies for each of the objectives are inconclusive. To begin with, the findings from studies on the causality between mandatory disclosure and EM revealed that IFRSs are positively related to EM (Capkun *et al*., 2012; Pereira & Alves, 2017), IFRSs are negatively related to EM (Khalina *et al*., 2015; Yeboah & Yeboah, 2015), and that IFRSs have no significant impact on EM (Ames, 2013; Bello *et al.,* 2016; Doukakis, 2014; Suadiye, 2017).

Secondly, in as far as studies on voluntary disclosure of CSI on EM is concerned, Rezaee and Tuo (2017) and Velayutham (2014) found a negative association between CSR disclosure and EM. This was comfirmed by Gras-Gil *et al.* (2017). Ajay and Madhumathi (2013) and Hoque *et al.* (2014) on the otherhand, found a positive association between strategy and EM. In general therefore, these results are mixed and inclusive. Thirdly, three studies by Riahi and Arab (2011), Latridis and Alexakis (2012) and Pour and Arabi (2015) showed a negative association between voluntary disclosure of financial information (FI) and EM, and one study by Consoni *et al.* (2017) exhibited no association at all between voluntary disclosure of FI and EM. Consequently, this warrants more research into the causality between voluntary disclosure of FI and EM.

Fouthly, with regard to studies on the effect of FLID and EM, Mouselli *et al.* (2012) found a positive association between DQ and AQ; Attanassakou and Hussainey (2014) showed that companies issued more FLPDs when raising debt or conveying bad news in the financial statements; Hassanein and Hussainey (2014), found that a change in FLFD negatively affected poorly performing firms; Bravo (2016) found that FLD and corporate reputation negatively affected stock return volatility; Alqatamin (2016) found a negative and significant relationship between FLID and EM, while Maghfira and Tresnaningsih (2018) found no association between the level of FLDs and future earnings.

Lastly, results from three studies on the moderating effect of corporate governance mechanisms on the relationship between corporate disclosure and EM (Lakhal, 2015; Susanto, 2016) exhibited that CGMs negatively affected the relationship between corporate disclosure and EM, except for one study by Katmon & Farooque (2015) that demonstrated that DQ proxies were significantly negatively related to EM, as opposed to ICGMs, in combating EM practices.

2.7 Research Gaps

Arising from this review are some literature and methodological gaps that are to be filled by this study. First, there is lack of knowledge on effect of corporate disclosure on EM among listed firms at the USE. The studies done on the effect of corporate disclosure on EM have been carried out in securities markets outside of the USE like Europe (Capkun *et al.*, 2012; Doukakis, 2014), the United Kingdom (Attanassakou & Hussainey, 2014; Hassanein & Hussainey, 2014), France (Lakhal, 2015), Spain (Gras-Gil *et al.*, 2016), Greece (Latridis & Alexakis, 2012), Brazil (Consoni *et al.,* 2017), Jordan (Alqatamin, 2016), Indonesia (Susanto, 2016), South Africa (Ames, 2013; Yeboah & Yeboah, 2015), Nigeria (Bello *et al.*, 2016), among others. Therefore, studying the effect of corporate disclosures on EM among listed firms at the USE, helps to shed light on whether corporate disclosures and CGMs are effective in curbing the practice of EM in the Ugandan setting.

Second, there is a huge literature gap in relation to how corporate disclosures affect EM in a country with a few number of listed securities at its exchange and a low

market capitalisation like Uganda. Much as Sejjaaka (2006) did the only study so far on corporate mandatory disclosure in financial institutions in Uganda, his study does not highlight the effect of corporate disclosure on EM. This exhibits not only a huge, but also very critical research gaps, that this study certainly addresses.

Third, from a methodological perspective, most empirical studies on corporate disclosures and EM, have employed the OLS regression model in their multivariate analysis in a bid to test for their hypotheses. This study used robust regression which is not only deemed to be a comfirmatory method in econometric models (Salama *et al.*, 2010), but also a very powerful model due to its robustness accross outliers. Table 2.1 provides a summary of the empirical literature, their results, and research gaps.

Table 2.1: A Summary of the Empirical Literature Review

Author(s)	Topic	Number of Firms	Fiscal Years	Measurement of EM	Findings	Research Gaps
Ames (2013)	IFRS adoption and AQ	COMPUSTAT firms in SA	2000-2011	Based on Barth *et al*. (2008) and Morai and Curto (2008) Models	EQ is not significantly improved post IFRS adoption	The study is an archival method of research which often suffers the problem of collecting data in a controlled environment
Doukakis (2014)	IFRS and EM	Firms in 22 European Countries	2000-2010	Modified Jones, the Dechow *et al*. (1998) and Roychowdhury (2006) Models	Mandatory IFRSs adoption has no significant impact on the level of AEM and REM.	The context in which the study was conducted cannot be used to mirror what takes place among USE listed firms
Yeboah and Yeboah (2015)	Extent of IFRS adoption	181 in SA	1998-2012	Barth *et al*. (2008) and Jones (1991) Models	Adoption of IFRSs results in better AQ	The study does not provide any theory from extant literature to explain the association between IFRSs and EM
Bello *et al*. (2016)	IFRS adoption and EM	165 firms in Nigeria	2010-2014	Modified Jones Model	IFRS adoption does not significantly affect the tendency of companies to manipulate earnings	The study uses a period of 5 years which is deemed inadequate to provide robust findings
Capkun *et al*. (2016)	IFRS adoption and EM	Firms from 29 EU member Countries	1994-2009	Pooled estimation Models in Ahmed *et al.* (2013)	An increase in EM from pre-2005 to post-2005 for early voluntary adopters and late adopters in countries that allowed early IFRS adoption	The study fails to take account of the changes in IFRS pre-2005 and post-2005 adoption
Suadiye (2017)	IFRS adoption and FRQ	157 firms Turkish firms	2005-2015	Based on Leuz *et al.*(2003) and Barth *et al*. (2008) Models	Switching to IFRS does not improve FRQ	The study focuses on four accounting quality metrics, namely: EM, earnings smoothing, timely loss recognition and value relevance
Pereira and Alves (2017)	EM and European Regulation 1606/2002	533 firm-year observations	2005-2015	Dechow *et al*. (2003) econometric model.	The authors reported evidence of EM practices after mandatory adoption of	The study was conducted in Portugal which ia a developed country relative to an emerging economy in which the current has been done

						IAS/IFRS in 2005
Velayutham (2014)	Disclosure of greenhouse gas emission and EM	565 firm-year observations in Australian listed firms	2006 to 2009	Modified Jones Accrual Model, the performance augmented discretionary Accrual Model, and the performance matched Modified Jones Model	A weak negative relationship between voluntary disclosure of greenhouse gas emission and EM	It is not possible to establish if the assumptions in the Australian regulatory environment can be replicated in the Ugandan setting
Gras-Gil *et al.* (2016)	Corporate social responsibility and EM	100 firms in Spain	2005-2012	Dechow *et al.* (1995) Model	CSR practices have a negative impact on EM practices	The study used a restricted sampling frame and an incomplete pane data and therefore suffers from external validity problems
Rezaee and Tuo (2017)	Quantity and quality of sustainability disclosures, innate and discretionary EQ	35,110 firm-year observations from US firms	1999-2015	Modified Dechow and Dichev (2002) Model	Sustainability DQ is negatively correlated with discretionary EQ	EQ is measured using the modified Dechow and Dichev (2002) model rather the modifeied Jones (1995) model
Ajay and Madhumathi (2013)	Diversification strategy and EM	1438 listed firms in India	2004-2013	Modified Jones model (Dechow *et al.*, 1995).	International diversification doesn't increase EM	The study does not review any theory in a bid to explain the relationship between strategy and EM
Hoque *et al.* (2014)	Business strategy, economic growth and EQ	Two US listed firms	1999-2009	Modified Jones Model	Defender-strategy frms exhibit higher levels of EM	The study employs industry and year effects as control variables
Muktiyanto (2017)	Corporate strategy and EM	90 firms Indonesia	2008-2010	Discretionary revenue Model developed by Stubben (2010)	Strategy orientation has an influence on EM	It is not clear whether they did model specification tests to ascertain the robustness of their model
Riahi and Arab (2011)	Disclosure frequency and EM	19 firms in Tunisia	1999-2008	Performance matched Model of Kothari *et al.* (2005) Model	Information disclosure related to financial decisions and performance constitute a constraint to the proliferation of EM	In the study the performance matched model of Kothari *et al.* (2005) model a metric for EM
Latridis and Alexakis (2012)	Voluntary disclosure and EM	171 firms in Greece	2005-2008	Cross sectional Jones Model (Jones, 1991)	The provision of voluntary disclosures is negatively	A period of 4 years in inadequate to yield robust results

					associated with EM	
Pour and Arabi (2015)	Voluntary disclosure of financial information, AQ and information asymmetry	149 listed companies in Iran	2005-2012	Jones (1995) and Kothari *et al.* (2005) Models	More information disclosure leads to decreases in DACC	The context in which the study was undertaken cannot be used to mirror what takes place among USE listed firms
Consoni *et al.* (2017)	Voluntary disclosure of economic and financial information and EM	66 firms in Brazil	2005-2012	Dechow *et al.* (1995) Model	Voluntary disclosure and EM are not simultaneously determined or associated.	The results are based on Brazilian data which may not be necessarily transferable to other countries
Mouselli *et al.* (2012)	AQ and DQ	All UK non-financial firms for which AQ measure was available	1997-2004	Modified Jones Model (Dechow *et al.*, 1995)	A positive association between AQ and DQ was found suggesting that firms with higher disclosure quality engage less in EM and have higher AQ	The sample period of one year chosen is too small to provide robust results
Bravo (2016)	FLDs, corporate reputation and stock return volatility	73 companies in the US	2010	Stock return volatility was calculated in logarithmic terms (GarcíaLara *et al.*, 2014)	FLI has a greater effect on stock return volatility.	A period of 1 year is small to provide robust findings. Moreover, the sample size used was small since the researcherhand collected data which is known to be a very time consuming task
Alqatamin (2016)	FLID and EM practices	Non financial Jordanian companies	2008-2013	Jones (1991), the modified Jones (1995) and the performance matched Kothari *et al.* (2005) Models	A negative and significant relationship between the level of FLID and EM.	The study model may suffer from the omission of certain variables, resulting in factor bias correlated to both the level of FLID and EM
Sun *et al.* (2010)	CED, CGMs and EM	245 UK non financial companies	2006-2007	Performance matched DACC	Some corporate governance attributes affect the relationship between CED and EM	The study sample may not be extended across all companiesbecause it only used manufacturing firms
Katmon and Farooque (2015)	DQ, internal corporate governance and EM	170 firms in the UK	2005-2008	Modified Jones Model	DQ is significantly negatively related	The focus of the study was only on two internal governance mechanisms

					to EM as opposed to internal CGM.	
Lakhal (2015)	Corporate disclosure practices, ownership structure features, and EM	170 firms in France	2008	Modified Jones and the Kothari *et al.* (2005) Models	Corporate disclosures and ownership structure negatively affect EM.	The study considered ownership structure features per se as a CGM
Susanto (2016)	CSERD, AC and EM	61 manufacturing companies in Indonesia	2010-2012	Jones Model	Female audit committee has a negative influence on the relationship between corporate social and environmental responsibility disclosure and EM	The study considered only one CGM (female AC) as a moderating variable

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter explores the research philosophy, research design, population, sample and sampling techniques, data and data collection methods, measurement of variables, pilot testing, data analysis, model diagnostic tests, and tests of the hypotheses highlighted in Chapter One.

3.2 Research Philosophy

Research philosophy can be depicted as a system of beliefs and assumptions about the development of knowledge (Saunders *et al*., 2016). Anis (2016) assert that a valid research philosophy is fundamental to any research. Lopes (2015) provides a perfect summary for the most popular classification of research philosophy in the finance and accounting fields. These include: positivism, constructionism, critical realism, and pragmatism. Positivism evidences the way to achieve the truth, believing that it is always possible to predict that world. The featured assumptions of this research philosophy are that: it is a replicable research, depends on finding generalisation, and employs a deductive reasoning that tests the cause and effect relations within structured and multilateral frameworks. Moreover, this philosophy relies on objective measures, the direct observation and the dismissal of research emotions and thoughts (Sekaran & Bougie, 2013), and supports scientists' view that the nature of knowledge is based on realism (Albassam, 2014).

Constructionism as a research philosophy assumes that reality is mentally constructed. This approach thus focuses on the comprehensiveness of the procedures used to achieve connections in the real world (Lopes, 2015). From this perspective, the capture and creation of knowledge is based on observations and interpretations of social practices. It is mainly built on qualitative analysis. As documented by Anis (2016), constructionism has social subjectivity and accordingly, declared disagreement between positivist approaches. According to Sekaran and Bougie

(2013), critical realism perspective is an intermediary approach, which assumes that an objective truth exists, but cannot be objectively and reliably measured. This approach assumes that the researcher would tend to bias his understanding. Behavioural theories can support those biases, especially the phenomena that, a researcher cannot observe and measure directly things like satisfaction, motivation, organisational culture and values (Lopes, 2015). Pragmatism emerges as a pluralist, but practical perspective. Its transversal practical view aligns research methodologies as a mix of research aims and objectives, observable phenomena, and research questions.

This study is anchored on the positivism research philosophy, firstly and foremost because it is based on existing theory and formulates quantitative hypotheses to be tested. Secondly, for several decades, theory construction and verification in accounting has been dominated by 'mainstream' research conducted within the positivist paradigm (Bisman, 2010). Thirdly, through positivism researchers can make claims to knowledge based on cause and effect thinking, reductionism, by narrowing and focusing on selecting variables to interrelate, and detailed observations and measurement of the variables (Creswell & Clark, 2011). On this basis the positivism philosophical approach makes it possible to explain the causal relationship between corporate disclosure, CGMs and EM. According to Okiro (2014), the positivist position is grounded in the theoretical belief that there is an objective reality that can be known to the researcher; since reality is stable, can be observed, accurately described and explained from an objective view point without interfering with the phenomena being studied.

3.3 Research Design

A research design according to Yin (2014), is a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is (sic) some set of conclusions (answers) about these questions. Whereas Anis (2016) opine that the two popular research designs are the quantitative design which measures things and the qualitative which sseks to obtain insights about observations; Cooper and Schindler (2012) assert that there is no simple

classification system of research design that defines all the variations that must be considered.

Accordingly this thesis is anchored on the ex post facto design because it allows for the collection of a combination of cross-sectional and time series data and is deemed most suited to the logical positivism philosophy (Lopes, 2015). This design is justified because it entails using quantitative data from corporate annual reports, which fits within the objective research philosophy and the deductive methodological position adopted by the current study. In addition, the design emphasises the measurement and analysis of causal relationships between variables by manipulating data through sophisticated quantitative approaches such as multivariate statistical analysis (Aburaya, 2012). Furthermore, this approach enhances research reliability through greater inherent objectivity, and thereby increasing the representativeness and generalisability of findings.

Moreover, the design permeates the use of panel data, which augments the number of observations given that the number of quoted companies at the USE is quite small. The use of balanced panel data has a number of advantages including, *inter alia*, pooling both cross-sectional and time-series data with the aim of increasing the number of firm-year observations, improving degrees of freedom, scaling down the effect of multicollinearity problems (Ntim *et al*., 2012a), helping ascertain whether cross-sectional association among corporate disclosure and EM hold over time. It also helps to minimize the potential endogeneity problems that may arise from potential unobserved firm-level heterogeneity (Ntim *et al*., 2012b).

3.4 Population

The study population comprised all the seventeen (17) companies quoted on the floor of the USE as of December 2019 (Table 3.1). This was deemed large enough to perform the empirical part of this study given that no single investigation has been conducted on corporate disclosure and EM with such large amounts of data on listed companies at the USE. According to Oluoch (2015), the normal approach to studies that use secondary data is to identify the number of firm years which is literally taken to mean a period of 12 consecutive months that incorporate a financial year for each

of the accounting entities under evaluation. Accordingly, if all the 17 firms under study are evaluated for all the financial years, this would translate to a population of 136 firm-year observations for all the USE listed firms over the period January 2012 through to December 2019.

The listed companies are preferred because these companies are voluntarily and mandatorily obliged to disclose specific information. The firms were drawn from the following six (6) sectors, namely: four (4) firms from the commercial and services sector, three (4) firms from the manufacturing sector, one (1) firm from the energy and petroleum sector, one (1) firm from the investment sector, five (5) firms from the banking sector, and two (2) firms from the insurance sector. The choice of the USE listed companies was because they have compulsorily adopted the IAS/IFRS. The details of the names and sectors of these firms are provided in Appendix 8.

Table 3.1: Population of Listed Firms at the USE

Sector	No. of Firms	Percentage of Firms
Commercial and Services	4	23.5
Banking	5	29.4
Insurance	2	11.8
Manufacturing	3	17.6
Energy and Petroleum	1	5.9
Investment	<u>1</u>	5.9
Population of Firms	17	100.0

Source: USE Website (2021)

3.5 Sample and Sampling Techniques

The study used all the listed firms at the USE due to the small number of listed firms on the USE. The justification for choosing USE listed firms is because they cover a broad spectrum of business activities, account for the biggest percentage of Ugandan economic output and these companies too provide readily available information in an appropriate useable form. According to Aburaya (2012), the use of a large and industrially diverse sample permits a more comprehensive exploration and analysis of the relationship in question and allows gretear generalisability of results.

The inclusion criteria was: (1) All the eligible firms for the analysis must have had eight (8) consecutive years of income statement and statement of financial position data although Martens *et al.* (2021) recommend at least three consecutive years of income statement and statement of financial position data, and (2) the firm's annual reports have to be available for all the 8 years, either on the USE website, the archives of the Registrar of Companies, the firms' website. Firms with missing reports were contacted by telephone and e-mail as suggested by Elghuweel (2015) or by physically going to their address in order to obtain the missing reports. To ensure that the collected secondary data was complete for purposes of computing disclosure indices and discretionary accruals, one firm was excluded due to insufficient financial information; all aimed at guaranteeing comparability of the results.

Consistent with prior empirical studies (Aburaya, 2012; Pereira & Alves, 2017), firms belonging to the financial sector were excluded due to their accounting specificities. Pereira and Alves (2017) assert that the interpretation of financial ratios in financial companies differs significantly from the rest of the non-financial companies, and this may change the interpretation of the results. Therefore, financial companies we eliminated due to their structure of working capital and because they are subject to additional disclosure and statutory requirements that may significantly vary the quality of acccruals among the USE listed firms. Moreover, these firms are subject to specific disclosure requirements under the Financial Institutions (Amendment) Act (2016).

The study used pooled data drawn from secondary sources. This approach enabled the researcher to make a large number of observations compared to either the use of cross-sectional or time series data (Elghuweel, 2015) per se and has been used by researchers like Ntim *et al*. (2012a). Moreover, the problem of multicollinearity faced by time series studies is eased when using panel data set which provides more informative data, more variability, less collinearity among the variables, more degrees of freedom and efficiency (Owusu, 2012).

Data was extracted from the audited corporate annual reports using a secondary data capture form for the period 2012 to 2019. The annual report was chosen as a disclosure vehicle for a number of reasons. First, the annual report is a common and

trusted source of both financial and non-financial information from a company where significant issues and concerns are expressed comprehensively (Khan *et al.,* 2009). Second, the corporate annual report is the most representative vehicle to analyse corporate disclosure, not only for investors and analysts, but also for other stakeholders because it acts as both a traditional and a statutory formal communication channel between a listed firm and its stakeholders (Vu, 2012). Third, the annual report is readily available as a source of reliable information both in hard copy and electronically. Fourth, the annual report serves as a means for communicating the disclosure levels provided by firms across all disclosure avenues. Fifth, prior research shows that the annual reports are the main source of manadatory and voluntary disclosures (Hamrouni *et al*., 2015).

3.6 Data and Data Collection Methods

The study used secondary data used was collected from the annual reports of quoted companies at the USE. The data from the corporate reports was captured in a secondary data capture form developed for this purpose. Thereafter, an index was constructed for both mandatory and voluntary disclosure, and CGMs. The data for EM as measured by modified Jones model developed by Dechow *et al.* (1995) was collected manually by reviewing the annual reports of USE listed companies to get information on DACC.

3.7 Measurement of Variables

This section highlights literature on the measures of mandatory disclosure, voluntary disclosure, CGMs, the control variables, and EM.

3.7.1 Measures (Proxies) of Mandatory Disclosure

According to Sukthomya (2011), financial disclosure is an abstract concept that cannot be measured directly. In spite of this, two main approaches have been employed in scholarly work to measure disclosure in the annual reports. One approach employed extensively to measure disclosure is content analysis – an observational research method used to systematically evaluate the content of recorded information (Kavitha & Nandagopal, 2011). The second approach, and a

widely accepted one, is the use of the disclosure indices to assess,compare and explain differences in the extent and comprehensiveness of disclosure in the annualreports. The index is a genral approach to convert a natural language text data that can be used for further quantitative analysis.

Following prior mandatory disclosure studies (Alfaraih, 2009; Hassaan, 2013; Popova *et al*., 2013), this study used a self-constructed mandatory disclosure index in order to determine the level of compliance with mandatory disclosure requirements. This disclosure checklist was developed, while taking into consideration the disclosure requirements specified in IAS/IFRS Handbook (2012) and amount to a total of 185 disclosure items – see Table 3.2. The selection of IAS/IFRS for inclusion in the constructed mandatory disclosure index was based on their applicability during the financial years ending 31 December 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019; the USE listed firm financial environment and firm practices, and their relevance to the motivation of the study.

Table 3.2: Number of Disclosure Items for Each IAS/IFRS Included in the MDINDEX

Standard	Title	No. of Disclosure Items
IAS 1	Presentation of Financial Statements	30
IAS 2	Inventories	8
IAS 7	Statement of Cash flows	16
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	16
IAS 10	Events After the Reporting period	6
IAS 12	Income Taxes	10
IAS 16	Property, Plant and Equipment	15
IAS 17	Accounting for Leases	10
IAS 18	Revenue	7
IAS 21	Effects of Changes in Foreign Exchange Rates	6
IAS 23	Borrowing Costs	2
IAS 24	Related-Party Disclosures	9
IAS 33	Earnings Per Share	9
IAS 36	Impairment of Assets	8
IAS 37	Provisions, Contingent Liabilities, and Contingent Assets	13
IAS 38	Intangible Assets	7
IFRS 8	Operating Segments	13
Total	**17 Standards**	**185 Items**

Having developed a disclosure checklist, the items disclosed in the annual reports for each firm were scored on the secondary data capture form and these scores were used to compute a disclosure index for a given firm in a given year. The value derived from the disclosure index model was then used to test the hypotheses stated in Chapter One. This study used the dichotomous unweighted approach due to the widespread criticisms labelled against the use of the dichotomous weighted approach, the qualitative unweighted approach and the qualitative weighted approach in academic accounting literature, and particularly the subjectivity inherent in any individual scoring of the disclosure index items that is apparent in them (see for example, Biobele *et al.,* 2013).

However, the major problem with this type of scoring is that some companies might be penalised by assigning a zero score to an undisclosed item when it is not required to disclose that item (Norhayati bte, 2011). Due to this reason, the researcher deemed it necessary to use a relative scoring approach whereby the disclosure index for each firm is assessed as the ratio of actual disclosure scores computed to the total number of items required to be disclosed by the firm. The relative mandatory disclosure index (MDINDEX) for each firm is illustrated in the following formula, thus:

$$MDINDEX_j = TD_j / MD_j \text{ ....} \quad (3.1)$$

> Where TD is the total disclosure for firm j and MD is the maximum disclosure for firm j.

3.7.2 Measures (Proxies) of Voluntary Disclosure

The are two approaches to measuring a firm's voluntary disclosures. The first approach also known as the subjective approach includes proxies for disclosure, which are not directly based on examining the original disclosure vehicle(s). The second approach also known as the objective approach provides measures of disclosure obtained by inspecting the original disclosure vehicle(s).

According to Hassan and Marston (2010), the main tool used under the subjective approach in the assessment of the quality of disclosure, is that of interviews and questionnaires which are also referred to as a "survey" or "investigation" by some

authors. The aim of these tools is to provide a rating to the researcher or those wishing to understand the level of disclosure of certain companies. As argued by Scaltrito (2015), the use of questionnaires and interviews requires the inherent perception of certain categories of users like for example, investors, analysts, on the firm's disclosure practices which in turn will provide reports containing certain evaluations.

The second set of useful tools employed to detect the level of the disclosure is that of an objective nature, which is based on a direct analysis of original documents where the information is made available. The main objective instruments are those which are inherent to textual analysis, reporting on the frequency of disclosure and events, in addition to disclosure indexes which are widely used in research literature (Scaltrito, 2015).

While textual analysis also defined as content analysis are sets of procedures used to collect and organize information in a standardized format that allows the analyst to undertake inferential analysis on the characteristics and meaning of the recorded information, analysis of events deals with the study of the frequency with which certain information is disclosed and analysis of the impact positive and negative news has on the level of disclosure. A disclosure index; one of the most widely used techniques in accounting studies for the measurement of the level of disclosure of information, on the other hand, is a measure representing the level of information provided by the company, which can be considered voluntary and/or mandatory, calculated on the basis of specific elements observed based on one or more specific sources of information.

In order to evaluate the extent of voluntary disclosure in the USE listed companies, a disclosure index was constructed. Bhuyan (2018) describes the disclosure index as a qualitative-based instrument designed to measure a series of items, which when aggregated, gives a surrogate score indicative of the level of disclosure in the specific context for which the index was devised. The use of a disclosure index is widely considered appropriate within the literature on corporate disclosure (Khan *et al.,* 2013; Muttakin *et al*., 2015) and has been used in numerous publications with the aim of showing the level of disclosure in a set of company accounts (Bhuyan, 2018).

There are two different approaches for gathering items that comprise a voluntary disclosure index. While one approach is to construct an entirely new index, the other approach is to develop an index in the light of existing index items employed in prior studies (Bhuyan, 2018). Constructing an index in the light of an existing index is widely used (Anam *et al*., 2011), perhaps because the development of an entirely new index can be risky in terms of the researcher's time constraints and may be subject to criticism. Moreover, available literature on voluntary disclosure indicates that constructed indices in the light of an existing index are widely used methods to assess the extent of voluntary information disclosed in firms' annual reports (Al-Akra *et al*., 2010; Alotaibi, 2014; Lan *et al*., 2013). It is for these reasons that this study employed and tailored existing voluntary disclosure indices that have been used to measure voluntary disclosure reliably in prior studies (Belal *et al*., 2010; Kamal & Deegan 2013; Khan *et al*., 2013; Muttakin *et al.,* 2015; Nurunnabi *et al*., 2011; Ullah *et al*., 2013).

According to Boshnak (2017), there is no general theory to guide what information should be considered when deciding upon a list of information items for inclusion in a disclosure index. In otherwords, no ingrained or agreed upon theoretical direction has been established in the construction of a voluntary disclosure index (Bhuyan, 2018). What is important is that the development of a new index should be based on the objectives of a research problem (Artiach & Clarkson 2011; Samaha *et al.*, 2015). In order to ensure that the procedure for constructing the voluntary disclosure index in this study was reliable, the following criteria for selecting disclosure items was used. First, there should be theoretical and/or empirical support for including such items. To this end, an empirical review of literature on prior studies on voluntary disclosure (Ho, 2009; Akhtaruddin *et al*., 2009; Vu, 2012) was undertaken by the researcher in a bid to identify commonalities and consistencies between these disclosure indices.

Second, the items selected in the index were classified into three key categories, namely: strategic information disclosure (SID), financial information disclosure (FID), and FLID. These three key categories were identified as being relevant in investigating the extent of voluntary disclosure in emerging markets (Ho, 2009; Poh

& Grantley, 2013; Rouf, 2011). Third, the items were screened in order to ensure that the items are applicable to the voluntary disclosure of USE listed firms. Fourth, the items would not be specified for disclosure in a firms annual reports by any regulatory bodies.

Once this criteria was met, the voluntary disclosure checklist was constructed based on information released by listed firms at the USE in their annual reports of financial statements. The final voluntary disclosure checklist contained a total of 33 items of information items identified by the researcher as being relevant to USE listed firms disclosure. These 33 voluntary information items were classified into three key categories according to their nature, namely: strategic information about the firm, and disclosures relating to FI and FLI are shown in Table 3.3.

Table 3.3: Number of Disclosure Items Included in the VDINDEX

Voluntary Disclosure Type	Number of Disclosure Items
SID	15
FID	6
FLID	12
Total	**33 Items**

The second important step after the voluntary disclosure checklist was constructed is the measurement process, that is, how to weight a disclosure index. Some existing studies apply a disclosure index weighted by the opinions of groups of users such as financial analysts (Buzby, 1975; Malone *et al*., 1993). However, having financial analysts assign weights to the disclosure index means that the information needs of analysts alone are fulfilled, thus, potentially ignoring the needs of other groups of users. Due to the above limitation, the unweighted approach is argued to be an appropriate approach for this thesis. The focus of this study is not on a particular group of users, but all users of corporate annual reports. Therefore, every item in the disclosure checklist is assumed to be equally important. The unweighted approach, is employed and supported by several existing studies from both developed (Allegrini & Greco, 2013; Donelly & Mulchahy, 2008; Scaltrito, 2016) and developing countries (Albawwat & Basah, 2015, Alotaibi, 2014; Lan *et al*., 2013).

A dichotomous procedure was applied in order to compare the items on the disclosure checklist with the contents of the annual reports. Companies were

awarded a score of one (1), if they disclosed a certain item and zero (0), if they do not disclose it when that item was applicable. Firms were not penalised for items that were irrelevant to them. Based on the checklist, a scoring sheet was designed including the 33 voluntary disclosure items to score each of the sampled listed firms on their voluntary disclosure levels. Following Vu (2012), the scoring procedures used in this thesis is:

Each firm was scored a point of one (1) for a disclosure item within the checklist and zero (0) if otherwise.

The scoring of each item was then added so as to compute the total score achieved by a particular firm.

The total voluntary disclosure score was then divided by the total maximum possible voluntary disclosure score.

Upon scoring the voluntary disclosure items, the total voluntary disclosure index (VDINDEX) for each sampled firm defined as the actual number of disclosed items divided by the maximum possible disclosure items was then computed using the following model:

$VDINDEX_{jt}$ = Actual number of disclosed items / maximum possible disclosure items …... (3.2)

Where $VDINDEX_{jt}$ is the voluntary disclosure index for firm j in year t

Any firm with a higher index demonstrates a greater extent of voluntary information disclosure in its published annual reports.

3.7.3 Measures (Proxies) of Corporate Governance Mechansisms

In this thesis, three CGMs were included as moderating variables. These variables were gleaned from previous studies and include BoDs characteristics, AC characteristics, and OS features. Data on CGMs was manually collected from the annual reports of listed companies by scoring using a corporate governance index (CGI). According to Constantatos (2018), corporate governance indices (CGIs) can

be estimated using the following three (3) scoring approaches: a scoring by item method, a scoring by category method and a scoring by expert method.

The most commonly used approach in studies employing CGIs is the scoring by item method (Ammann *et al*., 2011; Nerantzidis, 2017). In this approach, the researcher initially scores each firm against the items included in the CGI. This is done as follows: if an item is disclosed it is given a score of one (1), and zero (0) if it is not disclosed. If an item is not applicable to a given firm, it is scored as non-applicable (n/a) and therefore not included in the calculation of the CG indices (Constantatos, 2018). In the scoring by item approach, the index is calculated for each firm by adding all scores for each individual item and dividing this score by the maximum possible score applicable for that firm. Each item in the index is scored equally, irrespective of the number of items in each category or the number of categories in the index. Moreover, the central focus of the CG indices using this method is on the items included in the indices and not on the categories that the items are part of.

The scoring by category method focuses on each category, not on each item, irrespective of the number of items in each category. As suggested by Constantatos (2018), this method treats each category equally, indirectly giving unequal weights to the items of each category. Moreover, the scoring by category method first applies the scoring by item method for each category separately. Thereafter, the CG score for each firm is measured by adding the scores of each category and dividing the sum by the number of categories that comprise the CGI. The third scoring procedure for CG indices employed in relevant literature is scoring by expert method. In this scoring approach, knowledgeable and experienced views of academics or professionals on CG issues are used to assign weights for CG items or categories in the scoring process of the CG index.

Concerns, however, arise as to how the experts' prioritize the items or categories of the CG index. In many instances, the process of assigning weights to the various CG items is not done explicitly and this may seem somewhat arbitrary. Furthermore, the experience and knowledge of the so-called 'experts' (i.e. auditors, institutional investors, analysts and academics) is not so transparent. Although validity can be assessed based on the CG categories, an issue emerges with reliability, that is, no

consistency in terms of the criteria for weighting the CG items exists in prior literature, and thus a great deal of subjectivity is employed (Nerantzidis, 2017). Moreover, limited theoretical background exists on which items or categories are more important in evaluating the quality of CG and thus raising an issue with the assignment of appropriate weights (Constantatos, 2018). Of all the three indices, the scoring by item method is what has been employed to score most of the CG items.

In this study, the BoDs comprises board size (BSIZE), board activity (BACT), board independence (BIND), and CEO duality (CEODU). Most empirical studies measure BSIZE in terms of the total number of board members presented in the annual report of financial statements at the end of each financial year (see for example Alves, 2011). According to Almasarwah (2015), the BoDs have to attend a specified number of meetings per year as stipulated by the corporate governance code in each country. Regular board meeting gives directors the opportunity to address important issues and problems that could arise in firms (Rohaida, 2011). In addition, the existence of outsiders or non-executive directors (NEDs) on the board is more likely to improve the quality of information and decisions, which could enhance firm performance. Lastly, from the agency theory perspective, for effective governance the CEO and the chair of the board have to be independent, implying that none of them can hold either positions at the same time (Almasarwah, 2015).

AC comprises the following variables: AC size, AC activity or meetings, AC expertise or competence, and AC independence. The variable of AC size was measured by the number of AC members reported in the firm's annual financial reports. The variable AC activity was measured by using the number of meetings that the AC attended each year. Meanwhile AC competence was measured with a binary variable of one (1), if all AC members were qualified and at least one of them had an accounting professional certificate, and zero (0), if otherwise. Similarly, AC independence was measured using a binary variable given the value one (1), if the committee totally comprized NEDs, and zero (0), if otherwise.

OS variables include managerial ownership (MOWN), family ownership (FOWN), local institutional ownership (LINSTOWN), foreign institutional ownership (FINSTOWN), local individual ownership (LINDOWN), foreign individual

ownership (FINDOWN), and state institutional ownership (STATEOWN). All these variables were proxied in terms of the percentage of the shares held by the directors, foreign institutions, local institutions, local individuals, foreign indivuduals, and the government, respectively.

3.7.4 Measures (Proxies) of Control Variables

Prior studies measuring EM suggest that EM may be impacted by factors other than corporate disclosure. Consequently, when exploring the association between corporate disclosure and EM, several control variables were included in order to ensure that the model was not misspecified. These variables are firm size (FSIZE), profitability (PRFT), and leverage (LEV). The size of a firm can impact its inclination towards EM. In a study by Paiva and Lourenco (2013) on the relationship between FSIZE and EM in family firms, they found that family firms that were large in size had a lower level of EM and small family firms had a large level of EM.

Some of the reasons advanced by the prior researchers to prove the negative associations between FSIZE and EM are as follows. Firstly and foremost, small firms are subject to lesser public scrutiny than the big firms and have a greater tendency to manager earnings (Mishra & Malhotra, 2016). Secondly, high scrutiny from investors in large firms will likely reduce managerial tendency to manipulate earnings (Katmon & Farooque, 2015). Thirdly, large-sized firms may have stronger internal control systems and more competent internal auditors relative to small-sized firms and therefore this helps in publishing reliable financial information to the public, and so is likely to reduce the ability of managers to manipulate earnings figures (Ahmad *et al.,* 2014). Lastly, large firms are usually audited by one of the big four auditing firms and this helps prevent EM due to the efficient and effective audits performed (Ahmad *et al*., 2014). In this study, the natural logarithm of total assets at the year-end was used to measure FSIZE. This is consistent with a long line of previous research (see for example Ali *et al*., 2015; Llukani, 2013; Swastika, 2013).

According to Ebraheem (2016), it is important to control the financial performance of a firm when studying EM, given that this is linked to investment opportunity. High profitability can be negatively related to EM in the sense that companies

making high profits are supposed to make no EM effort to reach their earnings threshold (Katmun, 2012). Profitability (ROA) was measured in this thesis as the ratio of net income to total assets. The last control variable used in this study is leverage (LEV) and was measured as the ratio of total debt divided by total assets. Results from studies on LEV and EM are confounding in that, while some researchers find that highly leveraged firms may aggressively manipulate earnings in order to mitigate and alleviate their large debt in the eyes of the shareholders (Katmun, 2012), other authors find that highly indebted firms may be less able to practice EM because they are under close scrutiny of lenders (Suzan *et al*., 2012).

3.7.5 Measures (Proxies) of Earnings Management

One of the greatest problems surrounding EM is the difficulty involved in detecting the manipulation of financial information from publicly available financial statements, arising from the fact that EM is neither visible nor transparent (Mishra & Malhotra, 2016). However, over the years, a number of models have been developed to estimate EM. These models range from simple models in which DACC are measured as total accruals (see for example, Healy, 1985; DeAngelo, 1986), to more complex models that attempt to decompose total accruals into discretionary and non-discretionary components (see for example, Jones, 1991; Kasznik, 1999; Kothari *et al*., 2005). Accrual-based models are commonly used to test for the existence of EM because they can summarize in a single measure the net effect of numerous recognition and measurement decisions and thereby capturing the portfolio nature of income determination (Constantatos, 2018).

Extant EM literature distinguishes between normal and abnormal accruals. Whereas normal accruals tend to show adjustments that reflect fundamental performance, abnormal accruals reflect distortions due to the particular application of accounting rules (Dechow *et al*., 2010). According to Constantatos (2018), the use of discretionary/abnormal accruals by managers is based on three essential managerial hypotheses: the performance measure hypothesis, the opportunistic management hypothesis and the noise hypothesis. While the performance measure hypothesis states that managers exercise discretion so as to produce reliable and timely earnings which would not be conveyed through the use of non-discretionary accruals only, the

opportunistic management hypothesis states that discretionary accruals are used to conceal mediocre performance or maintain a portion of unusual good performance for the future. The noise hypothesis meanwhile is the case where discretionary accruals represent noise in earnings.

One flaw with the AEM method is the difficulty in accurately separating reported accruals into their managed (discretionary) and unmanaged (nondiscretionary) parts. Additionally, the measures of abnormal accruals tend to be positively correlated with the level of accruals. In other words, firms that extensively use accruals tend to have more abnormal accruals which affects the interpretation of the results. This creates uncertainty about whether abnormal accruals are due to accounting distortions or are as a result of poor accruals models that also incorporate an element of true performance (Dechow *et al.*, 2010).

Various AEM models have been employed in prior studies, such as those developed by Healy (1985) and DeAngelo (1986). The Healy (1985) AEM model is based on total accruals, consisting of both discretionary (abnormal) and non-discretionary (normal) accruals. A year later, that is, in 1986, DeAngelo proposed an accrual-based EM model which calculates normal accruals as the previous with the latter defined in terms of deflated long-run accruals after having criticized the Healy (1985) model to be lacking a benchmark for what normal accruals should be. The major weakness of this model, however, is that it assumes that normal accruals follow a random walk (Constantatos, 2018). Since normal accruals change over time due to changes in business activities, the model might in fact misclassify normal accruals as discretionary and thus creating the possibility of a Type I error. In addition to this flaw, the total accruals of the previous period, which are considered as a benchmark for non-discretionary accruals, might contain a discretionary accruals component that could bias the results. It is for these reasons that current studies do not use the DeAngelo approach except if they wish to make relative assessments of the various models of discretionary accruals (Ronen & Yaari, 2010).

As suggested by Ronen and Yari (2010), the early works of Healy (1985) and DeAngelo (1986) are a benchmark against which to evaluate the Jones (1991) model, which is considered a landmark in the evolution of AEM research. Apart from the

Jones (1991) Model, the four other very popular models the modified Jones Model (Dechow *et al.*, 1995), Teoh *et al.* (1998) Model, Kasznik (1999) Model, and Kothari *et al.* (2005) Model. According to Callao *et al.* (2017), these five models were applied in almost 60% of the studies on EM.

In this study, EM was measured using the modified Jones (1995) Model. Moreover, this model has been widely used in research in accounting (Ecker *et al.*, 2013; He, Yang, & Guan, 2010; Rusmin, 2010). The model uses aggregate accruals to try to estimate a normal level of accruals and deviations from this level are considered evidence of EM. In order to estimate DACC, it was first necessary to calculate total accruals using either the statement of financial position or the cash flow approach. However, due to the fact that the use of the statement of financial position approach introduces significant measurement errors into accrual estimates and consequently leads to the erroneous conclusion that EM exists when no such opportunistic activity actually occured (Beslic *et al.*, 2015). Accordingly, this study employs the cash flow approach defined as follows:

$$\text{TACC}_{i,t} \text{ (total accruals)} = \text{NI}_{i,t} \text{ (net income)} - \text{CFO (net cash flows from operations)} \quad \text{.............................} \quad (3.3)$$

Having ascertained the value of TACC in Equation (3.3), the coefficients β_1 and β_2 are estimated using with the following pooled OLS equation:

$$\text{TACC}_{i,t} = \beta_1(1/A_{i,t-1}) - \beta_2 (\Delta\text{REV}_{i,t} - \Delta\text{REC}_{i,t}) + \beta_3 (\text{PPE}_{i,t}) + \varepsilon_{it} \quad \text{..............} \quad (3.4)$$

Where $\Delta REVi,t$ is the variation in the net revenue of firm *i* from time *t-1* to time *t*, $\Delta REC_{i,t}$ is the variation in the accounts receivable (net) of firm *i* from time *t-1* to time *t*, $PPE_{i,t}$ is the balance of the non-current asset accounts (gross) of firm *i* from time *t-1* to time *t*, and $\varepsilon_{i,t}$ is the error term of firm *i* for time *t*.

All the model variables were deflated by the total assets of the previous time period ($A_{i,t-1}$) to minimise the impact of FSIZE and the problem of heteroscedasticity (Wang & Xin, 2011). Secondly, in line with the parameters of the modified Jones Model, the non-current assets and the difference in variation between net revenue and accounts receivable are the main drivers of the process of recognising accruals.

Using the estimated coefficients β_1 and β_2 of each firm-year (Equation 3.4), the non-discretionary accruals ($NDACC_{Ai,t}$) were computed. The probable explanation for excluding non-discretionary accruals (NDACC) has been provided by Islam *et al*. (2011), who argue that they are used to reflect the business condition subject to the firms condition and sales growth thus, cannot be controlled by managers. NDACC is calculated as follows:

$$NDACC_{i,t} = \beta_1(1/A_{i,t-1}) - \beta_2(\Delta REV_{i,t} - \Delta REC_{i,t}) + \beta_3(PPE_{i,t}) \ldots \ldots \ldots \ldots (3.5)$$

Th absolute value of DACC ($DACC_{i,t}$) represents the difference between total accruals ($TACC_{i,t}$) and $NDACC_{i,t}$ as follows:

$$DACC_{i,t} = TACC_{i,t} - NDACC_{i,t} \ldots \ldots \ldots \ldots \ldots \ldots (3.6)$$

According to Khalina *et al*. (2015), DACC are the residuals of the regression from the modified Jones Model. The farther the residual is from zero (0) (whether positive or negative), the greater the level of EM. In this regard therefore, the direction of managing financial results is a sign of DACC, in which case plus and minus signs reflect increases and decreases in the financial results, respectively. A zero difference on the other hand indicates that a firm's current accruals in that particular year is as expected (normal) and no EM is detected. However, a positive difference indicates that the firm's actual accruals are greater than expected (abnormal) and that upward EM is detected, while a negative difference indicates the opposite. Table 3.4 provides a summary of the measurements of the independent, moderating, dependent, and the control variables.

Table 3.4: A Summary of the Measurements for the Independent, Moderating, Dependentand Control Variables

Variable	Type	Measurement
Independent Variables		
Mandatory Disclosure (MDINDEX)	Ordinal	Relative disclosure score based on the index of scores
Strategic Information Disclosure (SID)	Ordinal	Relative disclosure score based on the index of scores

Financial Information Disclosure (FID)	Ordinal	Relative disclosure score based on the index of scores
Forward-looking information disclosure (FLID)	Ordinal	Relative disclosure score based on the index of scores
Dependent Variable Earnings Management (DACC)	Ordinal	Absolute value of DACC from the modified Jones (1995) Model

Moderating Variables

<u>Board Characteristics</u>

Board Independence (BIND)	Binary	A binary of 1 if the firm has at least one-third of the board as NEDs and 0 if otherwise
Board Size (BSIZE)	Binary	A binary of 1 if the majority of the directors are NEDs
CEO Duality (CEODU)	Binary	A binary of 1 if the postion of the CEO and chairperson are split and 0 if otherwise
Board Activity (BACT)	Binary	A binary of 1 if board meetings are disclosed, and 0 if otherwise

<u>Audit Committee (AC)</u>

AC Size (ACSIZE)	Binary	A binary of 1 if two-thirds of the AC members are independent NEDs, and 0 if otherwise
AC Independence (ACIND)	Binary	A binary variable of 1 if the AC comprises of tatally NEDs and 0 if otherwise
AC Competence (ACCOM)	Binary	A binary variable of 1 if all AC members qualified and at least one has a professional certificate and 0 if otherwise
AC Activity (ACACT)	Binary	A binary variable of 1 if AC meetings are disclosed and 0 if otherwise

Ownership Structure (OS)

Managerial Ownership (MOWN)	Ratio	Number of shares held by directors divided by the total number of shares issued
Family Ownership (FOWN)	Ratio	Number of shares held by families divided by the total number of shares issued
Local Institutional Ownership (LINSTOWN)	Ratio	Number of shares held by local institutions divided by the total number of shares issued
Foreign Institutional Ownership (FINSTOWN)	Ratio	Number of shares held by foreign institutions divided by the total number of shares issued
State Ownership (STATEOWN)	Ratio	Number of shares held by the state divided by the total number of shares issued
Local Individual Ownership(LINDOWN)	Ratio	Number of shares held by local individuals divided by the total number of shares issued
Foreign Individual Ownership (FINDOWN)	Ratio	Number of shares held by foreign individuals divided by the total number of shares issued

Control Variables

Firm Size (FSIZE)	Interval	Numerical variable represented by the natural logarithm of total assets at the end of each firm-year
Profitability (PRFT)	Ratio	Numerical variable represented by the ratio of profit before tax to equity in each firm-year.
Leverage (LEV)	Ratio	Numerical variable represented by the ratio of debt to total assets in each firm-year.

3.8 Data Analysis

Conceptually data analysis is the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarising the relevant details revealed in the investigation (Zikmund *et al*., 2013). The data

collected at the primary stage was subjected to some form of cleaning to ensure it was free from errors and ommisions and wherever possible, the errors were corrected to increase accuracy and cosistency. The resultant data was then entered into the computer as numerals representating different concepts using excel and thereafter exported to the statistical software 'STATA 14' for analysis. Available evidence on disclosure studies (Aburaya, 2012; Al-Janadi *et al*., 2013; Katmun, 2012; Vu, 2012) suggests that univariate analysis in form of descriptive statistics, correlation analysis and multiple regression analysis can be used to analyse data. The following sub-themes provide an overview of each of the aforementioned statistical tests.

3.8.1 Descriptive Statistics

In this thesis, univariate analysis in form of descriptive statistics was employed to ascertain and describe the mean, minimum, maximum, standard deveiation, and covariance of the dependent variable (EM), the two independent variables (mandatory and voluntary disclosure), the three moderating variables (BoD characteristics, AC characteristics, OS feautures) and the three control variables (FSIZE, LEV and PRFT). The results of these tests are documented in Chapter 4.

3.8.2 Correlation Analysis

In order to establish the asssociations between the variables, a bivariate correlation analysis using was performed between the variables and correlation coefficients were generated. According to Vu (2012), correlation coefficients measure the strength of association between variables. In this thesis, Pearsons correlation was used to detect the strength of the relationsip between the variables.

3.8.3 Multiple Regresion Analysis

Multivariate analysis, which refers to statistical techniques that simultaneously analyse multiple measurement on individual subjects, was applied to several explanatory variables simultaneously. Specifically, the OLS robust regression method was used to explore the effect of the predictor variable (corporate disclosure) on the dependent variable (EM). A number of control variables (FSIZE, LEV, PRFT)

that have been employed in prior disclosure studies in emerging economies were also incorporated into the model.

The resultant regresion model, which tests for the effect of corporate disclosure on EM after controlling for FSIZE, LEV, PRFT and assuming all relations are linear is estimated is stated as follows:

$DACCj = \beta_0 + \beta_1 MDINDEXj + \beta_2 SIDj + \beta_3 FIDj + \beta_4 FLIDj + \beta_5 LEVj + \beta_6 FSIZEj + \beta_7 PRFTj + \varepsilon j$ …………………………………………………….……... (3.7)

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_{1-}\beta_7$ = Coefficients of the slope parameters;

MDINDEXj = Mandatory disclosure score for sample j firm;

SIDj = Strategic information disclosure score for sample j firm;

FIDj = Finnacial information disclosure score for sample j firm;

FLIDj = Forward-looking information disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

ε_j = Error term for sample j firm,

Where DACCj represents the value of EM for sample j firm; β_0 is the intercept to be estimated from the data; β_1, β_2, β_3, and β_4 are the coefficients of the independent variables to be established from the data; CDj   represents the overall corporate disclosure score for sample j firm; LEVj is debt/ total assets for sample j firm; PRFTj is net income/ total assets for sample j firm; FSIZEj is the value of total assets for sample j firm; and, εj is the stochastic disturbance or error term for sample j firm.

3.9 Model Diagnostic Tests

This section explores various diagnostic tests that were carried out in the study, with the aim of giving reasonable assurance that the research findings are robust. These tests included tests of the OLS assumprions of linearity, normality, heteroscedasticity, multicollinearity, and autocorrelation, as presented in the ensuing paragraphs. To begin with the normality assumption, which states that samples must be drawn from normally distributed populations was tested for using the histogram with a normal curve and the skewness kurtosis (s-k) tests. The s-k results are acceptable when the probability of skewness and kurtosis fall within acceptable intervals (zero for skewness and three for kurtosis, respectively).

To test for the homoscedasticity assumption in regression analysis which ensures that the residuals at each level of the predictor variables(s) have similar variance (Alotaibi, 2014) was tested for using the Breauch-Pagan test. As far as the the Breusch-Pagan test is concerned, we check the null hypothesis for constant variance. If the p-value obtained is higher than 0.05, we reject the null hypothesis that there's heteroscedasticity and instead accept the alternate hypothesis that there's homoscedasticity because this test is evaluated at a 95% confidence interval.

Multicollinearity, which essentially refers to a situation in which two or more variables are very closely linearly related (Field, 2012), was tested for by ascertaining whether the coefficients of independent variables are statistically significant. This involved the use of the variance Inflation Factor (VIF). According to Omoro (2014), if the tolerance (TOL) is near zero, the VIF exceeds 10, and the correlation coefficient between the two variables is greater than 0.80, then multicollinearity can be expected to be a serious problem. A VIF of more than 10 indicates harmful multicollinearity (Habbash, 2010).

Lastly, autocorrelation (a situation in which the error terms are correlated) was tested for using the Breusch-Godfrey Serial Correlation Lagrange Multiplier (LM) test. This model has been employed by researchers like Elghuweel (2015). The null hypothesis that there is no serial correlation is rejected in favour of the alternative that autocorrelation exists at 5% level.

3.10 Tests of the Hypotheses

In order to test for the first hypothesis, the MDINDEX obtained together with the control variables that are deemed to influence EM were linearly regressed on EM. The resultant model identified in Equation (3.8) below controls for these three factors (FSIZE, PRFT and LEV), such that the coefficient on the proxy for mandatory disclosure indicates the effect of mandatory disclosure on EM.

$$DACCj = \beta_0 + \beta_1 MDINDEXj + \beta_2 LEVj + \beta_3 FSIZEj + \beta_4 PRFTj + \varepsilon j \ldots\ldots\ldots\ldots (3.8)$$

Where:

$DACCj$ = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_1 - \beta_4$ = Coefficients of the slope parameters;

$MDINDEXj$ = Mandatory disclosure score for sample j firm;

$LEVj$ = Ratio of debt to total assets for sample j firm;

$FSIZEj$ = Total assets for sample j firm;

$PRFTj$ = Ratio of net income to total assets for sample j firm;

ε_j = Error term for sample j firm.

To test for the second hypotheses, SID score and the control variables were linearly regressed on EM. The resultant model obtained is illustrated Equation 3.9 below:

$$DACCj = \beta_0 + \beta_1 SIDj + \beta_2 LEVj + \beta_3 FSIZEj + \beta_4 PRFTj + \varepsilon j \ldots\ldots\ldots\ldots\ldots\ldots (3.9)$$

Where:

$DACCj$ = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_1 - \beta_4$ = Coefficients of the slope parameters;

$SIDj$ = Strategic information disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

ε_j = Error term for sample j firm.

To test for the third hypotheses, the FID score and the control variables were linearly regressed on EM. The resultant model is illustrated Equation 3.10:

$$DACCj = \beta_0 + \beta_1 FIDj + \beta_2 LEVj + \beta_3 FSIZEj + \beta_4 PRFTj + \varepsilon j \ \dots\dots\dots\dots\dots\dots \ (3.10)$$

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

β_1-β_4 = Coefficients of the slope parameter;

FIDj = Financial information disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

ε_j = Error term for sample j firm.

To test for the fourth hypotheses, FLID score and the control variables were linearly regressed on EM. The resultant model is illustrated Equation 3.11 below:

$$DACCj = \beta_0 + \beta_1 FLIDj + \beta_2 LEVj + \beta_3 FSIZEj + \beta_4 PRFTj + \varepsilon j \ \dots\dots\dots\dots\dots\dots \ (3.11)$$

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_{1-}\beta_4$ = Coefficients of the slope parameters;

FLIDj = Forward-looking information disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

PRFTj = Ratio of net to total assets for sample j firm;

ε_j = Error term for sample j firm.

To test the fifth hypothesis, that is, the moderating effect of CGMs on the relationship between corporate disclosures and EM, two models were employed; one without moderation and another with moderation. The first model that was run in the study was:

$$DACCj = \beta_0 + \beta_1 CDj + \beta_2 LEVj + \beta_3 FSIZEj + B_4 PRFT + \varepsilon_j \ldots\ldots\ldots\ldots\ldots\ldots (3.12)$$

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_1 - \beta_{10}$ = Coefficients of the slope parameters;

CDj = Corporate disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

ε_j = Error term for sample j firm.

Two, a moderating variable was introduced in the model and the interaction effect between corporate disclsoure and BoD characteristics, corporate disclsoure and AC characteristics, corporate disclsoure and OS feutures, and the control variables were regressed with EM using the model described in the Equation 3.13:

$$DACCj = \beta_0 + \beta_1 CDj + \beta_2 BoDj + \beta_3 ACj + \beta_4 OSj + \beta_5 CD*BoDj + \beta_6 CD*ACj + \beta_7 CD*OSj + B_8 LEVj + B_9 FSIZEj + \beta_{10} PRFTj + \varepsilon j \dots\dots\dots\dots\dots\dots (3.13)$$

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_{1-}\beta_{10}$ = Coefficients of the slope parameters;

CDj = Corporate disclosure score for sample j firm;

BoDj = Board of directors characteristics for sample j firm;

ACj = Audit committee characteristics for sample j firm;

OSj = Ownership structure features for sample j firm;

CD*BoD = Interraction effect between corporate disclosure and board ofdirectors score for sample j firm;

CD*AC = Interaction effect between corporate disclosure on audit committee for sample j firm;

CD*OS = Interaction effect between corporate disclosure on ownership structure for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

ε_j = Error term for sample j firm.

CHAPTER FOUR

RESULTS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents results from a series of analyses – univariate analysis in form of descriptive statitistics, correlation analysis and multiple regression analysis - and, provides discusions to each of the five study objectives as well.

4.2 Descriptive Statistics

This section documents the results of the univariate analysis in form of descriptive statistics for the independent, the moderating, the control, and the dependent variables. Specifically, Subsection 4.2.1 presents descriptives on the levels of compliance with corporate disclosure. Subsection 4.2.2 reports descriptives on the control variables. Subsection 4.2.3 presents a statistical summary of the moderating variables, and Subsection 4.2.4 reports on those related to EM.

4.2.1 Independent Variable (Corporate Disclosure)

Panel A of Table 4.1 below presents the descriptive statistics on the levels of compliance with each of the 17 IASs/IFRSs. The table exhibits noticeable variation in the levels of compliance among the standards. The mean compliance ranges from 0.051 for IAS 10 (*Events After the Reporting Period*) to 0.906 for IAS 1 (*Presentation of Financial Statements*).

In order to investigate the reasons for the different levels of compliance, the 17 standards were divided into three sub-groups, namely: the high-level compliance group (MDINDEX > 80%), medium-level compliance group (MDINDEX > 60% < 80%), and low-level compliance group (MDINDEX ≤ 60%). According to Alfaraih (2009), these sub-classifications enable an investigation into whether the characteristics of certain standards or groups of standards like difficulty of meeting the standard, the standard's effective date and proprietary costs associated with

standard such as the costs of preparing and disseminating information, are associated with some levels of compliance.

The high-level compliance group was IAS *1,* that deals with the *Presentation of Financial Statements* and consisted of 30 disclosure items. One possible explanation for the high-level of compliance with this standard is that most of its requirements are not difficult to disclose. For example, IAS *1* requires firms to disclose whether financial statements include a statement of financial performance, a statement of financial position, and a statement of changes in the financial position of an entity. Consequentlty, it is not suprising to find high compliance with this standard as firms would probably find it easy to comply with these requirements.

The medium-level compliance group consisted of three standards: IAS *7, 24*, and *33.* The descriptive statistics in Table 4.1 (Panel A) shows that the range of compliance in this group is from 0.438 to 0.917. The implication of this is that some firms nearly fully complied with the standards, which suggests little difficulty in meeting the requirements of the standards.

The low-level compliance group contains 13 standards: IAS *2, 8, 10, 12,16, 17, 18, 21, 23, 36, 37, 38*, and IFRS *8.* Most standards examined in the study fall in this grouping. IAS 10 that deals with *Events After the Reporting Date* and has six disclosure requirements achieved a compliance level of 0.051. Although its disclosure requirements are easy, proprietay costs, difficulty in adherence, and the sensitive nature of the disclosure requirements seem to be contributing factors in this group.

Panel B of Table 4.1 below presents the descriptives for voluntary disclosure of SID, FID, and FLID. The descriptives show that the means of SID and FID are 0.841 and 0.826, respectively, with a range of about 0.5 to 1. The high disclosure indicates that the levels of disclosures relating to SID, and FID has substantilally increased over the years.

As can be seen from Panel B of Table 4.1 below, the minimum value of FLID is 0.00 and the maximum is 0.846, which indicates a considerable dispersion. In addition, the mean value of 0.267 shows a low level of FLID across the listed companies at the

USE relative to the results of Bozanic *et al*. (2013b) and Menicucci (2013), who found that the average value of FLID scores in the US and Italian companies were 0.314, and 0.325, respectively.

Table 4.1: Corporate Disclosures

Panel A: Mandatory Disclosure					
Variables	**Mean**	**Std. Dev**	**Min**	**Max**	**CV**
IAS 1	.906	.024	.867	.967	.027
IAS 2	.444	.087	.375	.625	.195
IAS 8	.224	.189	0	.75	.843
IAS 7	.635	.088	.438	.917	.139
IAS 10	.051	.131	0	.5	2.573
IAS 12	.453	.138	.2	.8	.306
IAS 16	.559	.212	.267	.933	.379
IAS 17	.469	.252	0	1	.536
IAS 18	.492	.151	.286	.857	.306
IAS 21	.208	.146	0	.333	.699
IAS 23	.167	.378	0	1	2.268
IAS 24	.645	.095	.444	.778	.147
IAS 33	.62	.067	.556	.778	.108
IAS 36	.196	.166	0	.75	.845
IAS 37	.276	.153	0	.615	.556
IAS 38	.571	.410	0	.857	.717
IFRS 8	.468	.338	0	.846	.722

IAS 1 Presentation of Financial Statements, IAS 2 Inventories, IAS 7 Statement of Cash Flows, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 10 Events After the Reporting Period, IAS 12 Income Taxes, IAS 16 Property, Plant and Equipment, IAS 17 Leases, IAS 18 Revenue,   IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 23 Borrowing Costs, IAS 24 Related Party Disclosures, IAS 27 Separate Financial Statements, IAS 33 Earnings Per Share,IAS 36 Impairment of Assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IAS 38 Intangible Assets, and   IFRS 8 Segment Reporting.

Panel B: Voluntary Disclosure					
Variables	Mean	Std. Dev	Min	Max	CV
SID	.841	.172	.5	1	.205
FID	.826	.121	.533	1	.146
FLID	.267	.236	0	.846	.885

The variables are defined as follows: SID is the total number of background, market and competition, industry competitiveness and prevailing economic and political

situations that affect a firm's operational performance; FID is the total number of historical information presented in the accounts, including key financial ratios, a review of the firm's performance,…; FLID is the total number of forward-looking statements in the annual report

4.2.2 Control Variables (Firm Specific Characteristics)

With respect to the control variables, FSIZE varied significantly with a range of 24.728 to 29.397, and a mean of 26.562 (approximately 27%). The LEV ratio ranges from 0 to 0.83 and the mean value is 0.294 (29%). This suggests that the listed firms at the USE have an intermediate level of debt. Empirically, these results are close to the findings of Elghuweel (2015), who obtained an average leverage of 33% in Omani firms. The results of PRFT, however, revealed that it varies between a minimum of -0.165 (loss) and maximum of 0.403 (profit) with a standard deviation of 0.1275.

In order to further get meaningful information, the coefficient of variation was computed by dividing the means of each control variable with the respective standard deviations. From this standpoint, PRFT provides the highest volatility at a CV of 1.275 followed by LEV at 0.889. Of all the three control variables, FSIZE registered the least volatility with a CV of 0.063.

Table 4.2: Control Variables

Variables	Mean	Std.Dev	Min	Max	CV
FSIZE	26.562	1.667	24.728	29.397	.063
LEV	.294	.261	0	.83	.889
PRFT	.113	.144	-.165	.403	1.275

FSIZE is the natural log of total assets; LEV is the ratio of debt to total assets; PRFT is the ratio of profit before tax to total assets.

4.2.3 Moderating Variables (CGMs)

The mean of BoD characteristics was 0.884 suggesting that firm compliance with CMA corporate governance regulations was satisfactory. The mean of AC of 0.712 also suggests that USE listed firms compliance with corporate governance rules had improved overtime. Moreover, this value was higher than the mean value reported by Zaman *et al*. (2011) in their study of the UK firms between the 2001 and 2004. Similarly, the mean of OS feautures show a consistent value with AC characteristics. In terms of the coefficient of variation of the variables, AC characteristics had the best coefficient of variation (0.29), followed by OS features (0.155) and BoD characteristics (0.106) as shown in Table 4.3 below:

Table 4.3: Corporate Governance Mechanisms

Variables	Mean	St. Dev	Min	Max	CV
BoD	.884	.094	.667	1	.106
AC	.712	.207	.125	1	.29
OS	.701	.109	.375	.875	.155

BoD collectively refers to the board size,board activity, board independence, board size,representation by non-executive directors on the board, and CEO duality; AC represents audit committee size, audit committee independence, audit committee competence, and audit committee activity; OS is the proportion of the shares held by directors,families, locals institutions, foreign institutions, the state, local individuals, foreign individuals, and the state.

4.2.4 Dependent Variable (Earnings Management)

The descriptive statistics in Table 4.4 reveals that DACC based on the modified Jones Model has a small mean value of 0.026 with a minimum value close to 0 (0.007). These results imply that the magnitude of EM in listed firms at the USE may be lower than those reported by Katmun (2012), Ugbede *et al*. (2013) and Habbash *et al*. (2014) and González and García-Meca (2014), who found that the UK, Malaysian, Chinese and Latin American companies have an average absolute value of DACC of 0.065, 0.075, 0.066, and 0.11, respectively. Overall, however, the evidence shows that USE listed firms practice income increasing accruals.

Table 4.4: Earnings Management

Variable	Mean	St. Dev	Min	Max	CV
DACC	.026	.012	.007	.053	.474

DACC is the absolute value of discretionary accruals from the modified Jones model

4.3 Correlation Analysis

Table 4.5 provides Pearson's correlation matrices for the independent variable, the dependent variable, the control variables, and CGMs. The analysis was carried out in order to provide further insights into the relationships among the variables by (1) observing the negative and positive relationship among all the variables, and (2) to check for multicollinearity problem. From the table, it can be observed that the correlation coefficient for all the variables in the correlation matrix are less than 80%. According to Katmon and Farooque (2015), a correlation coefficient of more than 80% indicates serious multicollinearity. The highest correlation among the variables was observed between MD and FID (r = 0.524, p < 0.01). As such it can be concluded that multicollinearity is not detrimental to the results of the multivariate analysis.

Furthermore, DACC is significantly and negatively related to PRFT (coef. = -0.593, p = 0.000) meaning that firms that are less profitable engage less in EM practices. Consistent with this finding, Chen *et al.* (2015), who examined US firms found a negative relationship between return on assets (ROA) and REM. Their argument is that firms with better performance have less motivations to engage in REM. Similar results are reported by Kim *et al.* (2010) in a study on U.S. firms.

On the contrary, LEV is positively correlated with DACC and statistically significant at the 5% level (coef. = 0.527, p = 0.001). This implies that firms with higher LEV are expected to adopt accounting procedures that increase current income and therefore engage more in EM. Moreover, this finding is in consonance with the observations made by Ujah and Brusa (2011) that both financial leverage and cash flow volatility impact the degrees to which firms manage their earnings.

It is also interesting to highlight that SID is negatively and significantly related to DACC (coef. = -0.386, p = 0.020) implying that firms that provide SI engage less in EM. This result is consistent with the findings of Riahi and Arab (2011) that showed a negative relationship between voluntary disclosure of SI and EM.

Table 4.5: Correlation Matrix for Corporate Disclosure, CGMs, Control Variables and EM

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1)DACC	1.000										
(2) MD	0.324	1.000									
	0.054										
(3) SID	-0.386*	-0.051*	1.000								
	0.020	0.768									
(4) FID	0.011	0.524*	-0.022	1.000							
	0.950	0.001	0.900								
(5) FLID	0.259	0.263	0.258	-0.051	1.000						
	0.128	0.122	0.129	0.767							
(6) BoD	-0.014	-0.151	0.447*	-0.134	0.412*	1.000					
	0.938	0.381	0.006	0.436	0.013						
(7) AC	-0.330*	-0.339*	0.385*	0.052	-0.486*	0.088	1.000				
	0.050	0.043	0.764	0.021	0.003	0.612					
(8) OS	0.260	0.249	0.064	0.281	0.110	-0.216	-0.065	1.000			
	0.127	0.143	0.710	0.098	0.524	0.205	0.706				
(9) PRFT	-0.593*	-0.238	0.334*	0.036	-0.196	0.257	0.401*	-0.573*	1.000		
	0.000	0.163	0.047	0.834	0.253	0.130	0.016	0.000			
(10) LEV	0.527*	0.279	-0.434*	-0.006	0.460*	-0.220	-0.436*	0.078	-0.398*	1.000	
	0.001	0.099	0.008	0.972	0.005	0.198	0.008	0.650	0.016		
(11) FSIZE	0.305	0.106	-0.648*	0.231	-0.145	0.342*	0.295	-0.175	-0.169	0.477*	1.000
	0.071	0.539	0.000	0.176	0.400	0.041	0.080	0.309	0.323	0.003	

Notes: (1)The variables are defined as follows: DACC is the absolute value of DACC from the modified Jones Model; MD is the index for disclosure of IAS/IFRS; SID is the disclosure score for firm background, market and competition, industry competitiveness and prevailing economic and political situations that can affect a firm's operational performance; FID is the disclosure score for historical information presented in the accounts, including key financial ratios, a review of the firm's performance, market capitalisation and share prices; FLID is the disclosure score of information relating to current plans and future forecasts; BoD relates to board size,board activity, board independence, representation by non-executive directors on the board, and CEO duality; AC represents audit committee size, audit independence, competence, and activity; OS is the proportion of shares held by directors, families, locals and foreign institutions, the state, local and foreign individuals, and the state; PRFT is the ratio of profit before tax to total assets; LEV is the ratio of debt to total assets; FSIZE is the natural log of total assets.

4.4 Multiple Regresion Analysis

In the previous section (Section 4.3), correlation analysis was conducted to assess the relationships between EM, corporate disclosure, CGMs and the control variables. This section reports and interprets the results for the multivariate tests of the research hypotheses developed in Chapter 1 in Sub-sections 4.4.2, 4.4.3, 4.4.4, 4.4.5 and 4.4.6, using robust regression due to the presence of outliers in the main regression model. According to Leone *et al*. (2013), the existence of potentially influential or outlier observations is ubiquitous in empirical accounting research.

Robust regression methods are available in commonly used statistical packages and they do not entail the *ad hoc* choice of winsorization or truncation rules, thus providing a convenient way to control for influential observations and enhance inter-study comparability. Moreover, prior researchers (Salama *et al*., 2010; Uwuigbe *et al*., 2017) have employed this method in their studies arguing that it is a comfirmatory method in econometric analysis. However, in order to ensure that the data is fit for estimation purposes, several model diagnostic tests relating to panel data were performed. These are discussed in Sub-section 4.4.1.

4.4.1 Model Diagnostic Tests

In a bid to allow for the use of multiple linear regression models, the the OLS assumptions of normality, heteroscedasticity, multicollinearity, and autocorrelation were carried out to ensure that the OLS regression coefficients are the best linear unbiased estimators (BLUE). First, the error terms were tested to ascertain if they were normally distributed with a mean of zero and constant variance. The key issue here was whether the errors followed a normal distribution because if there was non-normality, we would get misleading regression coefficients and standard errors. This was done using *p–p* plots which is believed to be the most straightforward method of testing this assumption. As shown in Appendix 1, there is a modest amount of linearity around the centre of the distribution because the *p-norm* graph is sensitive to non-normality in the middle range of data.

Two, normality of the distribution had to be met in order to test for the hypotheses using multivariate OLS robust regression analysis. In this regard two tests were performed, namely: the histogram (with normal curve), and the skewness kurtosis (s-k) test. As evident from the findings exhibited in Appendix 10, it can be observed the histogram with the normal curve for EM is mildy skewed to the left. However, due to the fact that this problem is a very common phenomenon in corporate disclosure research, the results are acceptable (Katmun, 2012). In addition, the s-k results are also acceptable as evident in Table 4.7, since the probability of skewness and kurtosis fall within acceptable intervals of zero for skewness and three for kurtosis, respectively. In otherwords, normally distributed random variables should have skewness and kurtosis near zero and three, respectively.

Table 4.6: Skewness/Kurtosis tests for Normality joint

Variables	Obs	Pr (Skewness)	Pr (Kurtosis)	adj_chi2(2)	Prob>chi2
DACC	88	0.7642	0.1881	1.95	0.3767
PRFT	88	0.8359	0.4113	0.75	0.6875
LEV	88	0.2174	0.1523	3.83	0.1474
SID	88	0.0091	0.6361	6.42	0.0403
FID	88	0.1918	0.6902	2.00	0.3686
FLID	88	0.0023	0.2980	8.80	0.0123
MD	88	0.0301	0.8972	4.72	0.0943
FSIZE	88	0.2657	0.0002	12.25	0.0022
BoD	88	0.1565	0.3212	3.23	0.1984
AC	88	0.0006	0.0355	12.72	0.0017
OS	88	0.5480	0.2089	2.08	0.3534

Notes: DACC denotes the absolute value of DACC as measured by the modified Jones Model; PRFT is the ratio of profit before tax to total assets; LEV is the ratio of debt to total assets; SID is the score for firm background, market and competition, industry competitiveness and prevailing economic and political situations that can affect a firm's operational performance; FID is the score for historical information presented in the accounts; FLID is the disclosure score for information relating to current plans and future forecasts; MD is the index for disclosure of IAS/IFRS; FSIZE is the natural log of total assets; BoD relates to board size, activity, independence, representation by non-executive directors on the board, and CEO duality; AC represents audit audit committee size, independence, competence, and activity.

In order to check for heteroscedasticity, the researcher performed the Breusch-Pagan and White's test, and the results of these tests are shown in Table 4.7 and Table 4.8, respectively. In relation to the Breusch-Pagan test, the null hypothesis was checked for constant variance. Due to the fact that the p-value obtained (0.7577) was higher than 0.05, the null hypothesis that there is no homoscedasticity was not rejected. Instead the alternate hypothesis that there is heteroscedasticity was rejected because this test is evaluated at a 95% confidence interval, that is, we reject the null hypothesis if $p < 0.05$.

Table 4.7: Breusch-Pagan Test for Heteroscedasticity

Ho: Constant variance	
Variales: Fitted values of earnings management	
chi2 (1)	= 0.10
Prob > chi2	= 0.7577***

Notes: The asterisk *** indicates significance at 5% level

Similarly the results from the White test are insignificant (the p-value is insignificant, that is $p = 0.3479$, so we fail to reject the null hypothesis that there's no homoscedasticity.

Table 4.8: White Test for Ho (Homoscedasticity) against Ha (Heteroscedasticity)

chi2 (20)	= 21.86
Prob > chi2	= 0.3479***

Notes: The asterisk *** indicates significance at 5% level

The study also ascertained whether the explanatory/predictor variables were highly correlated (the multicollinearity or collinearity problem). In regression analysis, the problem of multicollinearity that arises due to a significant linear relationship between the explanatory variables can affect the estimation of the coefficients of the variables thus leading to imprecise results (Kjærland *et al*., 2020). To test the severity of multicollinearity in the data, a correlation matrix and the variance inflation factor (VIF) method was used. According to Brooks (2019), severe multicollinearity arises when the correlation between the two variables exceeds 0.80.

Having run a correlation, the researcher manually observed the correlation coefficients between the independent variables.

As exhibited in Table 4.5 none of the correlations was more than 80% suggesting that multicollinearity was not present in the model. The Variance Inflation Factor (VIF) was also checked. The preliminary results in Table 4.9 indicate that the highest VIF is 7.13 and this belongs to AC, hence, suggesting that multicollinearity is not a serious problem because the general rule is that VIF should not be morethan 10 (Katmun, 2012). Related to the VIF is the tolerance statistics which is a reciprocal of VIF (1/VIF). As presented in Table 4.9, the tolerance statistics range from 0.300 to 0.421 indicating that multicollinearity does not exist in the data because only tolerance statistics below 0.1 indicate serious problems of multicollinearity.

Table 4.9: The Multicollinearity Test

Variables	VIF	1/VIF
MD	3.08	0.324786
SID	2.70	0.369699
FID	3.18	0.314593
FLID	3.33	0.300450
BoD	2.37	0.421402
AC	7.13	0.140270
OS	3.09	0.323587
FSIZE	5.60	0.178504
PRFT	3.04	0.328915
LEV	3.53	0.283433
Mean VIF	3.71	

Notes: MD is the index for disclosure of IAS/IFRS; FSIZE is the natural log of total assets; SID is the score for firm background, market and competition, industry competitiveness and prevailing economic and political situations that can affect a firm's operational performance; FID is the score for historical information presented in the accounts; FLID is the disclosure score of information relating to current plans and future forecasts; BoD denotes board of directors characteristics, AC represents audit committee charateristics; OS represents ownership structure, FSIZE is the natural log of total assets, PRFT is the ratio of profit before tax to total assets; and, LEV is the ratio of debt to total assets.

Before concluding the tests of the OLS assumptions, autocorrelation was checked for using the Breusch-Godfrey Serial Correlation Lagrange Multiplier (LM) test. Because the probability of the *Chi*-Square obtained was greater than 0.5395, the alternate hypothesis that there's serial correlation was rejected and the null hypothesis that there is no serial correlation was upheld because autocoreralion exists at the 5% level.

Table 4.10: The Breusch-Godfrey LM Test for Autocorrelation

lags (p)	chi2	df	Prob > chi2
1	0.376	1	0.5395

H0: no serial correlation

Overall, the tests conducted above show that the assumptions of the OLS regression analysis have been met and hence, the results of the statitiscal analysis are deemed appropriate.

4.4.2 Effect of Mandatory Discloure of IAS/IFRS on Earnings Management

After the basic assumptions of the OLS regression model and the Breusch Godefrey LM tests were carried out, and the validity of analyses were confirmed using STATA 14, the first null hypothesis which stated that there is no significant effect of mandatory disclosure of IAS/IFRS on EM among listed firms at the USE was tested by performing a robust regression.

In order to guide the analysis a regression model that specifies the magnitude of EM as measured by the absolute value of DACC as a function of mandatory disclosure of IAS/IFRS and the control variables (LEV, PRFT and FSIZE) was adopted. The reason for choosing these control variables has been provided by Boshnak (2017), who argues that the motivation for selecting these variables is because of their popularity in extant literature. Popularity here means that firm characteristics have featured and have been shown to be significant predictors of EM. The model is expressed in Equation 4.1, thus:

$$DACCj = \beta_0 + \beta_1 MDINDEXj + \beta_2 LEVj + \beta_3 FSIZEj + \beta_4 PRFTj \ \varepsilon j \dots\dots\dots\dots (4.1)$$

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_1 - \beta_4$ = Coefficients of the slope parameters;

MDINDEXj = Mandatory disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

ε_j = Error term for sample j firm,

Based on Table 4.11, an adjusted R squared value of 0.4058 was obtained. This indicates that about 41% of the changes in EM as measured by DACC is explained by both mandatory disclosure of IAS/IFRS and the control variables. The coefficient of mandatory disclosure was also found to be positive and insignificant (coef. = 0.0263, $p > 0.05$), meaning that an increase in mandatory disclosure leads to a increase in EM practices of USE listed firms. Empirically, this result is inconsistent with prior studies (Khalina *et al.,* 2015; Lemma *et al*., 2013) that showed that mandatory adoption of IAS/IFRS had a significant effect on EM. The findings are generally inconsistent with the predictions of the study's multi-theoretical framework that incorporates insights from the public interest theory and the agency theory (Aggarwal *et al.,* 2011; Ntim *et al*., 2012a; Samaha *et al*., 2012; Allegrini and Greco, 2013). Consequently, the first hypothesis which stated that there is no significant effect of mandatory disclosure of IAS/IFRS on EM among listed firms at the USE was upheld.

The results of in Table 4.11 also reveals that LEV (coef. = 0.0128) has a positive and insignificant effect on EM. This is in line with the findings of Uwuigbe *et al.* (2015) who found no significant relationship between financial leverage and DACC of sampled firms in Nigeria. In addition, Table 4.11 also reveals a positive and insignificant relationship between FSIZE as measured by the natural logarithm of total assets and EM (coef. = 0.0006). This is relative to the findings of Riahi and

Arab (2011) and Katmon and Farooque (2015) who documented a positive and significant effect of FSIZE on EM. Morevoevr, PRFT was found to be statistically and negatively significant in estimating EM (coef. = -0.0369, p < 0.01). The implication of this is that high profitability constrains EM. This result is in line with the findings of Abu-Jebbeh and Al-Thuneibat (2017) that showed a statistically significant effect of profit margin ratio, return on assets (ROA), return on equity (ROE) and earnings per share (EPS) on EM.

Table 4.11: Regression Results for MD of IAS/IFRS and EM

No.	Variables	Coefficient (β)	t-statistic	Significance
1.	CONSTANT	-0.0009	-0.03	0.977
2.	MD	0.0263	0.98	0.334
3.	LEVERAGE	0.0128	1.69	0.101
4.	FIRM SIZE	0.0006	0.57	0.570
5.	PROFITABILITY	-0.0369	-3.05	0.005
No. of observations	88			
R-squared	0.4737			
Adj. R-squared	0.4058			
Sig. F	0.0004			

Note: MD = Mandatory disclosure.

4.4.3 Effect of Strategic Iinformation Disclosure on Earnings Management

In order to determine the effect of SI disclosure on EM among listed firms at the USE, the following model which tests for the effect of SI disclosure on EM by incorporating the control variables was adopted:

$$DACCj = \beta_0 + \beta_1 SIDj + \beta_2 LEVj + \beta_3 FSIZEj + \beta_4 PRFTj + \varepsilon j \; ….................. (4.2)$$

Where:

$DACCj$ = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_{1-}\beta_4$ = Coefficients of the slope parameters;

SIDj = Strategic information disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

ε_j = Error term for sample j firm.

The regression results of the hypothesis two which predicted no significant effect of SI disclosure on EM as shown in Table 4.12 yielded an Adjusted R square of 0.3923, which indicates that about 39% of variations in EM practices of listed firms at the USE is brought about by SID. The findings further reveal a negative and significant association between SID and EM (coef. = -0.0065, p < 0.01), suggesting that firms that disseminate their SI tend to engage less in managing earnings through DACC. This result is consistent with agency theory perspectives, stakeholder theory assertion that firm management take stakeholders' goals into account in their decision making processes (Jensen, 2010), and therefore, tend to refrain from undesirable practices such as EM (Gerged, Al-Haddad & Al-Hajri, 2018), the legitimacy theory's perception that a firms engagement in social reporting practices can be associated with better earnings as a strategy as a tool for influencing the perception of society towards a favourable image (Gerged *et al*., 2018), and previous SI disclosure studies (see for example, Muktiyanto, 2017). On this basis therefore, hypothesis two which stated that there is no significant effect of SID on EM among listed firms at the USE was rejected.

In line with the control variables, LEV yielded an insignificant positive relationship with EM (coef. = 0.0139, p > 0.05), implying that firms that are levered tend to engage more in EM. In addition, the researcher found no significant association at all between FSIZE and EM (coef. = 0.0002). This is contrary to the findings of Velayutham (2014) that larger and visible firms (as proxied by size) disclose more greenhouse gas emission information. Lastly but not least, the results for PRFT and EM was negative and significant (coef. = -0.0371), at the 1% level, that is, p < 0.01. The implication of this is that firms that are profitable tend to engage less in EM.

Table 4.12: Regression Results for SID and EM

No.	Variables	Coefficient (β)	t-statistic	Significance
1.	CONSTANT	0.0252	0.61	0.554
2.	SID	-0.0065	-0.50	0.002
3.	LEVERAGE	0.0139	1.85	0.074
4.	FIRM SIZE	0.0002	0.15	0.878
5.	PROFITABILITY	-0.0371	-2.95	0.001

No. of observations	88
R-squared	0.4617
Adj. R-squared	0.3923
Sig. F	0.0006

Note: SID = Strategic information disclosure.

4.4.4 Effect of Financial Information Disclosure on Earnings Management

In order to answer the third hypothesis of this study, which contends that there is no significant effect of financial information disclosure on EM among listed firms at the USE, the study employed Model 4.13 which tests for the effect of financial information disclosure on EM.

$$DACCj = \beta_0 + \beta_1 FIDj + \beta_2 LEVj + \beta_3 FSIZEj + \beta_4 PRFTj + \varepsilon j \ldots\ldots\ldots\ldots (4.5)$$

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

β_1-β_4 = Coefficients of the slope parameter;

FIDj = Financial information disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

ε_j = Error term for sample j firm.

As exhibited in Table 4.13, the findings reveal an adjusted R square value of 0.3875 implying that 39% of the changes in EM can be explained collectively by the

disclosure of financial information and the control variables. The findings in Table 4.13 also demonstrates that FID is positively (coef. = 0.0012) and insignificantly related to EM at the 5% significance level. Thus, there is no evidence that greater disclosure of financial information is reflected in a lesser propensity to manage earnings. This finding contradicts the underlying theoretical assumptions that voluntary disclosure of financial information contributes greatly to the reduction or elimination of information asymmetry therefore making it more difficult to engage in earnings management and differs markedly from the empirical results presented by Murcia and Wuerges (2011).

Secondly, LEV had a positive and a significant relationship with EM (coef. = 0.0143, $p < 0.01$) and is in tandem with the findings of Consoni *et al.* (2017). This therefore suggest that companies with high debt ratios tend to manage their earnings to show higher profit. Thirdly, FSIZE has a positive (coef. = 0.0006) and insignificant effect on EM. This finding augurs well with the argument raised by Latridsis & Alexakis (2012), that voluntary disclosers display larger size, and that given their large size, subsequent visibility and analyst following, they may provide voluntary accounting disclosures in order to obtain positive market critics.

Lastly, the results in Table 4.13 also indicates a negative significant influence of PRFT on EM (coef .= -0.0387, $p < 0.01$), thus indicating an alignment of profit increase with the increase in EM. In conclusion, hypothesis three which stated that there is no significant effect of financial information disclosure on EM among firms listed at the USE was upheld.

Table 4.13: Regression Results for FID and EM

No.	Variables	Coefficient (β)	t-statistic	Significance
.	CONSTANT	0.0098	0.34	0.733
2.	FID	0.0012	0.08	0.934
3.	LEVERAGE	0.0143	1.89	0.068
4.	FIRM SIZE	0.0006	0.50	0.624
5.	PROFITABILITY	-0.0387	-3.17	0.003
No. of observations			88	
R-squared			0.4575	
Adj. R-squared			0.3875	
Sig. F			0.0006	

Note: FID = Financial Information disclosure.

4.4.5 Effect of Forward-Looking Information Disclosure on Earnings Management

In order to test for the third hypothesis aimed at examining the effect of FLID on EM among listed firms at the USE, one research model (the modified Jones Model) was used based on the hypothesis summarised in Chapter One (see Section 1.4). The procedure employed in carrying out the test involved examining the effect of FLID and three control variables (LEV, PRFT and FSIZE) on the extent of EM among USE listed firms. The regression model employed to test for the joint effect of FLID and the control variables on EM is shown in Equation 4.7:

$$DACC_j = \beta_0 + \beta_1 FLID_j + \beta_2 LEV_j + \beta_3 FSIZE_j + \beta_4 PRFT_j + \varepsilon_j \ \ldots\ldots.............. (4.7)$$

Where:

   $DACC_j$ = Earnings management for sample j firm;

   β_0 = Intercept;

   $\beta_{1-}\beta_4$ = Coefficients of the slope parameters;

   $FLID_j$ = Forward-looking information disclosure score for sample j firm;

   LEV_j = Ratio of debt to total assets for sample j firm;

   $FSIZE_j$ = Total assets for sample j firm;

   $PRFT_j$ = Ratio of net to total assets for sample j firm;

ε_j = Error term for sample j firm.

As shown in Table 4.14, an adjusted R square of 0.3902 was obtained, implying that about 39% of the variations in EM at the USE listed firms can be explained by FLID and the control variables. The coefficient of FLID was also found to be positive and insignificant (coef. = 0.0033, $p > 0.01$), meaning an increase in the disclosure of FLI leads to an increase in DACC as proxy for EM, based on the modified Jones Model. This result is in agreement with hypotheses 4, which proposed no significant effect of FLID on EM among listed firms at the USE. Consequently, hypothesis four was upheld. In addition, this finding is inconsistent with previous studies (Alqatamin, 2016; Katmun, 2012), which show that companies that disclose more information are less likely to be involved in EM behaviour. Moreover, the aforementioned findings are contrary to the signalling theory suggestion that the disclosure of FLI in the annual reports reduces the information asymmetry between managers and investors thereby mitigating managers' opportunistic behaviour like EM practices (Alqatamin, 2016).

Furthermore, LEV shows a positive and insignificant relationship with EM (coef. = 0.122). This suggests that USE listed firms with higher leverage ratios report higher EM. One possible explanation for this relationship is that firms with higher leverage ratios have more motivation to report higher levels of EM, either to evade the violation of lending contracts or to avoid special adverse effects on their debt rating (Ali *et al*., 2010). The results also seem to support the perspective of agency theory that companies with higher leverage ratio are more likely to practice EM in order to avoid agency costs.

Further still, results from Table 4.14 also shows a positive insignificant relationship between FSIZE and EM (coef. = 0.0008). This finding is inline with the findings of Lemma *et al.* (2013), who argue in favour of a positive impact upon EM, since large firms face more pressure to meet or beat analysts' expectations and is contrary to the findings of Kim *et al.* (2012) and Sirat (2012), which found a negative association between FSIZE and EM. Finally, with respect to PRFT a negative significant relationship with DACC as a proxy for EM (coef. = -0.0386, $p < 0.01$) was reported.

Table 4.14: Regression Results for FLID and EM

No.	Variables	Coefficient (β)	t-statistic	Significance
1.	CONSTANT	0.0040	0.12	0.904
2.	FLID	0.0033	0.38	0.703
3.	LEVERAGE	0.122	1.33	0.195
4.	FIRM SIZE	0.0008	0.66	0.517
5.	PROFITABILITY	-0.0386	-3.18	0.003
No. of observations		88		
R-squared		0.4599		
Adj. R-squared		0.3902		
Sig. F		0.0006		

Note: FLID = Forward-looking information disclosure.

4.4.6 The Moderating Effect of Corporate Governance Mechanisms on the Relationship between Corporate Disclosure and Earnings Management

The fifth hypothesis stated that there is no moderating effect of CGMs on the relationship between CD and EM among listed firms at the USE. The main purpose of the underlying analysis, was to highlight and mitigate the effect of the omitted-variables bias exhibited in the existing literature when relating EM to CD, or CGMs independently. This was accomplished by incorporating the joint effect of both corporate disclosures and CGMs on EM.

A robust regression analysis was performed in a bid to examine the magnitude of variation in EM uniquely explained by CGMs (BoDs, AC characteristics and OS features), the control variables (LEV, PRFT and FSIZE) and corporate disclosure. A total of two (2) models were generated in 2 hierarchical steps. Step one involved establishing the effect corporate discosure and the control variables on EM without moderation. The regression model is exhibited in Equation 4.9:

$$DACC_j = \beta_0 + \beta_1 CD_j + \beta_2 LEV_j + \beta_3 FSIZE_j + \beta_4 PRFT_j + \varepsilon_j \quad \text{............................ (4.9)}$$

Where:

$DACC_j$ = Earnings management for sample j firm

β_0 = Intercept;

$\beta_1 - \beta_4$ = Coefficients of the slope parameters;

CDj = Corporate disclosure score for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

ε_j = Error term for sample j firm.

The findings in Table 4.15 revealed an adjusted R squared of 0.4019. This implies that 40% of the variattions in EM is brought about by CD and the control variables. The study's adjusted R squared is higher than the previous studies (such as Dimitropoulos & Asteriou, 2010; Habbash, 2010) and lower than the findings of Alzoubi (2016) and Katmun (2012). It can also be observed from the model that there is a positive insignificant (coef. = 0.0048, p > 0.05) relationship between CD and EM. Moreover, this result contrary to the findings of Alzoubi (2016) who found a negative association between DQ and DACC. Among the control variables it is only profitability (PRFT) which yielded a negative significant relationship with DACC as a proxy for EM (coef. = -0.0376, p < 0.01).

Table 4.15: Regression for CD and EM – Before Moderation

No.	Variables	Coefficient (β)	t-statistic	Significance
1.	Constant	0.0038	-0.12	0.906
2.	CD	0.0048	0.87	0.391
3.	Leverage	0.0125	1.63	0.114
4.	Firm Size	0.0007	0.67	0.506
5.	Profitability	-0.0376	-3.11	0.004
No. of observations		88		
R-squared		0.4703		
Adj. R-squared		0.4019		
Sig. F		0.0004		

Note: CD = Corporate disclosure.

In step two, three interaraction variables, namely: CD and BoD (CD*BoD), corporate disclosure and AC (CD*AC), and CD and OS (CD*OS) were introduced to test for the combined effect of CD, the control variables, and CGMs on EM using the following cross-sectional regression model:

$$DACCj = \beta_0 + \beta_1 CDj + \beta_2 BoDj + \beta_3 ACj + \beta_4 OSj + \beta_5 CD*BoDj + \beta_6 CD*ACj + \beta_7 CD*OSj +$$

$$B_8 LEVj + B_9 FSIZEj + \beta_{10} PRFTj + \varepsilon j \dots\dots\dots\dots\dots\dots\dots\dots (4.10)$$

Where:

DACCj = Earnings management for sample j firm;

β_0 = Intercept;

$\beta_1 - \beta_{10}$ = Coefficients of the slope parameters;

CDj = Corporate disclosure score for sample j firm;

BoDj = Board of directors characteristics for sample j firm;

ACj = Audit committee characteristics for sample j firm;

OSj = Ownership structure features for sample j firm;

CD*BoD = Interraction effect between corporate disclosure and board of directors score for sample j firm;

CD*AC = Interaction effect between corporate disclosure on audit committee for sample j firm;

CD*OS = Interaction effect between corporate disclosure on ownership structure for sample j firm;

LEVj = Ratio of debt to total assets for sample j firm;

PRFTj = Ratio of net income to total assets for sample j firm;

FSIZEj = Total assets for sample j firm;

ε_j = Error term for sample j firm.

To begin with and as shown in Table 4.16, adjusted R squared of 0.3747 was obtained. This indicates that collectively CD, the control variables and CGMs account for 37% of the variation in EM. The results in Table 4.16 likewise shows

that the interaction effect between CD and BoD is negative and insignificant (coef. = -0.1324, p > 0.05). These results are contrary to the findings of Sun *et al*. (2010) who found a positive significant interaction effect between DACC and board size. When the interaction effect between CD and OS was tested, a negative and insignificant relationship (coef. = -0.0820, p > 0.1) was obtained. This is consistent with the results of Lakhal (2015) whose findings show that families, institutional investors and multiple large shareholders negatively influence EM, and hence, act as good CG devices to limit managerial discretion. Finally, the results in Table 4.16 depicts that the interaction effect between CD and AC is negative and significant (coef. = -0.0318, p < 0.05).

In summary, since one corporate governance mechanism (AC characteristics) has been found to be negatively and significantly related with EM, our hypothesis which stated that there is no moderating influence of CGMs on the relationship between CD and EM among listed firms at the USE was rejected. Moreover, these results offer support to the agency theory predictions that CD acts as a controlling device leading to alignment of management interests with those of the shareholders' (Jensen & Meckling, 1976).

Table 4.16: Regression for Moderating Effect of CGMs on the Relationship between CD and EM

No.	Variables	Coefficient (β)	t-statistic	Significance
1.	Constant	-0.4665	-1.21	0.237
2.	CD	0.1539	0.98	0.335
3.	BoD	0.3431	1.05	0.302
4.	AC	-0.1027	-0.98	0.335
5.	OS	0.2182	1.08	0.292
6.	CD*BoD	-0.1324	-0.93	0.362
7.	CD*AC	-0.0318	0.84	0.008
5.	CD*OS	-0.0820	-0.98	0.336
6.	Firm Size	0.0041	2.68	0.013
7.	Profitability	-0.0224	-1.07	0.295
No. of observations		88		
R-squared		0.5355		
Adj. R-squared		0.3747		
Sig. F		0.0000		

Note: CD = Corporate disclosure; BoD = Board of directors; AC = Audit committee;

OS = Ownership structure; CD*BoD = Interaction effect between corporate disclosure and board of directors; CD*AC = Interaction effect between corporate disclosure and audit committee; and, CD*OS = Interaction effect between corporate disclosure and ownership structure.

4.4 Hypothesis Testing

The current study employed the following five hypotheses to test for the effect of corporate disclosures on EM: there is no significant effect of mandatory disclosure of IFRS on EM among listed firms at the USE, there is no significant effect of SI disclosure on EM among listed firms at the USE, there is no significant effect of FID on EM among listed firms at the USE, there is no significant effect of FLID on EM among listed firms at the USE, and there is a no significant moderating influence of CGMs on the relationship between corporate disclosure and EM among listed firms at the USE. Table 4.18 presents a summary of the results of hypothesis testing.

Table 4.17: A Summary of the Hypothesis Tests

Dependent Variable			Earnings Management	
Explanatory Variable	**Null Hypothesis**	**Sign**	**Finding Significance**	**Hypothesis Status**
MD	1	+	Insignificant at 1%	Accepted
SID	2	-	Significant at 1%	Rejected
FID	3	+	Insignificant at 1%	Accepted
FLID	4	+	Insignificant at 1%	Accepted
CD and CGMs	5	-(AC)	Significant at 1%	Rejected

Notes: The hypotheses are presented in Chapter One

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the main findings of the thesis are summarised, conclusions regarding the study objectives are drawn, recommendations are made, and avenues for future research are highlighted. Section 5.2 provides the findings regarding each of the study objectives developed in Chapter One of this thesis. Section 5.3 concludes on each research question. Basing on the summary of the findings and the limitations encountered in the study, policy recommendations as well as avenues for future research are provided in Sections 5.4 and 5.5, respectively.

5.2 Summary of the Findings

This study sought to examine the effect of corporate disclosure on EM among listed firms at the USE while controlling for some firm characteristics. Accordingly, this section documents a summary of the study's results, discussed in Section 4.4 of Chapter 4.

5.2.1 Results on Effect of Mandatory Disclosure of IAS/IFRS on Earnings Management

In this sub-section, the study sought to answer the first hypothesis which examined whether there is no significant effect of mandatory disclosure of IAS/IFRS on EM among listed firms at the USE. To begin with, the findings revealed that mandatory dicslosure has no significant effect on EM. In addition, the coefficient of PRFT is negative and significant at the 1% significance level, implying that high profitability constrains EM.

5.2.2 Results on Effect of Strategic Information Disclosure on Earnings Management

The second hypothesis of the study was to establish whether there is no significant effect of SID on EM among listed firms at the USE. The results of the hypothesis

testing revealed a negative significant effect of SID on EM, suggesting that firms that disseminate their SI tend to engage less in managing earnings through DACC. In line with the control variables, only PRFT yielded negative and significant with EM, implying that firms that are profitable tend to engage less in EM.

5.2.3 Results on Effect of Financial Information Disclosure on Earnings Management

The third hypothesis tested whether there is no significant effect of FID on EM among listed firms at the USE. The findings revealed the disclosure of financial information positively affects EM albeit the relationship is insignifact. Furthermore, PRFT exhibited a negative significant influence on EM, thus indicating an alignment of profit increase with a decrease in EM.

5.2.4 Results on Effect of Forward-Looking Information Disclosure on Earnings Management

The third hypothesis of this study tested whether there is no significant effect of FLID on EM among listed firms at the USE. The results revealed that the variations in EM at the USE listed firms can be explained by the disclosure of FLID and the control variables. The coefficient of FLID was also found to be positive and insignificant, meaning that an increase in the disclosure of FLI leads to an increase in DACC as proxy for EM, based on the modified Jones Model. Secondly, the results also showed that PRFT has a significant negative effetc on DACC as a proxy for EM.

5.2.5 Results on the Moderating Effect of Corporate Governance Mechanisms on the Relationship Between Corporate Disclosure and Earnings Management

The fifth hypothesis examined whether there is no significant moderating effect of CGMs on the relationship between CD and EM among listed firms at the USE. First, it was observed that collectively CD, the control variables and CGMs can be collectively considered to greatly affect the variations in EM. Second, of all the three CGMs, it is only AC that has a negative and significant moderating influence on the relationship between corporate disclosure and EM.

5.3 Conclusions

The *a priori* theoretical expectation of this thesis was that an effective corporate disclosure system and a fully operational system of CG can constrain EM and lead to better corporate policy decisions. With limited prior empirical evidence on quoted companies in Uganda, this study sought to empirically examine the effect of CD on EM among listed companies at the USE. Several conclusions have been drawn from the results of this thesis. These are identified in the ensuing paragraphs.

The first conclusion is that mandatory disclosure of IFRS leads to an increase in EM among USE listed firms. Empirically, this result is inconsistent with past studies (Chua *et al*., 2012; Sellami & Slimi , 2016; Zeghal *et al*., 2012) that found a decrease in EM following the mandatory adoption of IAS/IFRS. In addition, we also conclude that PRFT constitutes an important constraint to EM. Two, based on the statistical results of the second hypothesis, it can be concluded that the disclosure of SI is associated with a reduction in EM, as measured by the magnitude of DACC from the modified Jones Model, thereby leading to an increase in AQ, implying a higher EQ.

The third conclusion regards the statistical results of the multivariate robust regression analysis for the third hypothesis. The results of this hypothesis revealed a positive and insignificant effect of FID on EM, suggesting that the disclosure of financial information by USE listed companies doesn't necessarily reduce the incentives for managers to engage in earnings mannipulation through DACC. However, PRFT was negatively significantly related with the degree of EM among the sampled firms at the exchange.

The fourth conclusion is with regard to the multivariate robust regression analysis for the fourth hypothesis. Based on the results of this hypothesis, it can be concluded that the reporting of FLID in the annual reports of USE listed firms doesn't curb, but rather encourages the practice of EM among the USE listed firms, albeit the relationship is not significant. Moreover, of all the control variables, PRFT has a negative significant effect on EM.

The fifth conclusion is with regard to multivariate robust regression analysis for the fifth hypothesis, aimed at examining the moderating effect of CGMs on the

relationship between CD on the one hand, and EM on the other. Since the robustness check yielded a negative significant moderating effect of AC characteristics on the relationship between CD and EM, the researcher concluded that CGMs have a moderating effect on the relationship between CD and EM. These results are in agreement with the findings of Salama *et al.* (2010), who upon examining the interaction effect of CGMs on the relationship between EM and CED, found that AC moderates the relationship between CED and EM.

5.4 Recommendations

Arising from the conclusions in Section 5.3 and discussed below are important policy and managerial implications for the regulation of financial disclosure and reporting practice in Uganda. First, the results of this thesis have important implications for accounting standard setting and contribute to the ongoing debate in relation to the optimal flexibility permitted by standard setting. Studying several IAS/IFRS helps to identify standards that have a significant influence on enhancing FRQ and shows standards that need to be revised, as they offer the opportunity to manage earnings and allow managers to opportunistically exercise the allowed reporting latitude. In addition, standards setters could use these results as a springboard for judging whether mandatory application of IAS/IFRS is actually associated with an improvement in the quality of corporate financial reports in countries other than the EU, and for investors and financial market's regulators that are very concerned about the reliability and relevance of published financial statements following the mandatory adoption of IFRS.

Second, this study could benefit accounting standard setting bodies that are interested in making disclosure regimes effective. For instance, the study found that effective disclosure of SI such as a description of the major products or services offered, the general outlook of the economy, significant issues during the year, an analysis of enterprise's market share, environmental protection programmes, among other things, drives EM downwards.

Third, the empirical results rejected the assumption that the provision of FLI in annual reports leads to a decline in EM. This result is contrary to empirical findings

from prior studies (see for example Alqatamin, 2016) and has important implications for managers in that they need to rethink about better strategies to deploy in firms, so as to reverse the negative picture painted with regard to the provision of FLID and its relationship with EM. This is all inclined towards developing a reputation for high quality earnings in the audited financial statements and thereby making FLID more credible to investors.

This study used three different disclosure indices: MDINDEX, which contains 185 mandatory disclosure items required by IFRS; VDINDEX, which comprises 33 voluntary disclosure items; and, CGI, which contain 15 disclosure items. These indices may be employed by different users (e.g. investors, financial analysts, regulators) in a bid to assess the extent of corporate financial disclosure in USE listed firms. The indices may be updated by different users by adding new mandatory disclosure items and other voluntary and corporate governance items as appropriate. In a nutshell, the indices could act as a benchmark for regulators and other users for purposes of future analysis and evaluation.

5.5 Suggestions for Future Research

In this section of the thesis, several avenues for future research are highlighted in a bid to address the study limitations underscored in Chaper One. First, this study focused on the effect corporate disclosure of IAS/IFRS on EM post the mandatory adoption period. Future research could compare the effect of corporate disclosure of IFRS on EM pre and post the mandatory adoption of IFRS for firms in countries that subscribe to IASB across the globe and more so outside of the EU and the U.S.

Second, while this study has examined the effect of FLID on EM among listed non-financial companies at the USE, it would be interesting to examine this association among financial institutions, to achieve a comprehensive understanding of EM activities in firms. Third, the findings of this study are based on the perception of EM as an opportunistic behaviour rather than looking at it from an informative perspective. In addition, this study has used total DACC as a proxy for EM in examining the effect of corporate disclosure on EM. An important avenue for future

studies would be to use different proxies for EM such as REM and signed accruals as emphasized by Velayutham (2014).

Fourth, the current study examined the effect of FLID on EM. It would be attractive for future studies to consider whether other disclosure contexts, such as backward-looking disclosures (BLDs) and the cost of voluntary disclosures affect EM practices. Fifth, this study focused on the internal CGMs per se, in examing the moderating or interaction influence between corporate disclosure and EM. Future studies could focus on the moderating influence of external CGMs (such as the market for corporate control, the managerial labour market, and the law, amongst others) on EM, as well as the interaction or interdependence between external and internal CGMs on the relationship between corporate disclosure and EM.

Sixth, this study depended entirely on secondary data. Future studies could consider using either a mixed design or case study approach augmented with primary data collected from interviews with directors and management regarding corporate disclosure and EM. Seventh, this study considered two channels only, that is, annual reports, and corporate websites, to measure both disclosure and governance information, yet companies may use other reporting channels such as the social media to disclose corporate information. Future research could consider these sources in addition to the sources used in this research in order to assess the extent of disclosures related to manadatory, voluntary and governance related issues.

REFERENCES

Abaoub, E. & Y. Nouri, Y. (2015). Earnings management and analyst coverage changes around IFRS implementation: Evidence from France. *International Journal of Business and Finance Research, 9(3)*, 83-94.

Abed, S., Al-Attar, A., & Suwaidan, M. (2012). Corporate governance and earnings management: Jordanian evidence. *International Business Research, 5(1),* 216-225.

Abdullah, M. (2011). Compliance with International Financial Reporting Standards in a developing country: The case of Malaysia (Unpublished PhD thesis). University of Stirling, UK.

Abhijeet, S. (2014). An examination of earnings quality in Australia: Do auditor attributes matter? (Unpublished PhD thesis). Curtin University, UK.

Abu-Jebbeh, M. A., & Al-Thuneibat, A. A. (2017). The effect of profitability on earnings management in industrial companies listed in Amman Stock Exchange.

Aburaya, R. K. (2012). The relationship between corporate governance and environmental disclosure: UK evidence (Unpublished PhD thesis). Durham University, UK.

Achleitner, A.-K., Günther, N., Kaserer, C., & Siciliano, G. (2014). Real earnings management and accrual-based earnings management in family firms. *European Accounting Review, 23(3),* 431–461.

Aerts, W., & Cheng, P. (2011). Causal disclosures on earnings and earnings management in an IPO setting. *Journal of Accounting and Public Policy* 30 (5), 431–459.

Ahmad, M., Anjum, T., & Azeem, M. (2014). Investigating the impact of corporate governance on earning management in the presence of firm size; evidence from Pakistan. *International Interdisciplinary Research Journal*, *3*(2), 84-90.

Ahmad-Zaluki, N.A., & Wan-Hussin, W.N. (2010). Corporate governance and earnings forecasts accuracy. *Asian Review of Accounting, 18*(1), 50-67.

Ahmed, S. A., Neel, M. & Wang, D. (2013). Does mandatory adoption of IFRS improve accounting quality? Preliminary evidence. *Contemporary Accounting Research*, *30(4)*, 1344-1372.

Ajay, R., & Madhumathi, R. (2013). Diversification strategy and earnings management: An empirical investigation of firms in the manufacturing sector. *International Journal of Social Science and Humanity.*

Akerlof, G. A. (1970). The market for lemons: Quality, uncertainty and the market mechanism. *Quarterly Journal of Economics*, *84*(3), 488-500.

Albassam,W. (2014). Corporate governance, voluntary disclosure and financial performance: An empirical analysis of Saudi listed firms using a mixed-methods research design (Unpublished PhD thesis). University of Glsasgow, UK.

Albawwat, A. H., and Basah, M. Y. (2015). Corporate governance and voluntary disclosure of interim financial reporting in Jordan. *Journal of Public Administration and Governance*, 5(2), 100-127.

Alberti-Alhtaybat, L.V., Hutaibat, K., & Al-Htaybat, K. (2012). Mapping corporate disclosure theories. *Journal of Financial Reporting and Accounting*, *10(1),* 73-94.

Alfaraih, M. (2009). Compliance with international financial reporting standards (IFRS) and the value relevance of accounting information in emerging stock markets: Evidence from Kuwait (Unpublished PhD thesis). Queensland University of Technology, Queensland, Australia.

Alhadab, M., Clacher, I., & Keasey, K. (2013). Real and accrual earnings management and IPO failure risk. *Working Paper*.

Allegrini, M., & Greco, G. (2013). Corporate boards, audit committees and voluntary disclosure: Evidence from Italian listed companies. *Journal of Management and Governance, 17*(1), 187-216.

Alghamdi, S. A. L. (2012). Investigation into earnings management practices and the role of corporate governance and external audit in emerging markets: Empirical Evidence from Saudi listed companies (Unpublished PhD thesis). Durham University, UK.

Ali, S.M., Salleh, N.M., & Hassan, M.S. (2010). Ownership structure and earnings management in Malaysian listed companies: The size effect. *Asian Journal of Business and Accounting, 1(2).*

Ali, U., Noor, M. A., & Khurshid, M. K. (2015). Impact of firm size on earnings management: A study of textile sector of Pakistan. *European Journal of Business and Management*, *7*(28), 47-56.

Al-Akra, M., Eddie, I. A., & Ali, M. J. (2010). The influence of the introduction of accounting disclosure regulation on mandatory disclosure compliance: Evidence from Jordan. *British Accounting Review,* 42(3), 170-186.

Al-Janadi, Y., Rahman, R. A., & Omar, N. M. (2013). Corporate governance mechanisms and voluntary disclosure in Saudi Arabia. *Research Journal of Finance and Accounting, 4(4),* 25-36.

Al-Zarouni, A., Tahir, M., Ng, C., & Aljifri, K. (2015). Assessing the current level of corporate financial disclosure in the United Arab Emirates. *Asia-Pacific Journal of Education, Business and Society, 1*(1), 60-80.

Al Zoubi, A. & Al Zoubi, N. (2012). The adequacy of accounting mandatory disclosure under the global financial crisis: a field study in Jordan. *Accounting and Management Information Systems*, *11*(3), 424–41.

Alzoubi, E. S. S. (2016). Disclosure quality and earnings management: Evidence from Jordan. *Accounting Research Journal*, 29(4), 1-28.

Almahrog, Y., Marai, A., & Knežević, G. (2015). Earnings management and its relations with corporate social responsibility. *Economics and Organisation*, *12(4),* 347- 356.

Almasarwah, A. (2015). Earnings management and its relationship with corporate governance mechanisms in Jordanian industrial firms (Unpublished doctoral thesis). Loughborough University, Loughborough.

Alotaibi, B. M. A. (2014). *Corporate governance and voluntary disclosure in Kuwait* (Unpublished PhD thesis). University of Bedfordshire, UK.

Alsharairi, M., A., R. (2012). Pre-merger earnings management: Sarbanes Oxley, leverage and non-cash acquisition premia (Unpublished PhD Thesis). Durham University, England.

Alqatamin, R. M. H. (2016). *Forward-kooking information disclosures, earnings management practices, and "the CEO's" personal characteristics: The case of Jordan* (Unpublished PhD thesis). University of Central Lancashire, UK.

Alves, S. (2012). Executive stock options and earnings management in the Portuguese listed companies. *RC-SAR, 15(2),* 211-235.

Alves, S. (2012). Ownership structure and earnings management: Evidence from Portugal. *Australasian Accounting, Business and Finance Journal*, 6(1), 57-74.

Al-Zarouni, A., Tahir, M., Ng, C., & Aljifri, K. (2015). Assessing the current level of corporate financial disclosure in the United Arab Emirates. *Asia-Pacific Journal of Education, Business and Society*, *1(1),* 60-80.

Alzoubi, E. S. S. (2016). Disclosure quality and earnings management: Evidence from Jordan. *Accounting Research Journal*, *29(4),* 1-28.

Alzoubi, E. S. S, & Selamat, M. H. (2012). The effectiveness of corporate governance mechanism on constraint earnings management: Literature review and proposal framework. *International Journal of Global Business*, *5(1),* 17-35.

Ames, D. (2013). IFRS adoption and accounting quality: The case of South Africa. *Journal of Applied Economics and Business Research (JAEBR)*, 3(3), 154-165.

Ammann, M., Oesch, D., & Schmid, M. M. (2011). Corporate governance and firm value: International evidence. *Journal of Empirical Finance, 18*, 36-55.

Anam, O.A., Fatima, A.H., & Majdi, A.R.H. (2011). Effects of intellectual capital information disclosed in annual reports on market capitalization: Evidence from Bursa Malaysia. *Journal of Human Resource Costing & Accounting*, *15*(2), 85-101.

Ang, J., Hutton, I., & Majadillas, M. (2014). Manager divestment in leveraged buyouts. *European Financial Management, 20*(3), 462-493.

Anis, R. M. M. (2016). *Disclosure quality, corporate governance mechanisms and firm value* (Unpublished PhD thesis). University of Stirling, Scotland, UK.

Anyoli, E. (2016, November 9). Ex-Vision accountant gives eidence over Shs 292 million fraud. *New Vision*, National News, p.10.

Arabi, U. (2010). Implications of global financial and economic crisis on FDI Flows: The Indian perspective. *Indian Journal of Economics and Business*, *9*(4), 731-50.

Aribi, Z. A., Alqatamin, R.M.H., & Arun, T.G. (2018). Gender diversity on boards and forward-looking information disclosure: Evidence from Jordan. *Journal of Accounting in EmergingEconomies.*

Arrow, K. J. (1972). Some Models of Racial Discrimination in the Labor Market. In A. H. Pascal (Ed.), *Racial Discrimination in Economic Life*. Lexington, MA: Heath.

Artiach, T.C., & Clarkson, P.M. (2011). Disclosure, conservatism and the cost of equity capital: A review of the foundation literature. *Accounting & Finance, 51(1)*, 2- 49.

Attanassakou, V. E., & Hussainey, K. (2014). The perceived credibility of forward-looking performance disclosures. *Accounting and Business Research, 44(3)*, 227-259.

Awidat, M., & Vladan, P. (2014). An overview of earnings management measurement approaches: development and evaluation. *Economics and Organization*, *11*(1), 21 – 36.

Ayemere, I. L., & Afensimi E. (2015). Audit committee attributes and earnings management: Evidence from Nigeria. *International Journal of Business and Social Research*, *05*(04), 14-23.

Aygun, M., Suleyman I., & Sayim, M. (2014). The effects of corporate ownership structure and board size on earnings management: Evidence from Turkey. *International Journal of Business   and Management, 9(12)*, 123-132.

Baba, C. M. (2011). The role of the accounting professional in the management of the economic crisis. *Bulletin of the Transilvania University of Braşov, Romania*, *4*(2), 187-92.

Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International accounting standards and accounting quality. *Journal of Accounting Research*, 46(3), 467-498.

Barnard, C. (1938). *The functions of the executive*. Cambridge, MA: Harvard University Press

Bauer, T., & Boritz, J. E. (2013). Corporate Reporting Awards and Financial Reporting Quality. *Working paper.* Rettrieved from *http://papers.ssrn.com.*

Beardsley, E.I., Robinson, J.R., & Wong, P.A. (2021). What's my target? Individual analyst forecasts and last-chance earnings management. *Journal of Accounting Economics. In Press, Corrected Proof.*

Beaudoin, C. A., Cianci, A. M., & Tsakumis, G. T. (2013). The impact of CFOs' incentives and earning management ethics on their financial reporting

decisions and the mediating role of moral disengagement. *Journal of Business Ethics, 128*(3), 505-518.

Beekes, W., Brown, P., Chin, G., & Zhang, Q. (2012). The effects of corporate governance on   information disclosure, timeliness and market participants' expectations. Working Paper (Universities of Lancaster, New South Wales and Western Australia). Retrieved from *http://papers.ssrn.com/sol3/ papers.cfm?abstract_id=2122300*.

Beekes, W., Brown, P., Zhan, W., & Zhang, Q. (2016). Corporate governance, companies' disclosure practices, and market transparency: A cross country study. *Journal of Business Finance and Accounting, 43(3-4),* 263-297.

Belal, A.R., Kabir, M.R., Cooper, S., Dey, P., Khan, N.A., Rahman, T., & Ali, M. (2010). Corporate environmental and climate change disclosures: empirical evidence from Bangladesh. *Research in Accounting in Emerging Economies*, 10, 145-67.

Belgacem, I., & Omri, A. (2015). Does corporate social disclosure affect earnings quality? Empirical evidence from Tunisia. *International Journal of Advanced Research*, *3(2*), 73-89.

Bello, A., Salisu, A.S., & Adeyemi, T. (2016). IFRS adoption and earnings management in Nigerian non-financial quoted companies. *Proceedings of the International Conference on Accounting Studies (ICAS) 2016 15-18 August 2016, Langkawi, Kedah, Malaysia.*

Bendickson, J., Muldoon, J., Liguori, E. W., & Davis, P. E. (2016). Agency theory: background and epistemology. *Journal of Management History*, *22*(4), 437-449.

Bergen, M., Dutta, S., & Walker, O. C., Jr. (1992). Agency relationships in marketing: A review of the implications and applications of agency and related theories. *Journal of Marketing*, 56(3), 1.

Berle, A. A., & Means, G. C. (1932). *The modern corporation and private property*. Harcourt, Brace & World: New York.

Berle, A., & Means, G. (1932). *The modern corporation and private property*. New York, USA: Macmillan.

Beslic I., Beslic, D., Aksic, D., & Andric, M. (2015). Testing the models for detection of earnings management. *Industrija*, *43*(3), 55-79.

Beyer, A., Cohen, D. A., Lys, T.Z., & Walther, B. R. (2010). The financial reporting environment: Review of recent literature. *Journal of Accounting and Economics*, *50*(2-3), 295-343.

Bhuyan, M.S.S. (2018). Determinants and effects of voluntary disclosure with a focus on corporate governance and firm performance: Evidence from Bangladesh (Unpublished PhD thesis). University of Wollongong: Australia.

Bilal, O., & Jon, S. (2011). Corporate aggregate disclosure practices in Jordan. *Advances in Accounting, Incorporating Advances in International Accounting*, *27*(1), 166-186.

Biobele, B. S., Igbo, I. E., & John, E. F. (2013). The significance of international corporate governance disclosure on financial reporting in Nigeria. *International Journal of Business and Management*, *8*(8), 100-106.

Birk, M. (2018). *Empirical research on financial notes to the accounts and earnings management* (Unpublished PhD thesis). The University of Gloucestershire: UK.

Bisman, J. (2010). Post positivism and accounting research: A (personal) primer on critical realism. *Australasian Accounting, Business and Finance Journal*, *4*(4), 3-25.

Boshnak, H. (2017). *Mandatory and voluntary disclosures in GCC listed firms* (Unpublished PhD Thesis). University of the West of England, UK.

Botsari, A., & Meeks, G. (2008). Do acquirers manage earnings prior to share for share bid? *Journal of Business Finance & Accounting, 35*(5-6), 633-670.

Bozanic, Z., Roulstone, D. T., & Van Buskirk, A. (2013b). Management earnings forecasts and forward-looking statements. *Available at SSRN 2130145.*

Branco, M.C. and Rodrigues, L.L. (2008). Factors influencing social responsibility disclosure by Portuguese companies. *Journal of Business and Ethics, 88*, 685-701.

Bravo, F. (2016). Forward-looking disclosure and corporate reputation as mechanisms to reduce stock return volatility. *Revista de Contabilidad - Spanish Accounting Review, 19(1),* 122-131.

Brick, I. E., Chidambaran, N., & Tuckman, H. (2012). Corporate director independence, actions and ethics: A survey. *Accounting and Finance Research, 1(1),* 116-133.

Brooks, C. (2019). *Introductory econometrics for finance*. Cambridge: Cambridge University Press.

Bryce, M., Jahangir Ali, M., & Mather, P. R. (2015). Accounting quality in the pre-/post-IFRS adoption and the impact on audit committee effectiveness - Evidence from Australia. *Pacific-Basin Finance Journal*, *35*, 163-181.

Bulere, T. (2015). Stock market development and economic growth in Uganda: A time series analysis for the period 1998Q1-2012Q4. *A Research paper presented in partial fulfilment of the requirements for obtaining the Degree of Master of Arts in Development Studies*. Institute of Social Studiess, Erasmus, The Hague, Netherlands.

Buniamin, S., Johari, N.H., Rahmen, N.R., Abd, R., & Abdul, F.H. (2012). Board diversity and discretionary accruals of the top 100 Malaysia corporate government (MCG) index company. *African Journal of Business Management, 6*(29), 8496-8503.

Burgstahler, D., & Dichev, I. (1997). Earnings management to avoid earnings decreases and Losses. *Journal of Accounting and Economics*, *24*, 99-126.

Burnham, J. (1941). The managerial revolution: What is happening in the world. John Day Company, Inc.: New York.

Bushman, R. & Landsman, W.R. (2010). The pros and cons of regulating corporate reporting: A critical review of the arguments. *Accounting and Business Research*, *40(3)*, 259-273.

Buzby, S.L. (1975). Unlisted company size, listed versus and the extent of disclosure financial. *Journal of Accounting Research*, Spring, 16–37.

Cahyaningtyas, S. R., Sasanti, E. E., & Husnaini, W. (2015). Corporate governance and different types of voluntary disclosure: Evidence from companies listed on the stock exchange of Indonesia. *I J A B E R, 13*(7), 4833-4849.

Call, A. C., Chen, S., & Miao, Tong, Y. H. (2010). Do firms issuing short-term earnings guidance exhibit worse earnings quality?

Callao, S., & Jarne, J. (2011). The impact of the crisis on earnings management. *Revista de Contabilidad*, 14(2), 59–85.

Callao, S., Jarne, J. I., & Wróblewski, D. (2017). Detecting earnings management investigation on different models measuring earnings management for emerging eastern European countries. *International Journal of Research – GRANTHAALAYAH*, *5*(11), 222-259.

Campbell, D., Shrives, P., & Saager, H. B. (2001). Voluntary disclosure of mission statements in corporate annual reports: signaling what and to whom? *Business and Society Review*, 106(1), 65-87.

Capkun, V., Collins, D. W., & Jeanjean, T. (2012). Does adoption of IAS/IFRS deter earnings management? *ResearchGate*, *2-2-12*, 1-59.

Capkun, V., Dan Collins, D., & Jeanjean, T. (2016). The effect of IAS/IFRS adoption on earnings Management (smoothing): A closer look at competing explanations. *J. Account. Public Policy*, 1-43.

Carter, M.E., Lynch, L., & Zechman, S. (2009). Changes in bonus contracts in the post-   Sarbanes-Oxley era. *Review of Accounting Studies,* 14(4), 480–506.

Chen, C. S. (2016). The effect of mandatory disclosure requirements and disclosure types of auditor fees on earnings management: Evidence from Taiwan. *Asia Pacific Management Review*, 1-15.

Chen, J., & Roberts, R. (2010). Toward a more coherent understanding of the organization society relationship: A theoretical consideration for social and environmental accounting research. *Journal of Business Ethics*, *97(4),* 651-665.

Chen, K., & Liu, J.-L. (2010). Earnings Management, CEO domination, and growth opportunities: Evidence from Taiwan. *International Journal of Public Information Systems, 6(1).*

Chen, S., Matsumoto, D., & Rajgopal, S. (2011). Is silence golden? An empirical analysis of firms that stop giving quarterly earnings guidance. *Journal of Accounting & Economic* (forthcoming).

Chen, S., Wang, Y., & Zhao, Z. (2009). Regulatory incentives for earnings management   through asset impairment reversals in China. *Journal of Accounting, Auditing & Finance 24*(4), 589-620.

Cheng, Q., Warfield, T., & Ye, M. (2011). Equity incentives and earnings management: Evidence from the banking industry. *Journal of Accounting, Auditing & Finance, 26*(2), 317 – 349.

Chen, Y., Lee, C., & Chou, P. (2015). Stock-based compensation and earnings management behaviours. *Review of Pacific Basin Financial Markets and Policies*, 18(2), 1-33.

Chitambo, L. C. W. (2013). *The extent and determinants of greenhouse gas reporting in the United Kingdom* (unpublished PhD thesis). Bournemouth University, United Kingdom.

Choi, B. B., Lee, D., & Park, Y. (2013). Corporate social responsibility, corporate governance and earnings quality: Evidence from Korea. *Corporate Governance: An International Review, 21(5),* 447-467.

Christensen, H. B., Lee, E., Walker, M., & Zeng, C. (2015). Incentives or standards: What determines accounting quality changes around IFRS adoption? *European Accounting Review, 24(1),* 31-61.

Chua, Y.L., Cheong, C. S. & Gould, G. (2012). The impact of mandatory IFRS adoption on accounting quality: Evidence from Australia. *Journal of International Accounting Research*, *11*(1), 119-146.

Clarkson, M. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. Academy of Management Review, 20 (1), 92-116.

Cristina-Maria, M. (2012). The interplay between accounting and economic crises - An analysis of accounting regulations (Unpublished PhD thesis). Babes Bolyai University, Romania.

Creswell, J. & Clark, V. (2011). *Designing and conducting mixed methods research* (2nd ed.). London, UK: Sage Publications.

Cochran, P. L., Wood, R. A., & Jones, T. B. (1985). The composition of boards of directors and incidence of golden parachutes. *Academy of Management Journal*, 28(3), 664-671.

Cohen, D., & Zarowin, P. (2010). Accrual-based and real earnings management activities around seasoned equity offerings. *Journal of Accounting and Economics, 50*(1), 2 - 19.

Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling theory: A review and assessment. *Journal of Management, 37*(1), 39-67.

Consoni, S., & Colauto, R. D. (2016). Voluntary disclosure in the context of convergence with International Accounting Standards in Brazil. *Review of Business Management*, *18*(62), 658- 677.

Consoni, S., Colauto, R. D., & de Lima, G. A. S. (2017). Voluntary disclosure and earnings management: Evidence from the Brazilian capital market. *USP, São Paulo*, *28*(74), 249 263.

Constantatos, A.-F. (2018). Corporate governance mechanisms in Greece and their effect on earnings management and firm performance (Unpublished PhD thesis). University of Stirling, UK.

Cornett, M. M., Marcus, A. J. & Tehranian, H. (2008). Corporate governance and pay for- performance: The impact of earnings management. *Journal of Financial Economics, 87*(2), 357–373.

Cotter, D. (2012). *Advanced financial reporting: A complete guide to IFRS.* Harlow: Financial Times Prentice Hall.

Cooper, D.R. & Schindler, P.S. (2012). *Business research methods* (12th ed.). New York: Mc-Graw Hill/Irwin.

Daines, R., & Jones, C. M. (2012). Truth or consequences: Mandatory disclosure and the impact of the 1934 Act. *Working Paper*, Stanford Law School.

Daghsni, O., Zouhayer, M., & Mbarek, K. B. H. (2016). Earnings management and board characteristics: Evidence from French listed firms. *Arabian Journal Business Management Review*, *6(5),* 2-9.

Damak, S. T. (2013). The corporate governance mechanisms: Evidence from Tunisian banks. *IOSR Journal of Business and Management*, *9*(6), 61-68.

DeAngelo, L. (1986). Accounting numbers as market valuation substitutes: A study of Management buyouts of public stockholders. *The Accounting Review*, *3*, 400-420.

DeAngelo, L. (1988). Discussion of evidence of earnings management from the provision for   bad debts. *Journal of Accounting Research, 26*, 32-40.

Dechow, P. M., & Dichev, I. D. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review, 77*, 35–59.

Dechow, P., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences, *Journal of Accounting and Economics, 50*, 344-401.

Dechow, P. M., Kothari, S. P., & Watts, R. (1998). The relation between earnings and cash flows. *Journal of Accounting and Economics*, *25*, 133-168.

Dechow, P. M., Richardson, S. A., & Tuna, I. (2003). Why are earnings kinky? An examination   of the earnings management explanation. *Review of Accounting Studies, 8*, 355–384.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting earnings management. *The Accounting Review*, *70*(2), 193-225.

Deegan, C. (2004). *Financial accounting theory*. North Ryde NSW: McGraw-Hill Australia.

Degeorge, F., Patel, J., & Zeckhauser, R. (1999). Earnings management to exceed thresholds, *Journal of Business*, *72*(1), 1-33

DeFond, M. L. (2010). Earnings quality research: Advances, challenges and future research. University of Southern California.

Dey, P.K., Roy, M., & Akter, M. (2020). What determines forward-looking information   disclosure in Bangladesh? *Asian Journal of Accounting Research, 5*(2), 225-239.

Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary non-financial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review, 86*, 59–100.

Dhaliwal, D. S., Radhakrishnan, S., Tsang, A., & Yang, Y. G. (2012). Non-financial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. *The Accounting Review, 87*, 723–759.

Dhu, H., & Hbp, C. (2019). Corporate Governance and Earnings Management: *A Review. IRE Journals, 2*(12), 212-214.

Dimitropoulos, P. E., & Asteriou, D. (2010). The effect of board composition on the informativeness and quality of annual earnings: Empirical evidence from Greece. *Research in International Business and Finance, 24*, 190–205.

Donaldson, T., & Preston, L. (1995). A stakeholder theory of the corporation: Concepts, evidence and implications. *Academy of Management Review, 20 (1),* 65-91.

Donnelly, R., & Mulcahy, M. (2008). Board structure, ownership, and voluntary disclosure in Ireland. *Corporate Governance: An International Review*. 16(5), 416-429.

Doukakis, L. C. (2014). The effect of mandatory IFRS adoption on real and accrual-based earnings management activities. *Journal of Accounting and Public Policy, 33(6),*551-571.

Dyreng, S.D., Hillegeist, S.A. & Penalva, F, (2020) Earnings Management to Avoid Debt Covenant Violations and Future Performance. *European Accounting Review*.

Ebraheem, S. S. A. (2016). Disclosure quality and earnings management: Evidence from Jordan. *Accounting Research Journal*, *29*(4), 1-28.

Ecker, F., Francis, J., Olsson, P., & Schipper, K. (2013). Estimation sample selection for discretionary accruals models. *Journal of Accounting and Economics, 56*(2-3), 190-211.

Egbunike, F. C., & Udeh, F. N. P. (2015). The effect of earnings management on earnings and book value per share: A study of selected quoted companies in Nigeria. *Research Journal of Finance and Accounting*, *6*(21), 37-44.

Einhorn, E., & Ziv, A. (2012). Biased voluntary disclosure. *Review of Accounting Studies 17*(2), 420–442.

Eisenhardt, K. M., (1985). Control: Organizational and economic approaches. *Management Science*, *31*, 134-149.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Acad. Manage. Rev.*, *14(1),* 57-74.

Elage, A. & Dardour, A. (2021). CEO incentive pay and real earnings management: Does corporate ownership structure matter? Evidence from French listed companies. *Finance Contrôle Stratégie*, NS-11.

Eldenburg, L.G., Gunny, K.A., Hee, K.W., & Soderstrom, N. (2011). Earnings management using real activities: Evidence from non-profit hospitals. *The Accounting Review, 86(5),* 1605-1630.

Elghuweel, M. I. (2015). Empirical essays on corporate governance and corporate decisions in emerging economies: The case of Oman (Unpublished PhD thesis). University of Glasgow, UK.

Elkalla, T. (2017). *An empirical investigation of earnings management in the MENA Region* (Unpublished PhD thesis). University of the West of England, England.

Enomoto, M., Kimura, F., & Yamaguchi, T. (2015). Accrual based and real earnings management: An international comparison for investor protection. *DP2012-13*, Kobe University, Japan.

Essa, S.A.G., Kabir, M.R., & Nguyen, H.T. (2016). Does corporate governance affect earnings management? Evidence from Vietnam? In 2016 Vietnam Symposium in Banking and Finance, November 17-18, 2016, Hanoi,

Vietnam. Retrieved from *https://ris.utwente.nl/ws/portalfiles/portal/ 15561519/Essa+Kabir+Nguyen.pdf*

Evan, W., & Freeman, R. (1993). *A stakeholder theory of the modern corporation: Kantian capitalism.* Englewood Cliffs, New Jersey, USA: Prentice-Hall International.

Etengu, R. O., Olweny, T. O., & Oluoch, J.O. (2019a). Effect of corporate disclosure on earnings management among listed firms at the Uganda Securities Exchange. *European Journal of Accounting, Auditing and Finance Research, 7(7),* 15-30.

Etengu, R.O., Olweny, T.O., & Oluoch, J.O. (2019b). Effect of mandatory disclosure of IAS/IFRS on earnings management among listed firms at the Uganda Securities Exchange. *European Journal of Commerce, Economics and Management, VII*(8), 166-185.

Etengu, R.O., Olweny, T.O., & Oluoch, J.O. (2019c). Corporate and strategic information disclosure and earnings management: Evidence from listed firms at the Uganda Securities Exchange. *Journal of Finance and Economics, 7(3)*, 100-105.

Fahrat, A. (2014). *Corporate governance and firm performance: The case of UK* (Unpublished Ph.D thesis). University of Portsmouth, UK.

Fakhfakh, H. (2011). Earnings management and board oversight: an international comparison. *Managerial Auditing Journal, 27(1),* 66-86.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, *26*, 301-325.

Farvaque, E., Refait-Alexandre, C., & Saïdane, D. (2012). Corporate disclosure: A review of its (direct and indirect) benefits and costs. *International Economics, 128*(2011), *5-32.*

Field, A. (2012). *Discovering statistics using SPSS.* London: Sage Publications Ltd.

Follett, M. P. (1924). *Creative experience*. Peter Smith: New York.

Follett, M. P. (1998). The new state: group organization the solution of popular government –Mary Parker Follett. The Pennsylvania State University Press: University Park, PA.

Freeman, R. (1983). Strategic Management: A stakeholder approach. *Advances in Strategic Management*, *I*, 31-60.

Freeman, R. E. (1984). Strategic management: A stakeholder approach. Pitman Publishing Inc.: Boston.

Freeman, R. E., Harrison, J. S., & Colle, S. D. (2010). Stakeholder theory: The state of the art. The *Academy of Management Annals*.

Fuller, J., & Jensen, M. C. (2010). Just say no to Wall Street: putting a stop to the earnings game. *Journal of Applied Corporate Finance, 22(1)*, 59-63.

Gaffikin, M. *(*2005*)*. Regulation as accounting theory. *Accounting & Finance Working Paper 05/09*, School of Accounting and Finance, University of Wollongong.

Gaio, C. (2010). The relative importance of firm and country characteristics for earnings quality around the world. *European Accounting review, 19(4),* 693-738.

García Lara, J. M., García Osma, B., & Pe˜nalva, F. (2014). Information consequences of accounting conservatism. *European Accounting Review*, *23(2),* 173–198.

Gavana, G., Gottardo, P., & Moisello, A.M. (2019). What Form of visibility affects earnings management? Evidence from Italian Family and Non-Family Firms. *Adm. Sci., 9 (20),* 1-14.

Gerged, A.M., Al-Haddad, L.M., & Al-Hajri, M.O. (2018). Is earnings management associated with corporate environmental disclosure? Evidence from Kuwaiti listed firms. *Accounting Research Journal, 33 (1)*, 167-185.

Ghazali, A., Shafie, N., & Sanusi, Z. (2015). Earnings management: An analysis of opportunistic behaviour, monitoring mechanism and financial distress. *Procedia Economics and Finance*, *28*, 190-201.

Gong, G., Louis, H., & Sun, A. (2008). Earnings management, lawsuits, and stock-for-stock acquirers' market performance. *Journal of Accounting and Economics, 46 (1),* 62-77.

González, J. S., & García-Meca, E. (2014). Does corporate governance influence earnings management in Latin American Markets? *Journal of Business Ethics, 121(3)*, 419-440.

Gras-Gil, E., Manzano, M. P., & Fernandez, J. H. (2016). Investigating the relationship between corporate social responsibility and earnings management: Evidence from Spain. *BRQ Business Research Quarterly, 19(4),* 288-299.

Gray, R., Owen, D.L., & Adams, C. (1996). Accounting and accountability: Changes and challenges in corporate and social reporting. London: Prentice-Hall Europe.

Grougiou, V., Leventis, S., Dedoulis, E., & Owusu-Ansah, S. (2014). Corporate social responsibility and earnings management in U.S. banks. *Accounting Forum*, *138*(3), 155-169.

Grüning, M. (2011). Capital market implications of corporate disclosure: German evidence. *BuR Business Research Journal*, *4(1),* 48-72.

Guthrie, K., Sokolowsky, J. (2010). Large shareholders and the pressure to manage earning *Journal of Corporate Finance, 16*, 302-319.

Gunny, K. A., & Zhang, T. C. (2014). Do managers use meeting analyst forecasts to signal private information? Evidence from patent citations. *Journal of Business Finance and Accounting, 41*(7-8), 950–973.

Habbash, M.(2010). The effectiveness of corporate governance and external audit in constraining constraining earnings management practice in the UK (Unpublished PhD thesis). Durham University, United Kingdom.

Habbash, M. (2011). The role of corporate governance regulations in constraining earnings management practice in Saudi Arabia

Habbash, M., Xiao, L., Salama, A., & Dixon, R. (2014). Are independent directors and supervisory directors effective in constraining earnings management? *Journal of Finance, Accounting and Management, 5(1),* 125-160.

Habib, A., Bhuiyan, B., & Islam, A. (2013). Financial distress, earnings management and market pricing of accruals during the global financial crisis. *Managerial Finance, 39* (2), 155-180.

Hadani, M., Goranova, M., & Khan, R. (2011). Institutional investors, shareholder activism and earnings management. *Journal of Business Research*, *64*, 1352-1360.

Halabi, H., & Zakaria, I. (2015). Mandatory IFRS Adoption and Earnings Quality: The Impact of Country-Specific Factors. University of Essex, United Kingdom.

Hamdan, A. M. M., Mushtaha, S. M. S., & Al-Sartawi, A. A. M. (2013). The audit committee characteristics and earnings quality: Evidence from Jordan. *Australasian Accounting Business and Finance Journal*, *7*(4), 51.

Hamrouni, A., Miloudi, A., & Benkraiem, R. (2015). How does corporate voluntary disclosure affect asymmetric information and adverse selection? *Corporate Ownership and Control*, *12*(2), 419-431.

Harrison, J. S., Bosse, D.A. & Phillips, R. A. (2010). Managing for stakeholders, stakeholder utility functions and competitive advantage. *Strategic Management Journal*, 58-74.

Hashim, H. Z. A., & Devi, S.S. (2012). Institutional monitoring and earnings quality in Malaysia. *Procedia - Social and Behavioral Sciences*, *65*, 419-426.

Hashim, M. H., Nawawi, A., & Salin, A. S. A. P. (2014). Determinants of strategic information disclosure - Malaysian evidence. *International Journal of Business and Society, 15*(3), 547-572.

Hassaan, M. (2013). The influence of corporate governance structures on compliance with mandatory IFRSs disclosure Requirements in the Jordanian context. *International Journal of Research in Business and Social Science*, *2*(3), 14-25.

Hassan, O., & Marston, C. L. (2010). Disclosure measurement in empirical accounting literature: A review article. *Working Paper*. Brunel University

Hassanein, A. A. A. (2015). Informativeness of unaudited forward-looking financial disclosure: Evidence from UK narrative reporting (*Unpublished PhD thesis*). Plymouth University, United Kingdom.

Hassanein, A. & Hussainey, K. (2015). Is forward-looking financial disclosure really informative? Evidence from UK narrative statements. *International Review of Financial   Analysis, 41*, 52-61.

He, D., Yang, D. C., & Guan, L. (2010). Earnings management and the performance of   seasoned private equity placements; Evidence from Japanese issuers. *Managerial Auditing Journal, 25*(6), 569-590.

Healy, P. (1985). The Effect of Bonus Schemes on Accounting Decisions. *Journal of Accounting and Economics*, *7(1-3)*, 85-107.

Healy, P.M. & Palepu, K.G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of Accounting and Economics, 31(1-3)*, 405-440.

Heard, J. & Bolce, W. (1981). The political significance of social reporting in the United States of America. *Acounting Organizations and Society*, *6*(3), 247-54.

Hepworth, S. R. (1953). Periodic income smoothing. *The Accounting Review, 28(1),* 32–39

Herbling, D. (2015, Dec 2). Former Uchumi managers accused of Shs 33 billion cover-up. *Daily Monitor,* Business.

Hermalin, B. E., & Weisbach, M. S. (2012). Information disclosure and corporate governance. *The Journal of Finance, 67*(1), 195-233.

Hessayri, M., & Saihi, M. (2015). Monitoring Earnings Management in Emerging Markets: IFRS adoption and ownership structure. *Journal of Economics and Administrative Sciences*, *31*(2), 86-108.

Hettihewa, S., & Wright, C. S. (2010). A review of dominant and emerging issues in corporate earnings management. *Southern Business Review*, *35(1)*, 15-36.

Ho, L., Liao, Q., & Taylor, M., (2015). Real and accrual-based earnings management in the pre and post IFRS periods: Evidence from China. *Journal of International Financial Management and Accounting*, *26*(3), 294-335.

Ho, P. L., & Taylor, G. (2013). Corporate governance and different types of voluntary disclosure: Evidence from Malaysian listed firms. *Pacific Accounting Review*, *25*(1), 4-29.

Houqe, M. N. (2010). *Impact of macro and micro governance structures on earnings management* (Unpublished PhD thesis). Victoria University of Wellington, New Zealand.

Hoque, M., Ziji, T., Dunstan, K., & Karim, A., (2012). The effect of IFRS adoption and investor protection on earnings quality around the world. *The International Journal of Accounting*, *47*(3), 333-355.

Houqe, M. N., Kerr, R., & Monem, R. (2014). Business strategy, economic growth, and earnings quality. *Social Science Research Network.*

Hu, N., Li, X., Liu, L., Qi, B., & Tian, G. (2012). Can government policies induce earnings management behavior? Evidence from Chinese public listed firms. *Journal of International Financial Management & Accounting, 23*(3), 187-207.

Huang, P., & Zhang, Y. (2011). Does enhanced disclosure really reduce agency costs? Evidence from the diversion of corporate resources. *The Accounting Review, 87*(1), 199-229.

Hussainey, K., & Mouselli, S. (2010). Disclosure quality and stock returns in the UK. *Journal of Applied Accounting Research*, *11*, 473–504.

Hussainey, K., Schleicher, T., & Walker, M. (2003). Undertaking large-scale disclosure studies when AIMR-FAF ratings are not available: the case of prices leading earnings. *Accounting and Business Research*, *33*(4), 275–294.

Hussainey, K., & Walker, M. (2009). The effects of voluntary disclosure policy and dividend propensity on prices leading earnings. *Accounting and Business Research*, *39*(1), 37–55

IASB (2010). The Conceptual Framework for Financial Reporting, International Accounting Standard Boards. London: United Kingdom.

Islam, M. A., Ali, R., & Ahmad, Z. (2011). Is Modified Jones Model effective in detecting earnings management? Evidence from a developing economy. *International Journal of Economics and Finance*, *3*(2), 116-125.

Islam, M., & Deegan, C. (2008). Motivations for an organisation within a developing country to report social responsibility information: Evidence from Bangladesh. *Accounting, Auditing and Accountability Journal, 21*(6), 850-874.

Istianingsih & Mukti, A. H. (2017). Does corporate governance as a moderating variable influence the relationship between information asymmetry and earnings management? *International Business Management, 11*(4), 859-864.

Jatiningrum, C., Abdul-Hamid, M. A., & Popoola, O. M. J. (2016). The Impact of Disclosure Quality on Corporate Governance and Earnings Management: Evidence from Companies inIndonesia. *International Journal of Economics and Financial Issues*, *6*(S4), 118-125.

Jaya, S. M. A., Bambang, P., & Endang, M. (2017). The effect of corporate governance mechanism, ownership structure, and external auditor toward corporate social responsibility disclosure with earnings management as moderating variable. *RJOAS*, *8*(68), 41-52.

Jensen, M. (2010). Value maximization, stakeholder theory, and the corporate objective function. *Journal of Applied Corporate Finance 22*(1), 32 - 42.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3(4),* 305-360.

Jha, A. (2013). Earnings management around debt-covenant violations. An empirical investigation using a large sample of quarterly data. *Journal of Accounting, Auditing & Finance, 20*(10), 1 - 28.

Jiang, H. J., Lockee, C., & Fraser, I. (2012). Enhancing board oversight on quality of hospital care: An agency theory perspective. *Health Care Management Review, 37*(2), 144-153.

Jing, L., & Kyu, P. (2012). Earnings management effects of IFRS adoption and ownership structure: Evidence from China. *Korea International Accounting Review*, *41,* 121-136.

Jones, J. (1991). Earnings management during Import relief investigations. *Journal of Accounting Research*, *29*(2), 193-228.

Kaaya, I. D. (2015). The impact of International Financial Reporting Standards (IFRS) on earnings management: A Review of empirical evidence. *Journal of Finance and Accounting*, *3*(3), 57-65.

Kamal, Y., & Deegan, C. (2013). Corporate social and environment-related governance disclosure practices in the textile and garment industry: Evidence from a developing country. *Australian Accounting Review, 23*(2), 17-34.

Kasum, A. S. (2011). The impact of compliance with accounting standards on assets and profitability of Nigerian quoted companies. *The Journal of Commerce, 3*(3), 57.

Katmun, N. (2012). *Disclosure quality determinants and consequences* (Unpublished PhD thesis). Durham University, United Kingdom.

Katmon, N., & Farooque, A. O. (2015). Exploring the impact of internal corporate governance on the relation between disclosure quality and earnings management in the UK listed companies. *Journal of Business Ethics.*

Kazemian, S., & Sanusi, Z. M. (2015). Earnings management and ownership structure. *Procedia Economics and Finance*, *31*, 618-624.

Kasznik, R. (1999). On the association between voluntary disclosure and earnings management. *Journal of Accounting Research*, 37, 57–81.

Kent, P., Routledge, J., & Stewart, J. (2010). Innate and discretionary accruals quality and corporate governance. *Accounting and Finance, 50,* 171–195.

Khalifa, A. S. (2011). Three Fs for the mission statement: what's next?. *Journal of Strategy and Management*, *4(1),* 25-43

Khalina, O., Mertens, G., & Roosenboom, P. (2015). Mandatory disclosures and earnings management: Evidence from IFRS adoption. Reteieved from *http://ssrn.com/abstract=2639988.*

Khan, A., Muttakin, M.B., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy. *Journal of Business Ethics, 114*(2), 207-23.

Khan, MH-U-Z, Halabi, A.K., & Samy, M. (2009). Corporate social responsibility (CSR) reporting: A study of selected banking companies in Bangladesh. *Social Responsibility Journal, 5*(3), 344-57.

Kiattikulwattana, P. (2014). Earnings management and voluntary disclosure of management's responsibility for the financial reports. *Asian Review of Accounting*, *22*(3), 233-256.

Kılıç, M. & Kuzey, C. (2018). Determinants of forward-looking disclosures in integrated reporting. *Managerial Auditing Journal, 33*(1), 115-144.

Kim, B., Lei, L., & Pevzner, M. (2010). Debt covenant slack and real earnings management. *Working Paper*.

Kim, Y., Park, M. S., & Wier, B. (2012). Is earnings quality associated with corporate social responsibility? *The Accounting Review*, *87*(3), 761-96.

Kitiwong, W. (2014). *Earnings management and audit quality: Evidence from South East Asia* (Unpublished PhD Thesis). University Of York: Toronto, Canada.

Kjærland, F., Haugdal, A.T., Søndergaard, A. and Vågslid, A. (2020). Corporate governance and earnings management in a Nordic perspective: Evidence from the Oslo Stock Exchange. *Journal of Risk Financial Management, 13*, 1-18.

Kolsi, M. C. (2012). The determinants of corporate voluntary disclosure: Evidence from the Tunisian capital market. *The IUP Journal of Accounting Research & Audit Practices*, *XI*(4), 1-20.

Kothari, S., Leone, A., Wasley, C. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, *39*, 163-197.

Krishnan, G., Raman, K., Yang, K., & Yu, W. (2011). CFO/CEO-board social ties, Sarbanes-Oxley, and earnings management. *Accounting Horizons, 25*(3), 537-557.

Kumari, P. & Pattanayak, J.K. (2017). Linking earnings management practices and corporate governance system with the firms' financial performance: A study of Indian commercial banks. *Journal of Financial Crime*, *24*(2), 223-241.

Laffont, J.J. and Martimort, D. (2002). The theory of incentives: The principal-agent model.   Princeton University Press, New Jersey.

Lakhal, N., (2015). Corporate disclosure, ownership structure and earnings management: The case of French listed firms. *The Journal of Applied Business Research, 31*(4), 1493-1504.

Lan, L. L., & Heracleous, L. (2010). Rethinking agency theory: The view from law. *Academy of Management Review*, *35*(2), 294-314.

Lang, M., Raedy, J. S., & Wilson, W. (2006). Earnings management and cross listing: Are reconciled earnings comparable to US earnings? *Journal of Accounting and Economics, 42*(1-2), 255-283.

Lan, Y., Wang, L., & Zhang, X. (2013). Determinants and features of voluntary disclosure in the Chinese stock market. *China Journal of Accounting Research*, *6*(4), 265-285.

Latimer, P., & Maume, P. (2015). *Promoting information in the marketplace for financial services.* Switzerland: Springer International Publishing.

Latridis, G., & Alexakis, P. (2012). Evidence of voluntary accounting disclosures in the Athens Stock Market. *Review of Accounting and Finance*, *11*(1), 73-92.

Lee, M. & Hwang, I. T. (2019). The Effect of the Compensation System on Earnings Management and Sustainability: Evidence from Korea Banks. *Sustainability, 11*(3165), 1-24.

Lee, T., Ku, C., Chen, H., & Chen, J., (2012). A study of corporate governance factors and earnings management behaviours of Taiwan public companies. *International Journal   of Business, Humanities and Technology*, *2*(5), 79-88.

Lee, B. B., & Vetter, W. (2015). Critical evaluation of accrual models in earnings management Studies. *Journal of Accounting and Finance*, *15*(1), 62-71.

Leland, H.E., & Pyle, D.H. (1977). Informational asymmetries, financial structure, and financial intermediation. *Journal of Finance, 32*(2), 371-387.

Lemma, T., Negash, M., & Mlilo, M., (2013). Determinants of earnings management: Evidence from around the World. *www.ssrn.com*.

Leone, A. J., Minutti-Meza , M., & Wasley, C. (2013). Influential observations and inference in accounting research.

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. *Journal of Financial Economics, 69*(3), 505-527.

Leuz, C., & Wysocki, P. (2015). The economics of disclosure and financial reporting regulation: Evidence and Suggestions for Future Research. *Social Science Research Network*.

Li, F. (2010). The information content of forward-looking statements in corporate filings - A Naıve Bayesian Machine learning approach. *Journal of Accounting Research*, *48*(5), 1049-1102.

Lin, F., & Wu, S. -F. (2014). Comparison of cosmetic earnings management for the developed markets and emerging markets: Some empirical evidence from the United States and Taiwan. *Economic Modelling*, *36*, 466–473.

Lin, T. P. (2011). Corporate governance mechanisms and earnings management in transitional economies: Evidence from Chinese listed firms (Unpublished PhD thesis). Queensland University of Technology, Australia.

Lin, W., & Rong, M. (2012). Impact of other comprehensive income disclosure on earnings management. *Nankai Business Review International*, *3*(1), 93-101.

Lin, C., Yuen, C. Y., Yao, L. J., & Chan, S. H. (2014). Differences in earnings management between firms using US GAAP and IAS/IFRS. *Review of Accounting and Finance*, *13*(2), 134-155.

Lindblom, C.K. (1994). The implications of organizational legitimacy for corporate social performance and disclosure. *In Critical Perspectives on Accounting Conference*, New York.

Linsmeier, T. J. (2011). Financial reporting and financial crises: The case for measuring financial instruments at fair value in the financial statements. *Accounting Horizons*, *25*(2), 409-17.

Liu, S. (2015). Corporate governance and forward-looking disclosure: Evidence from China. *Journal of International Accounting, Auditing and Taxation*, *25*, 16-30.

Liu, Y., Ning, Y., & Davidson, W. N. (2010). Earnings management surrounding new debt issues. *Financial Review*, *45*(3), 659-681.

Lo, A. W. Y., Wong, R. M. K., & Firth, M. (2010). Can corporate governance deter management from manipulating earnings? Evidence from related-party sales transactions in China. *Journal of Corporate Finance, 16*, 225-235.

Lopes, I. T. (2015). Research methods and methodology towards knowledge creation in accounting. *Contaduría y Administración, 60*(1), 9-30.

Llukani, T. (2013). Earnings management and firm size: An empirical analyis in Albanian market. *European Scientific Journal, 9*(16).

Ma, S., & Ma, L. (2017). The association of earnings quality with corporate performance. *Pacific Accounting Review, 29*, 397–422.

Maghanga, M., & Quisenberry, W. (2015). The role of Uganda Securities Exchange in the economic growth of Uganda: An econometric analysis. *International Journal of Econometric and Financial Management*, *3*(3), 131-141.

Maghfira, A., &Tresnaningsih, E. (2018). An analysis of forward-looking disclosures, corporate governance and the ability to anticipate future earnings: Empirical evidence from Indonesia. *Advances in Economics, Business and Management Research (AEBMR), 55*, 130-135.

Mahboub, R.M. (2019). The determinants of forward-looking information disclosure in annual reports of Lebanese commercial banks. *Academy of Accounting and Financial Studies Journal, 23*(4), 1-18.

Mahoney, J. (1994). What makes a business company ethical? *Business Strategy Review, 5 (*4), 1-15

Malone, D., Fries, C., & Jones, T. (1993). An empirical investigation of the extent of corporate financial disclosure in the oil and gas industry. *Journal of Accounting, Auditing and Finance*, *8*(3), 249-273.

Man, C-H., & Wong, B. (2013). Corporate governance and earnings management: A survey of literature. *The Journal of Applied Business Research, 29*(2), 391-418.

Mansor, N., Che-Ahmad, A., Ahmad-Zaluki, N.A. & Osman, A.H. (2013). Corporate governance and earnings management: A study on the Malaysian Family and Non-family owned PLCs. *Procedia Economics and Finance, 7*, 221-229.

Martens, W., Prem, Y., & Maryam, S. (2021). Earnings management in frontier market: Do institutional settings matter? *Economies, 9*(17), 1-20.

Marwa H. H. (2012). Corporate governance and compliance with International Financial Reporting Standards (IFRSs) – Evidence from Two MENA Stock Exchanges (Unpublished PhD thesis). Aston University, UK.

Mao, Y., & Renneboog, L. (2013). Do managers manipulate earnings prior to management buyouts? In SSRN Working Paper Series.

Mayang, M. & Noorlailie S (2018).The effect of good corporate governance mechanism and corporate social responsibility on financial performance with earnings management as mediating variable. *Asian Journal of Accounting Research, 3*(1), 41-60.

Mazni, A., & Marizah, M. (2013). Corporate disclosure quality in Malaysia. *International Journal of education and research, 1*(7), *1-14.*

McNichols, M., Wilson, P. (1988). Evidence of earnings management from the provision for bad debts. *Journal of Accounting Research*, *26*, 1-32.

Memis, M., & Cetenak, E. (2012). Earnings management, audit quality and the legal environment: An international comparison. *International Journal of Economics and Financial Issues 2*(4), 460- 461.

Menicucci, E. (2013). Firms characteristics and forward-looking information in management commentaries of Italian listed companies. *African Journal of Business Management, 7*(17), 1667-1674.

Meser, M., Veith, S., & Zimmermann, J. (2015). Disclosure, enforcement, and capital market properties: A longitudinal analysis for Germany. *Schmalenbach Business Review, 67*(1), 254-285.

Michelon, G., Bozzolan, S., & Beretta, S. (2015). Board monitoring and internal control system disclosure in different regulatory environments. *Journal of Applied Accounting Research, 16*(1), 138-164.

Mishra, M., & Malhotra, A. K. (2016). Audit committee characteristics and earnings management: Evidence from India. *International Journal of Accounting and Financial Reporting*, *6*(2), 247-273.

Modige, K. P. & Eboigbe, S. U. (2017). Corporate attributes and corporate disclosure of level of listed companies in Nigeria: A post-IFRS adoption study. *Journal of Finance Accounting*, *5*(2), 44-52.

Morais, A. I., & Curto, J. D. (2008). Accounting quality and the adoption of IASB standards: Portuguese evidence. *Revista Contabilidade & Finanças*, *19*(48), 103-111.

Morris, R. D. & Tronnes, P. C. (2018). The determinants of voluntary strategy disclosure: An international comparison. *Accounting Research Journal*, *31*(3), 423-441.

Mousav, Z., Jari, A., Aliahmadi, S. (2012). The evaluation of corporate governance monitoring mechanisms on capital structure in Tehran Stock Exchange. *International Journal of Business and Social Science*, *3*(1), 192-197.

Mouselli. S., Jaafar, A., & Hussainey, K. (2012). Accruals quality vis-a-vis disclosure quality: Substitutes or complements? *British Accounting Review*, *44*(1), 36-46.

Muktiyanto, A. (2017). The effect of corporate strategy on earnings management. *International Journal of Trade and Global Markets*, *10*(1), 37-46.

Mulcahy, M. B. (2013). *Initial losses, corporate governance and earnings management* (Unpublished PhD Thesis). University College Cork, United Kingdom.

Mulili, B. M., & Wong, P. (2011). Corporate governance practices in developing countries: The Case for Kenya. *International Journal of Business Administration*, *2*(1), 14-27.

Murcia, F. D., & Wuerges, A. (2011). Escolhas contabeis no mercado brasileiro: Divulgacao voluntaria de informacoes versus gerenciamento de resultados. *Revista Universo Contábil, 7*(2), 28-44.

Muslu, V., Radhakrishnan, S., Subramanyam, K. R., & Lim, D. (2011). Firm's information environment and forward-looking disclosures in the MD&A. *Working Paper*, University of Texas at Dallas, United States.

Muttakin, M. B., Khan, A. & Azim, M. I. (2015). Corporate social responsibility disclosures and earnings quality: Are they a reflection of managers' opportunistic behaviour? *Managerial Auditing Journal*, *30*(3), 277- 298.

Muttakin, M.B., Khan, A., & Belal, A.R. (2015). Intellectual capital disclosures and corporate governance: An empirical examination. *Advances in Accounting*, *31*(2), 219-27.

Muzahem, A. (2011). *An empirical analysis on the practice and determinants of risk disclosure in an emerging capital market: The case of United Arab Emirates* (Unpublished PhD thesis). University of Portmouth, UK.

Nandi, S., & Ghosh, S. K. (2012). Corporate governance attributes, firm characteristics and level of corporate disclosure: Evidence from Indian listed firms. *Growing Science Limited,* 2, 45-58.

Nasr, M.A. & Ntim, C.G. 2017). Corporate governance mechanisms and accounting conservatism: Evidence from Egypt. *International Journal of Business in Society*, 1-35.

Nassreddine, G. (2016). Determinants of financial information disclosure: A visualization test by cognitive mapping technique. *Journal of Economics, Finance and Administrative Science, 21,* 8–13.

Nerantzidis, M. (2017). The role of weighting in corporate governance ratings. *Journal of Management and Governance,* 1-40.

Norhayati bte, A. (2011). *Mandatory disclosure of interim reporting by Malaysian companies* (PhD thesis). Lincoln University, New Zealand.

Ntim, C., Opong, K., Danbolt, J. & Thomas, D. (2012a). Voluntary corporate governance disclosures by post-apartheid South African corporations. *Journal of Applied Accounting Research, 13*(2), 122-144.

Ntim, C., Opong, K., & Danbolt, J. (2012b). The relative value relevance of shareholder versus stakeholder corporate governance disclosure policy reform in South Africa. *Corporate Governance: An International Review*, *20*(1), 84-105.

Nurunnabi, M., Hossain, M., & Hossain, M. (2011). Intellectual capital reporting in a South Asian country: Evidence from Bangladesh. *Journal of Human Resource Costing & Accounting, 15*(3), 196-233.

Okamoto, N. (2011). Collective intentionality and aggressive earnings management: Developing Norman Macintosh's arguments in the debate over principles-

versus rules-based accounting standards. *Critical Perspectives on Accounting*, *22*, 236–242.

Okiro, K. O. (2014). *Corporate governance, capital structure, regulatory compliance and performance of firms Listed at the East African Community Securities Exchange* (Unpublished PhD thesis). University of Nairobi, Kenya.

Oliveira, L., Rodrigues, L. L., & Craig, R. (2013). Stakeholder theory and the voluntary disclosure of intellectual capital information. *Caspian Journal of Applied Sciences Research*, *2*(3),75-93.

Oluoch, J.O. (2015). *Effect of accruals' quality on cost of capital of public companies in Kenya* (Unpublished PhD thesis). Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya.

Omoro, N. O. (2014). *Demographic diversity in top management team, corporate voluntary disclosure, discretionary accounting choices and financial reporting quality in commercial state corporations in Kenya* (Unpublished PhD Thesis). University of Nairobi, Kenya.

Omran, M., & Abdelrazik, M. (2013). The association between corporate governance and corporate disclosure: A critical review. *Journal of Public Administration and Governance, 3(3),* 94-107.

Omran, M. A., & El-Galfy, A. M. (2014). Theoretical perspectives on corporate disclosure: A critical evaluation and literature survey. *Asian Review of Accounting*, *22*(3), 257-286.

Osma G. B., & Pope, F. P. (2011). Strategic balance sheet adjustments under first-time IFRS adoption and the consequences for earnings quality. *http://ssrn.com.*

Outa, E. (2013). Earnings management and corporate governance disclosures: Empirical evidence from East Africa. Paper presented at the *AIDEA Conference*.

Owusu-Ansah, S. (1998). The impact of corporate attributes on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. *The International Journal of Accounting*, *33*(5), 605-631.

Owusu, A. (2012). *An empirical investigation of the relationship between corporate governance and firm performance: evidence from Ghana* (Unpublished PhD thesis). Robert Gordon University, UK

Paiva, I. C., & Lourenco, I. (2013). The effect of size on the level of earnings management in family firms..

Paiva, I.S., Lourenço, I.C., & Branco, M.C. (2016). Earnings management in family firms: Current state of knowledge and opportunities for future research. *Review of Accounting and Finance, 15*(1), 85-100.

Palepu, K. G., Healy, P. M., & Peek, E. (2013). *Business analysis and valuation*: *IFRS edition*. Cengage Learning EMEA.

Pantellis, M. (2011). *An investigation of earnings management and earnings manipulation in the UK* (Unpublished PhD thesis). University of Nottingham, United Kingdom.

Pappas, K. (2015). *Three Essays on Earnings Management: Evidence from the UK* (Unpublished PhD Thesis). University of Manchester, United Kingdom.

Parsons, T. (1960). *Structure and process in modern societies*. Glencoe, IL: Free Press.

Pereira, A. & Alves, M.C.G (2017). Earnings management and European Regulation 1606/2002: Evidence from non-financial Portuguese companies listed in Euronext. *Revista de Contabilidad, Spanish Accounting Review, 20*(2), 107-117.

Petroni, K. (1992). Optimistic reporting in the property-casualty insurance industry. Journal of *Accounting and Economics*, *15*(4), 485-508.

Phillips, R. (2003). *Stakeholder theory and organizational ethics*. San Francisco: Berrett-Koehler Publishers.

Pinnuck, M. (2012). A review of the role of financial reporting in the global financial crisis. *Australian Accounting Review*, *22*(1), 1-14.

Pigou, A. C. (1932). *The economics of welfare*. London: Macmillan and Company.

Poh-Ling, H., & Grantley, T. (2013). Corporate governance and different types of voluntary disclosure: Evidence from Malaysian listed firms. *Pacific Accounting Review*, *25*(1), 4-29.

Popova, T., Georgakopoulos, G., Sotiropoulos, I., & Vasileiou, K. Z. (2013). Mandatory disclosure and its impact on the company value. *International Business Research*, *6(5),* 5, 1-16.

Poshty, S. G. M., Rastaghi, B. M. M., & Rezaeizad, S. H. (2015). Investigating relationship between disclosure quality and accounting conservatism of firms accepted at Tehran stock exchange. *Applied mathematics in Engineering, Management and Technology, 3*(1), *182-188.*

Posner, R. A. (1974). Theories of economic regulation. *Bell Journal of Economics and Management Science, 5*(2), 335-58.

Pour, S. H., & Arabi, M. (2015). The effect of voluntary disclosure on the relationship between accruals quality and information asymmetry. *J. Life Sc. Biomed., 51,* 15-20.

Qi, B., & Gaoliang, T. (2012). The impact of audit committees' personal characteristics on earnings management: Evidence from China. *Journal of Applied Business Research*, *28*(6), 1331-1343.

Rabin, C.E. (2016). *Earnings management in South Africa: Evidence and implications* (Unpublished PhD thesis). University of the Witwatersrand, SA.

Ramanathan, K.V. (1976). Toward a theory of corporate social accounting. *The Accounting Review, 21*(3), 516-28.

Rambo, C. M. (2013). Influence of the capital markets authority's corporate governance guidelines on financial performance of commercial banks in Kenya. *The International Journal of Business and Finance Research*, *7*(3), 77-92.

Rani, P., Hussain, F. F., & Chand, P.V. (2013). Managerial incentives for earnings management among listed firms: Evidence from Fiji. *Global Journal of Business Research, 7(1),* 21-31.

Rathke, A. A. T., Santana, V. de F., Lourenço, I. M. E. C., & Dalmácio, F. Z. (2016). International Financial Reporting Standards and Earnings Management in Latin America. *RAC*, *20*(3), 368-388.

Reichelstein, S. (1992). Constructing incentive schemes for government contracts: An application of agency theory. *The Accounting Review, 67*(4), 712-731.

Reverte, C. (2009). Determinants of corporate social responsibility disclosure ratings by Spanish listed firms. *Journal of Business Ethics, 88*, 351–366.

Reyna, J.M.S.M. (2012). An empirical examination of ownership structure, earnings management and growth opportunities in Mexican market. *International Journal of Business and Social Research, 2*(7), 103-123.

Rezaee, Z., & Tuo, L. (2017). Are the quantity and quality of sustainability disclosures associated with the innate and discretionary earnings quality? *Journal of Business Ethics.*

Rezaei, F. (2012). Efficient or opportunistic earnings management with regards to the role of firm size and corporate governance practices. *Interdisciplinary Journal of Contemporary Research in Business, 3*(9), 1312 – 1322.

Riahi-Belkaoui, A. (2004). *Accounting theory*, (5th ed.). London: Thomson Learning.

Riahi, Y., & Arab, M. B. (2011). Disclosure frequency and earnings management: An analysis in the Tunisian context. *Journal of Accounting and Taxation, 3*(3), 47-59.

Rohaida, B. (2011). *The relationship between governance practices, audit quality and earnings management: UK evidence* (Unpublished doctoral thesis). Durham University, United Kingdom.

Ronen, J., & Yaari, V. (2010). Earnings management: emerging insights in theory, practice, and research. *Journal of Management and Governance, 14*(1), 87-89.

Ross, S.A. (1977). The determination of financial structure: The incentive-signalling approach. *The Bell Journal of Economics, 8*(1), 23-40.

Rouf, A. (2011). Corporate characteristics, governance attributes and the extent of voluntarydisclosure in Bangladesh. *African Journal of Business management*, *5*(19), 7836 - 7845.

Roychowdhury, S. (2006). Earnings management through real activities manipulation. *Journal of Accounting and Economics, 42*, 335-370.

Roychowdhury, S., Kothari, S., & Mizik, N. (2012). Managing for the moment: The role of real activity versus accruals earnings management in SEO Valuation. In SSRN Working Paper Series.

Rudra, T., & Bhattacharjee, C. (2012). Does IFRS influence earnings management? Evidence from India. *Journal of Management Research*, *4(*1), 1-13.

Ruiz, C. V. (2018). *Multidrivers for earnings management: Special focus on tax incentives.* (Unpublished Doctoral dissertation). Complutense University of Madrid, Spain.

Rusmin, R. (2010). Auditor quality and earnings management: Singaporean evidence. *Managerial Auditing Journal, 25*(7), 618-638

Rutherford, R. C., Springer, T. M., & Yavas, A. (2005). Conflicts between principals and agents: evidence from residential brokerage. *Journal of Financial Economics, 76*(3), 627–665.

Samaha, K., Khlif, H., & Hussainey, K. (2015). The impact of board and audit committee characteristics on voluntary disclosure: A meta-analysis. *Journal of International   Accounting, Auditing and Taxation, 24*, 13-28.

Saunders, M., Lewis, P., & Thornhill, A. (2016). *Researh methods for business students* (7th ed.). Essex, England. Pearson Education Ltd.

Salawu, M. K. (2013). The extent and forms of voluntary disclosure of financial information on internet in Nigeria: An exploratory study. *International Journal of Financial Research*, *4*(1), 110-119.

Scaltrito, D. (2015). Assessing disclosure quality: A Methodological Issue. *Journal of Modern Accounting and Auditing, 11*(9), 466-475

Scaltrito, D. (2016). Voluntary disclosure in Italy: firm-specific determinants an empirical analysis of Italian listed companies. *EuroMed Journal of Business*, *11*(2), 272-303.

Schipper, K. (1981). Discussion of voluntary corporate disclosure: The case of interim reporting. *Journal of Accounting Research, 19(suppl)*, 85–88.

Scott, W.R. (2003). *Financial accounting theory*, 3rd Edition. Toronto: Pearson Education Canada.

Sejjaaka, S. K. (2006). Corporate mandatory disclosure by financial institutions in Uganda. *Research in Accounting in Emerging Economies*, *7*, 123–148.

Sekaran, U., & Bougie, R. (2013). *Research methods for business - A skill building approach* (6th Edition). West Sussex: John Wiley and Sons. England.

Sellami, Y. M., & Slimi, I. (2016). The effect of the mandatory adoption of IAS/IFRS on earnings management: Empirical evidence from South Africa. *International Journal of Accounting and Economics Studies, 4*(2), 87-95.

Sethi, S.P. (1979). A conceptual framework for environmental analysis of social issues and evaluation of business response patterns. *Academy of Management Review, 4*(1), 63-74.

Sieber, T., Weißenberger, B.E., Oberdo̎rster, T., & Baetge, J. (2014). Let's talk strategy: The impact of voluntary strategy disclosure on the cost of equity capital. *Business Research.*

Sirat, H. (2012). Corporate governance practices, share ownership structure, and size on earnings management. *Journal of Economics, Business, and Accountancy Ventura*, *15*(1), 145-156.

Sisodia, R., Wolfe, D. B., & Sheth, J. (2007). *Firms of endearment: How world-class companies profit from passion & purpose*. Upper Saddle River, NJ: Wharton School Publishing.

Sharma, N. (2017). Corporate governance mechanisms in India. *International Journal of Advanced Research and Development*, *2*(5), 132-137.

Snow, C. C., & Hambrick, D. C. (1980). Measuring organizational strategies: some theoretical and methodological problems. *The Academy of Management Review*, *5*(4), 527-538.

Stubben, S. R. (2010). Discretionary revenue as a measure of earnings management. The *Accounting Review*, *85*(2), 695-717.

Solomon, J. (2010). *Corporate governance and accountability*, 2nd Edition. New Jersey: Wiley.

Soobaroyen, T. (2012). The consequences of accounting regulation without accountants: The case of UK political parties. *Interdisciplinary Perspectives on Accounting Conference 2012, 11-13 July 2013.* Southampton, UK.

Soobaroyen, T., & Ntim, C.G. (2013). Social and environmental accounting as symbolic and substantive means of legitimation: The case of HIV/AIDS reporting in South Africa. *Accounting Forum, 37*(2), 92-109.

Stigler, G.J. (1971).The Theory of Economic Regulation. *The Bell Journal of Economics and   Management Science, 2*(1), 3-21.

Suadiye, G. (2017). Does mandatory IFRS adoption improve financial reporting quality? Empirical evidence from an emerging economy. *European Journal of Business and Social Sciences*, *6*(05), 63 – 80.

Sufian, M. A. (2016). The quality of mandatory disclosure by listed companies in Bangladesh. *Journal of Finance and Accounting, 4*(4), 194-201.

Sukthomya, D. (2011). The empirical evidence of voluntary disclosure in the annual reports of listed companies: The case of Thailand (unpublished PhD thesis). University of Nottingham, United Kingdom.

Sun, L., & Al Farooque, O. (2017). An exploratory analysis of earnings management before and   after the governance and disclosure regulatory changes in Australia and New Zealand. Retrieved from *https://ssrn.com/abstract= 2912567*.

Sun, L., & Rath, S. (2009). An empirical analysis of earnings management in Australia. *International Journal of Human and Social Sciences*, *4*(14), 1069-1085.

Sun, N., Salama, A., Hussainey, K., & Habbash, M. (2010). Corporate environmental disclosure, corporate governance and earnings management. *Managerial Auditing Journal, 25*(7), 679-700.

Sun, Y., Wang, W., Wang, X., & Zhang, W. (2013) Shareholder activism and earnings management incentives: an empirical examination of shareholder proposals in the United States. *Journal of International Financial Management & Accounting, 24*(3), 234–60.

Susanto, Y.K. (2016). The effect of corporate social and environmental responsibility disclosure on earnings management: Female audit committee as moderating. *South East Asia Journal of contemporary Business, Economics and Law*, *9*(1), 22-27.

Suzan, A., Ali, A., Mishiel, S. (2012). Corporate Governance and Earnings Management Jordanian Evidence. *International Business Research*, *5*(1), 216-225.

Swastika, D. L. T. (2013). Corporate governance, firm size, and earning management: Evidence in Indonesia Stock Exchange. *IOSR Journal of Economics and Finance*, *10*(4), 77-82.

Teoh, S., Wong, I., & Wong, T. (1998). Earnings management and the underperformance of seasoned equity offerings. *Journal of Financial Economics*, *50*, 63-99.

Thakor, A. V. (2013). Strategic information disclosure when there is fundamental disagreement. *Journal of Financial Intermediation* (forthcoming).

Tsai, W., Hung, J., Kuo, Y., & Kuo, L. (2006). CEO tenure in Taiwanese family and non-family firms: An agency theory perspective. *Family Business Review*, *19*(1), 11-28.

Tucker, J. W., & Zhang, X. (2016). Corporate disclosure and research opportunities in China. *China Journal of Accounting Studies*, 1-14.

Ugbede, O., Lizam, M., & Kaseri, A. (2013). Corporate governance and earnings management: Empirical Evidence from Malaysian and Nigerian Banks. *Asian Journal of Management Sciences and Education, 2*(4), 1-21.

Ujah, N., & Brusa, J. (2011). Earnings management, financial leverage, and cash flow volatility: Do economic conditions matter? Working paper.

Ullah, M.H., Yakub, K., & Hossain, M.M. (2013). Environmental reporting practices in annual report of selected listed companies in Bangladesh. *Research Journal of Finance and   Accounting*, *4*(7), 45-58.

Uwalomwa, U., Uwuigbe, O. R., & Okorie, B. (2015). Assessment of the effects of firms' characteristics on earnings management of listed firms in Nigeria. *Asian Economic and Financial Review, 5(2)*, 218-228.

Uwuigbe, W., Amiolemen O. S., & Uwuigbe, O. R., & Jafaru, A. (2017). Disclosure quality and earnings management of selected Nigerian banks. *JIBC, 22*(S8), *1-12*.

Uyar, A., & Kilic, M. (2012). Influence of corporate attributes on forward-looking information disclosure in publicly traded Turkish corporations. *Procedia-Social and Behavioral Sciences, 62*, 244-252.

Varci, I. (2013). The Relationship between Information Asymmetry and the Quality of Audit: An Empirical Study in Istanbul Stock Exchange. *International Business Research*, *6*(10),132-140.

Velayutham, E. (2014). *Voluntary disclosure of greenhouse gas emissions, corporate governance and earnings management: Australian evidence (Unpublished PhD thesis).* University of Southern Queensland, Toowoomba, Australia.

Visvanathan, G. (2008). Corporate Governance and Real Earnings Management. *Academy of Accounting and Financial Journal, 12*(1), 9–21.

Vu, K. B. (2012). *Determinants of voluntary disclosure for Vietnamese listed companies.* (Unpublished PhD thesis). Curtin University, Bentley, Australia.

Vural, D. (2017). *Disclosing the books. Evidence on Swedish publicly listed firms' accounting disclosure practices* (Unpublished PhD thesis). Uppsala University: Sweden.

Walker, M. (2013). How far can we trust earnings numbers? What research tells us about earnings management. *Accounting and Business Research, 43*(4), 445–481.

Walsh, J. P. (2005). Taking stock of stakeholder management. *Academy of Management Review*, *30(2),* 426–438.

Wang, B., & Xin, Q. (2011). Auditor choice and accruals patterns of cross-listed firms. *China Journal of Accounting Research*, *4*(4), 233–251.

Wang, M., & Hussainey, K. (2013). Voluntary forward-looking statements driven by corporate governance and their value relevance. *Journal of Accounting and Public Policy*, *32*, 26-49.

Wang, Y., Wang, Y., Xie, L., & Zhou, H. (2018). Impact of perceived uncertainty on public acceptability of congestion charging: An empirical study in China. *Sustainability, 11*, 129.

Watson, A., Shrives, P., & Marston, C (2002). Voluntary disclosure of accounting ratios in the UK. *The British Accounting Review, 34,* 289-313.

Waweru, N., & Riro, G. (2013). Corporate governance, firm characteristics and earnings management in an emerging economy. *Journal of Applied Management Accounting and Research, 11*(1), 43.

Weber, M. (1947). *The theory of social and economic organization*. Macmillan Publishing Company: London.

Weber., M. (1978). *Economy and society*. Berkeley: University of California Press.

Wongsunwai, W. (2013). The effect of external monitoring on accrual-based and real earnings management: Evidence from venture-backed initial public offerings. *Contemporary Accounting Research, 30*(1), 296– 324.

Wren, D. A., & Bedeian, A. G. (2009). *The evolution of management thought* (6th ed.). Wiley: New York.

Wright, E. O. (2000). Working-class power, capitalist-class interests, and class compromise. *American Journal of Sociology*, 957-1002.

Wróblewski, D. R. (2015). *The complex vision on the earnings management: the evidence from Eastern European Countries* (Unpublished PhD Thesis). University of Zaragoza.

Yadollah, T., Mehdi, M., & Maryam, R. (2012). The effect of earnings management on the quality of financial reporting. *African Journal of Business Management, 6*(12), 4603-4611.

Yeboah, B. & Yeboah, M. (2015). When is accounting quality improved? Assessing the earnings management effect of IFRS for South Africa. *International Journal of Accounting and Financial Management Research (IJAFMR), 5*(2), 1-16.

Yergin, D., & Stanislaw, J. (2002). *The commanding heights: The battle for the world economy*. Free Press: New York.

Yin, R. K. (2014). *Case study research design and methods* (5th ed.). Thousand Oaks, CA: Sage Publications Inc.

Yip, E., Van Staden, C., & Cahan, S. (2011). Corporate social responsibility reporting and earnings management: The role of political costs. *Australasian Accounting, Business and Finance Journal*, *5*(3), 17-34.

Zaman, M., Hudaib, M., & Haniffa, R. (2011). Corporate governance quality, audit fees and non-   audit services fees. *Journal of Business Finance and Accounting*, 38(1/2), 165–197.

Zamri, N., Abdul, R.R., & Isa, N. (2013). The impact of leverage on real earnings management. *International Conference on Economics and Business Research 2013,* 86-95.

Zang, A. Y. (2012). Evidence on the trade-off between real activities manipulation and accrual-based earnings management. *The Accounting Review*, *87*(2), 675–703.

Zeghal, D., Chtourou, S., & Sellami, Y.M. (2011). An analysis of the effect of mandatory adoption of IAS/IFRS on earnings management. *Journal of International Accounting, Auditing and Taxation, 20*, 61-72.

Zha, J. (2016). *Voluntary disclosure of strategic alternatives: A cost-benefit analysis* (*unpublished PhD thesis*). University of California, Berkeley, United States of America.

Zhang, L. (2015). *To tell or not to tell: Essays on corporate financial disclosure* (Unpublished doctoral dissertation). Universität Mannheim, Mannheim.

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2013). *Business research methods (9th ed.)*. Mason, OH: South-Western.

Zunker, T. (2011). Determinants of the voluntary disclosure of employee information in annual reports: An application of stakeholder theory (Unpublished PhD thesis). Bond University, Queensland, Australia.

APPENDICES

Appendix I: IAS/IFRS and Effective Dates

Standard	Title	Effective Date
IAS 1	Presentation of Financial Statements	01 January 2005
IAS 2	Inventories	01 January 2005
IAS 7	Statement of Cash Flows	01 January 1994
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2005
IAS 10	Events After the Reporting Period	01 January 2005
IAS 11	Construction Contracts	01 January 1995
IAS 12	Income Taxes	01 January 1998
IAS 14	Segment Reporting	01 July 1998
IAS 16	Property, Plant and Equipment	01 January 2005
IAS 17	Accounting for Leases	01 January 2005
IAS 18	Revenue	01 January 1995
IAS 19	Employee Benefits	01 January 2013
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	01 January 1984
IAS 21	Effects of Changes in Foreign Exchange Rates	01 January 2005
IAS 23	Borrowing Costs	01 January 2009
IAS 24	Related-Party Disclosures	01 January 2011
IAS 26	Accounting and Reporting by Retirement Benefit Plans	01 January 1998
IAS 27	Separate Financial Statements	01 January 2013
IAS 28	Investments in Associates and Joint Ventures	01 January 2013
IAS 29	Financial Reporting in Hyperinflationary Economies	01 January 1990
IAS 31	Financial Reporting of Interests in Joint Ventures	01 January 2005
IAS 32	Financial Instruments: Presentation	01 January 2005
IAS 33	Earnings Per Share	01 January 2005
IAS 34	Interim Financial Reporting	01 January 1999
IAS 36	Impairments of Assets	31 March 2004
IAS 37	Provisions, Contingent Liabilities, and Contingent Assets	01 July 1999
IAS 38	Intangible Assets	31 March 2004
IAS 39	Financial Instruments: Recognition and Measurement	01 January 2005
IAS 40	Investment Property	01 January 2005
IAS 41	Agriculture	01 January 2003
IFRS 1	First-Time Adoption of IFRS	01 July 2009
IFRS 2	Share-Based Payment	01 January 2005
IFRS 3	Business Combinations	01 July 2009

IFRS 4	Insurance Contracts	01 January 2005
IFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations	01 January 2005
IFRS 6	Exploration for and Evaluation of Mineral Resources	01 January 2006
IFRS 7	Financial Instruments: Disclosures	01 January 2007
IFRS 8	Operating Segments	01 January 2009
IFRS 9	Financial Instruments	01 January 2018
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interest in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

Appendix II: IAS/IFRS Included in the Mandatory Disclosure Compliance Checklist

Standard	Title	Effective Date
IAS 1	Presentation of Financial Statements	01 January 2005
IAS 2	Inventories	01 January 2005
IAS 7	Statement of Cash Flows	01 January 1994
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2005
IAS 10	Events After the Reporting Period	01 January 2005
IAS 12	Income Taxes	01 January 1998
IAS 16	Property, Plant and Equipment	01 January 2005
IAS 17	Accounting for Leases	01 January 2005
IAS 18	Revenue	01 January 1995
IAS 21	Effects of Changes in Foreign Exchange Rates	01 January 2005
IAS 23	Borrowing Costs	01 January 2009
IAS 24	Related-Party Disclosures	01 January 2011
IAS 33	Earnings Per Share	01 January 2005
IAS 36	Impairments of Assets	31 March 2004
IAS 37	Provisions, Contingent Liabilities, and Contingent Assets	01 July 1999
IAS 38	Intangible Assets	31 March 2004
IFRS 8	Operating Segments	01 January 2009

Appendix III: IAS/IFRS Excluded from the Mandatory Disclosure Compliance Checklist and Justification

Standard	Title	Justification
IAS 11	Construction Contracts	Not applicable to USE listed firms
IAS 14	Segment Reporting	Superseded by IFRS 8
IAS 19	Employee Benefits	Effective on or after 01 January 2013
IAS 20	Accounting for Government Grants	Not relevant to USE listed firms
IAS 26	Accounting and Reporting by Retirement ...	USE listed firms follow the local law
IAS 27	Separate Financial Statements	Effective on or after 01 January 2013
IAS 28	Investments in Associates and Joint Ventures	Effective on or after 01 January 2013
IAS 29	Financial Reporting in Hyperinflationary ...	Not applicable in Uganda
IAS 31	Financial Reporting of Interests in Joint Ventures	Irrelevant to the study
IAS 32	Financial Instruments: Presentation	Superseded by IFRS 7
IAS 34	Interim Financial Reporting	Irrelevant to the study
IAS 39	Financial Instruments	Does not include any presentation or disclosure requirement
IAS 40	Investment Property	Not very applicable to USE listed firms
IAS 41	Agriculture	Not applicable to USE listed firms
IFRS 1	First-Time Adoption of IFRS	USE listed firms are not first-time adopters
IFRS 2	Share-Based Payment	Not very applicable to USE listed firms
IFRS 3	Business Combinations	Not applicable to samples selected
IFRS 4	Insurance Contracts	Not applicable to samples selected
IFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations	Not very applicable to USE listed firms
IFRS 6	Exploration and Evaluation of Minerals	No USE listed firm is engaged in exploration
IFRS 7	Financial Instruments: Disclosures	Not applicable to samples selected
IFRS 9	Financial Instruments	Effective on or after 01 January 2018
IFRS 10	Consolidated Financial Statements	Effective on or after 01 January 2013

IFRS 11	Joint Arrangements	Effective on or after 01 January 2013
IFRS 12	Disclosure of Interest in Other Entities	Effective on or after 01 January 2013
IFRS 13	Fair Value Measurement	Effective on or after 01 January 2013

Appendix IV: Corporate Annual Disclosure Measuring Instruments for Listed Firms in Uganda

PART A: CORPORATE DEMOGRAPHIC DATA

A1. Firm Name:……………………………………………………

A2. Sector   :…………………………………………………...

A3. Year of Establishment:………………………………………………....

A4. Financial Year   :…………………………………………………....

PART B: CONTROL VARIABLES

B1: Firm Size (Natural logarithm of total assets)   : …………………………….

B2: Profitability (Return on Assets = Profit/total assets):…………………………

.B3: Leverage (Total debt/total assets)……

PART C: ANNUAL REPORT MANDATORY DISCLOSURE ITEMS

Total mandatory disclosure Score:

IAS/IFRS	No	Disclosure Requirements	Score*
IAS 1		Presentation of Financial Statements	
Para 8 (a)	1	Financial statements should include a statement of financial position	
Para 8 (b)	2	Financial statements should include an income statement	
Para 8 (c)	3	Financial statements should include a statement of changes in equity	
Para 8 (d)	4	Financial statements should include a statement of cash flows	
Para 8 (e)	5	Financial statements should include notes, comprising a summary of significant accounting policies and other explanatory notes	
Para 18(a)	6	Disclose that management has concluded that the financial statements present fairly the enterprises financial position, performance and cash flows	
Para 18(b)	7	Disclose that the enterprise has complied with applicable IFRSs, except that it has departed from a particular requirement to achieve a fair presentation	
Para 18(c)	8	Disclose the title of the IFRS, nature of the departure,	

		reason for the departure and treatment adopted	
Para 29	9	Each material class of similar items should be presented separately in the enterprises financial statements	
Para 36	10	Comparative information should be disclosed in respect of the previous period for all amounts reported in the financial statements	
Para 44	11	Financial statements should be identified clearly and distinguished from other information in the same public document	
Para 46(a)	12	Financial statements should display prominently the name of the enterprise	
Para 46(b)	13	Financial statements should disclose whether the financial statements cover the individual enterprise or a group of enterprises	
Para 46(c)	14	Financial statements should disclose the statement of financial position date or the period covered by the financial statements	
Para 46(d)	15	Financial statements should disclose the reporting currency	
Para 76(a)(i)	16	For each class of share capital, an enterprise should disclose the number of shares authorised, either on the face of the statement of financial position or in the notes to the financial statements	
Para 76(a)(ii)	17	For each class of share capital, an enterprise should disclose the number of shares issued and fully paid, issued but not fully paid, either on the face of the statement of financial position or in the notes to the financial statements	
Para 76(a)(iii)	18	For each class of share capital, an enterprise should disclose the par value per share, either on the face of the statement of financial position or in the notes to the financial statements	
Para 88	19	An enterprise should disclose, either on the face of the income statement or in the notes to the income statement, an analysis of expenses using a classification based on either the nature of the expenses or their function within the enterprise	
Para 93	20	An enterprise classifying expenses by function should disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefit expense	
Para 95	21	An enterprise should disclose, either on the face of the income statement or the statement of changes in equity, or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share	
Para 104	22	Each item on the face of the statement of financial position, income statement, statement of changes in	

IAS/IFRS	No	Disclosure Requirements	Score
		equity, and cash flow statement should be cross referenced to any related information in the notes	
Para 108	23	The significant accounting policies section of the notes to the financial statements should describe the measurement basis used in preparing the financial statements	
Para 125(a)	24	An enterprise should disclose the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share	
Para 126(a)	25	Financial statements should include the domicile of the enterprise	
Para 126(a)	26	Financial statements should include the legal form of the enterprise	
Para 126(a)	27	Financial statements should include the enterprise's country of incorporation	
Para 126(a)	28	Financial statements should include the address of the enterprise's registered office	
Para 126(b)	29	Financial statements should include a description of the nature of the enterprise's operations and its principal activities	
Para 126(b)	30	Financial statements should include the name of the parent enterprise and the ultimate parent of the group	
Total score for Compliance with IAS 1 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 2		Inventories	
Para 36 (a)	1	Financial statements should include the accounting policies adopted in measuring inventories, including the cost formula used	
Para 36 (b)	2	Financial statements should include the total carrying amount of inventories and the carrying amount in the classification appropriate to the enterprise	
Para 36 (c)	3	Financial statements should include the total carrying amount of inventories carried at fair value less costs to sell	
Para 36 (d)	4	Financial statements should include the amount of inventories recognised as an expense during the period	
Para 36 (e)	5	Financial statements should include the amount of any write-down of inventories recognised as an expense in	

		the period	
Para 36 (f)	6	Financial statements should include the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as an expense in the period	
Para 36 (g)	7	Financial statements should include the circumstances or events that led to the reversal of a write-down of inventories	
Para 36 (h)	8	Financial statements should include the carrying amount of inventories pledged as security for liabilities	
Total score for Compliance with IAS 2 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 7		Cash Flow Statements	
Para 1	1	A statement of cash flows should be prepared in accordance with IAS 7 and presented as an integral part of an entity's financial statements for each period for which the financial statements are prepared	
Para 10 (a)	2	The enterprise's cash flow statement should report cash flows during the period classified by operating activities	
Para 10 (b)	3	The enterprise's cash flow statement should report cash flows during the period classified by investing activities	
Para 10 (c)	4	The enterprise's cash flow statement should report cash flows during the period classified by financing activities	
Para 18 (a)	5	Cash flows from operating activities should be reported using either direct method, under which major classes of gross cash receipts and gross cash payments are disclosed; or	
Para 18 (b)	6	The indirect method, wherein net profit or loss is adjusted for the following: the effect of non-cash transactions; any deferrals or accruals of past or future operating cash receipts or payments; and items of income or expense related to investing or financing cash flows	
Para 21	7	An entity should generally report separately major gross cash receipts and payments from investing and financing activities	

Para 28	8	The effect of foreign exchange rate changes on cash and cash equivalents held or due in foreign currency should be presented separately from cash flows from operating, investing and financing activities	
Para 31 (a)	9	Cash flows from interest received and dividends paid should be classified consistently (from period to period) as either operating activities	
Para 31 (b)	10	Cash flows from interest received and dividends paid should be classified consistently (from period to period) as investing activities; or	
Para 31 (c)	11	Cash flows from interest received and dividends paid should be classified consistently (from period to period) as financing activities	
Para 35	12	Cash payments and receipts relating to taxes on income should be separately disclosed and classified as cash flows from operating activities unless they could specifically be identified with financing and/or investing activities	
Para. 40	13	In relation to acquisitions or disposals of subsidiaries or other business units which should be presented separately and classified as investing activities, an entity should disclose the total consideration paid or received; portion of the consideration discharged by cash and cash equivalents, amount of cash and cash equivalents acquired or disposed, and amount of assets and liabilities (other than cash and cash equivalents) summarised by major category	
Para. 43	14	Non-cash transactions arising from investing and financing activities should be excluded from the statement of cash flows	
Para. 45 & 46	15	In relation to cash and cash equivalents, a cash flow statement should disclose the policy which it adopts in determining the components, the components, and present a reconciliation of the amounts in its statement of cash flows with similar items reported in the statement of financial position	
Para 48	16	Significant cash and cash equivalent balances held by the entity which are not available for use by the group should be disclosed by the entity along with a commentary by management	
Total score for Compliance with IAS 7 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 8		Accounting Policies, Changes in Accounting Estimates and Errors	
Para. 28		When initial application of an IFRS has an effect on the current period or any prior or future period, the enterprise financial statements should:	
Para. 28 (a)	1	Disclose the title of the IFRS	
Para. 28 (b)	2	Disclose that the change in accounting policy has been made in accordance with its transitional provisions	
Para. 28 (c)	3	Disclose the nature of the change in accounting policy	
Para. 28 (d)	4	Disclose a description of the transitional provisions	
Para. 28 (e)	5	Disclose the transitional provisions that might have an effect on future periods	
Para. 28 (f)	6	Disclose the amount of the adjustment for each financial statement line item affected and for basic and diluted earnings per share. These disclosures should be presented for the current period and each prior period presented	
Para. 28 (g)	7	Disclose the amount of the adjustment relating to periods before those presented	
Para. 28 (h)	8	If retrospective application is impracticable for a particular period, or for the period before those presented, the enterprise should disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied	
Para.30 (a)	9	When an enterprise has not applied a new IFRS that has been issued but is not yet effective, the entity should disclose that fact	
Para.30 (b)	10	When an enterprise has not applied a new IFRS that has been issued but is not yet effective, the entity should present a reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the enterprise's financial statements in the period of initial application	
Para. 39	11	An enterprise should disclose the nature and amount of the change in an accounting estimate that has an effect in the current period or which is expected to have an effect in future Periods	
Para. 40	12	If the amount of the effect in future periods is not disclosed because estimating it is impracticable, the enterprise should disclose that fact	
Para. 49		In correcting prior period errors, the enterprise should:	
Para. 49 (a)	13	Disclose the nature of the prior period error	
Para. 49 (b)	14	For each prior period presented, disclose the amount of	

		the correction for each financial statement line item affected and for basic and diluted earnings per share	
Para. 49 (c)	15	Disclose the amount of the correction at the beginning of the earliest prior period presented	
Para. 49 (d)	16	If retrospective restatement is impracticable for a particular period, the enterprise should disclose the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected	
Total score for Compliance with IAS 8 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 10		Events After the Reporting Period	
Para.13	1	If dividends are declared after the reporting date but before the financial statements are authorised for issue, the enterprise should disclose such dividends in the notes to the financial statements	
Para.17	2	An enterprise should disclose the date when the financial statements were authorised for issue	
Para.17	3	An enterprise should disclose the body who gave the authorisation of issuing the financial statements	
Para.17	4	An enterprise should disclose if the shareholders or others have the power to amend the financial statements after issuance	
Para.21 (a)	5	An enterprise should disclose the nature of event when non-adjusting events occur after the reporting date	
Para.21 (a)	6	An enterprise should disclose an estimate of its financial effect, or a statement that such an estimate cannot be made when non-adjusting events occur after the reporting date	
Total score for Compliance with IAS 10 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 12		Income Taxes	
Para. 80		Disclose separately the major components of tax expense (income) included in the determination of the profit (loss) for the period. Such components may include the following:	

Para. 80 (a)	1	Current tax expense (income)	
Para. 80 (b)	2	Any adjustments recognised in the period for current tax of prior periods	
Para. 80 (c)	3	The amount of deferred tax expense (income) relating to the origination and reversal of temporary differences	
Para. 80 (d)	4	The amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes	
Para. 80 (e)	5	The amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense;	
Para. 80 (f)	6	The amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense	
Para. 80 (g)	7	Deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset	
Para. 80 (h)	8	The amount of tax expense (income) relating to those changes in accounting policies and errors that are included in the determination of profit or loss in accordance with IAS 8 because they cannot be accounted for retrospectively	
Para. 81		The following shall be disclose separately:	
Para. 81 (a)	9	The aggregate current and deferred tax relating to items that are charged or credited to equity	
Para. 81 (ab)	10	The amount of income tax relating to each component of other comprehensive income	
Total score for Compliance with IAS 12 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 16		Property, Plant and Equipment	
Para. 73 (a)	1	For each class of property, plant and equipment, the enterprise's financial statements should disclose the measurement bases used for determining the gross carrying amount	
Para. 73 (b)	2	For each class of property, plant and equipment, the enterprise's financial statements should disclose the depreciation methods used	
Para. 73 (c)	3	For each class of property, plant and equipment, the enterprise's financial statements should disclose the useful lives or the depreciation rates used	
Para. 73 (d)	4	For each class of property, plant and equipment, the enterprise's financial statements should disclose the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the	

		beginning and end of the period	
Para. 73 (e)	5	For each class of property, plant and equipment, the enterprise's financial statements should disclose a reconciliation of the carrying amount at the beginning and end of the period showing any additions; disposals; acquisitions through business combinations; increases or decreases during the period resulting from revaluations and from impairment losses recognised or reversed directly in equity; impairment losses recognised in profit or loss; impairment losses reversed in profit or loss; depreciation, the net exchange differences arising on the translation of financial statements of a foreign entity; and other changes	
Para. 74 (a)	6	An enterprise should disclose the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities	
Para. 74 (b)	7	An enterprise should disclose the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction	
Para. 74 (c)	8	An enterprise should disclose the amount of contractual commitments for the acquisition of property, plant and equipment	
Para. 76	9	An enterprise should disclose the nature and effect of any change in accounting estimate relating to property, plant and equipment that has an effect in the current period or is expected to have an effect in subsequent periods	
Para. 77 (a)	10	For property, plant and equipment stated at revalued amounts, an enterprise should disclose the effective date of the revaluation	
Para. 77 (b)	11	For property, plant and equipment stated at revalued amounts, an enterprise should disclose whether an independent valuer was involved	
Para. 77 (c)	12	For property, plant and equipment stated at revalued amounts, an enterprise should disclose the methods and significant assumptions applied in estimating the items' fair value	
Para. 77 (d)	13	For property, plant and equipment stated at revalued amounts, an enterprise should disclose the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques	
Para. 77 (e)	14	For each revalued class of property, plant and	

		equipment, an enterprise should disclose the carrying amount that would have been recognised had the assets been carried under the cost model	
Para. 77 (f)	15	For property, plant and equipment stated at revalued amounts, an enterprise should disclose the revaluation surplus, indicating the change for the period and any restrictions on the distributions of the balance to shareholders	
Total score for Compliance with IAS 16 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 17		Leases	
Para. 31 (a)	1	For *finance* leases in which the enterprise is the *lessee*, the enterprise should disclose the net carrying amount at the statement of financial position date for each class of asset	
Para. 31 (b)	2	For *finance* leases in which the enterprise is the *lessee*, the enterprise should disclose a reconciliation between the total of future minimum lease payments at the statement of financial position date, and their present value	
Para. 31 (b)	3	For *finance* leases in which the enterprise is the *lessee*, the enterprise should disclose the total of future minimum lease payments at the statement of financial position date, and their present value, for not later than one year period, later than one year and not later than five years period, and later than five years period	
Para. 31 (c)	4	For *finance* leases in which the enterprise is the *lessee*, the enterprise should disclose contingent rents recognised as an expense for the period	
Para. 31 (d)	5	For *finance* leases in which the enterprise is the *lessee*, the enterprise should disclose the total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease at the statement of financial position date	
Para. 31 (e)	6	For *finance* leases in which the enterprise is the *lessee*, the enterprise should disclose a general description of the lessee's significant leasing arrangements including the basis on which contingent rent payable is determined, the existence and terms of renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements such as those concerning dividends, additional debt, and further leasing	
Para. 35 (a)	7	For *operating* leases in which the enterprise is the *lessee*, the enterprise should disclose the total of future minimum lease payments under non-cancellable operating leases for not later than one year period, later than one year and not later than five years period, and later than five years period	
Para. 35 (b)	8	For *operating* leases in which the enterprise is the *lessee*, the enterprise should disclose the total of future minimum sub-lease payments expected to be received under non-cancellable subleases at the statement of financial position date	
Para. 35 (c)	9	For *operating* leases in which the enterprise is the	

		lessee, the enterprise should disclose the lease and sub-lease payments recognised as an expense for the period, with separate amounts for minimum lease payments, contingent rents, and sub-lease payments	
Para. 35 (d)	10	For *operating* leases in which the enterprise is the *lessee*, the enterprise should disclose a general description of the lessee's significant leasing arrangements including the basis on which the contingent rent payable is determined, the existence and terms of renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements such as those concerning dividends, additional debt, and further leasing	
Total score for Compliance with IAS 17 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 18		Revenue	
Para. 35(a)	1	An enterprise should disclose the accounting policies adopted for the recognition of revenue	
Para.35(b) (i)	2	An enterprise should disclose the amount of significant revenue recognised during the period arising from the sale of goods	
Para.35(b) (ii)	3	An enterprise should disclose the amount of significant revenue recognised during the period arising from the rendering of service	
Para.35(b) (iii)	4	An enterprise should disclose the amount of significant revenue recognised during the period arising from interest	
Para.35(b) (iv)	5	An enterprise should disclose the amount of significant revenue recognised during the period arising from royalties	
Para.35(b) (v)	6	An enterprise should disclose the amount of significant revenue recognised during the period arising from dividends	
Para.35(c)	7	An enterprise should disclose the amount of revenue arising from exchange of goods or services included in	

		each significant category of revenue	
Total score for Compliance with IAS 18 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 21		Effect of Changes in Foreign Exchange Rates	
Para.52 (a)	1	An enterprise should disclose the amount of exchange differences recognised in profit or loss	
Para.52 (b)	2	An enterprise should disclose net exchange differences classified in other comprehensive income and in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period	
Para.53	3	When the presentation currency is different from the functional currency of the enterprise, the enterprise should disclose that fact, the functional currency, and the reason for using a different presentation currency	
Para.54	4	When there is a change in the functional currency of either the reporting enterprise or a significant foreign operation, that fact and the reason for the change in functional currency should be disclosed	
Para.55	5	When an enterprise presents its financial statements in a currency that is different from its functional currency, it should describe the financial statements as complying with IFRSs only if they comply with all the requirements of each applicable IFRS	
Para.57	6	When an enterprise presents its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency, and the requirements of Para.55 are not met, the enterprise should clearly identify the information as supplementary information to distinguish it from the information that complies with IFRSs, disclose the currency in which supplementary information is displayed, and disclose the entity's functional currency and the method of translation used to determine the supplementary information	
Total score for Compliance with IAS 21 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 23		Borrowing Costs	
Para. 26(a)	1	The enterprise's financial statements should disclose the amount of borrowing costs capitalised during the period	
Para. 26(b)	2	The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation should be disclosed	
Total score for Compliance with IAS 23 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 24		Related Party Disclosures	
Para. 13	1	An enterprise should disclose the name of its parent and, if different, its ultimate controlling party	
Para. 14	2	An enterprise should disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties	
Para. 18	3	Where there have been transactions between related parties, the enterprise should disclose the nature of the related party relationship	
Para. 18	4	Where there have been transactions between related parties, the enterprise should disclose the types of transactions (for example, good or service sold/purchased, management service, directors' remuneration and emoluments, loans and guarantees)	
Para. 18 (a)	5	Where there have been transactions between related parties, the enterprise should disclose the amount of transactions	
Para. 18 (b)	6	Where there have been transactions between related parties, the enterprise should disclose the amount of outstanding balances	
Para. 18 (c)	7	Where there have been transactions between related parties, the enterprise should disclose allowances for receivables related to the amount of outstanding balances	
Para. 18 (d)	8	Where there have been transactions between related parties, the enterprise should disclose the expense recognised during the period in respect of irrecoverable debts due from related parties	
Para. 23	9	Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are	

		made only if such terms can be substantiated	
Total score for Compliance with IAS 24 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 33		Earnings Per Share	
Para. 66	1	The enterprise should present on the face of the income statement basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity	
Para. 66	2	The enterprise should present on the face of the income statement basic and diluted earnings per share for profit or loss for the period attributable to the ordinary equity holders of the parent entity	
Para. 66	3	The enterprise should present basic and diluted earnings per share with equal prominence for all periods presented	
Para. 68	4	The enterprise that reports a discontinued operation should disclose the basic and diluted amounts per share for the discontinued operation either on the face of the income statement or in the notes to the financial statements	
Para. 69	5	The enterprise should present the basic and diluted earnings per share, even if the amounts disclosed are negative (i.e. a loss per share)	
Para. 70(a)	6	The enterprise should disclose the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amount to profit or loss attributable to the parent entity for the period	
Para. 70(b)	7	The enterprise should disclose the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other	
Para. 70(c)	8	The enterprise should disclose instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented	
Para. 70(c)	9	The enterprise should disclose a description of ordinary share transactions or potential ordinary share transactions, other than as a result of capitalisation, bonus issues or share splits or decrease as a result of a reverse share splits, that occur after the statement of financial position date but before the financial statements are authorised for issue that would have changed significantly the number of ordinary shares or	

		potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period	
Total score for Compliance with IAS 33 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 36		Impairment of Assets	
Para.126(a)	1	For each class of assets, the enterprise should disclose the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included	
Para.126(b)	2	For each class of assets, the enterprise should disclose the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed	
Para.126(c)	3	For each class of assets, the enterprise should disclose the amount of impairment losses on revalued assets recognised directly in equity during the period	
Para.126(d)	4	For each class of assets, the enterprise should disclose the amount of reversals of impairment losses on revalued assets recognised directly in equity during the period	
Para.129(a)	5	An enterprise that reports segment information should disclose for each reportable segment based on an enterprise's primary reporting format the amount of impairment losses recognised in profit or loss and directly in equity during the period	
Para.129(b)	6	An enterprise that reports segment information should disclose for each reportable segment based on an enterprise's primary reporting format the amount of reversals of impairment losses recognised in profit or loss and directly in equity during the period	
Para.130(a)	7	For each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or cash generating unit, the enterprise should disclose the events and circumstances that led to the recognition or reversal of the impairment loss	
Para.130(b)	8	For each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or cash generating unit, the enterprise should disclose the amount of the impairment loss recognised or reversed	
Total score for Compliance with IAS 36 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 37		Provisions, Contingent Liabilities and Contingent Assets	
Para. 84(a)	1	For each class of provision, an enterprise should disclose the carrying amount at the beginning and end of the period	
Para. 84(b)	2	For each class of provision, an enterprise should disclose additional provisions made in the period, including increases to existing provisions	
Para. 84(c)	3	For each class of provision, an enterprise should disclose the amount used (i.e. incurred and charged against the provision) during the period	
Para. 84(d)	4	For each class of provision, an enterprise should disclose unused amounts reversed during the period	
Para. 84(e)	5	For each class of provision, an enterprise should disclose the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	
Para. 85(a)	6	For each class of provision, an enterprise should disclose a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits	
Para. 85(b)	7	For each class of provision, an enterprise should disclose an indication of the uncertainties about the amount or timing of those outflows	
Para. 85(c)	8	For each class of provision, an enterprise should disclose the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement	
Para. 86	9	Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the statement of financial position date a brief description of the nature of the contingent liability	
Para. 86 (a) and Para. 91	10	Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the statement of financial position date an estimate of its financial effect. If it is not practicable to do so, that fact should be disclosed	
Para. 86 (b) and Para. 91	11	Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the statement of financial position date an indication of the uncertainties relating to the amount or timing of any outflow. If it is not practicable to do so, that fact should be disclosed	
Para. 86 (c) and Para. 91	12	Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the statement of financial position	

IAS/IFRS	No	Disclosure Requirements	Score
		date the possibility of reimbursement. If it is not practicable to do so, that fact should be disclosed	
Para. 89	13	When an inflow of economic benefits is probable, an enterprise should disclose a brief description of the nature of the contingent assets at the statement of financial position date and an estimate of their financial effect at the statement of financial position date. If it is not practicable to do so, that fact should be disclosed	
Total score for Compliance with IAS 37 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IAS 38		Intangible Assets	
Para.118(a)	1	For each class of intangible assets, the enterprise should disclose whether the useful lives are indefinite or finite	
Para.118(a)	2	For each class of intangible assets, the enterprise should disclose the useful lives or the amortisation rates used for intangible assets with finite useful lives	
Para.118(b)	3	For each class of intangible assets, the enterprise should disclose the amortisation methods used for intangible assets with finite useful lives	
Para.118(c)	4	For each class of intangible assets, the enterprise should disclose the gross carrying amount and accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period	
Para.118(d)	5	For each class of intangible assets, the enterprise should disclose the line item(s) of the income statement in which any amortisation of intangible assets is included	
Para.118(e)	6	For each class of intangible assets, the enterprise should disclose a reconciliation of the carrying amount at the beginning and end of the period	
Para.126	7	The enterprise should disclose the aggregate amount of research and development expenditure recognised as an expense during the period	
Total score for Compliance with IAS 38 Requirements			

IAS/IFRS	No	Disclosure Requirements	Score
IFRS 8		Segment Reporting	
Para. 51	1	For each reportable segment, an enterprise should disclose the segment revenue from sales to external customers	
Para. 51	2	For each reportable segment, an enterprise should disclose the segment revenue from transactions with other segments	
Para. 52	3	For each reportable segment, an enterprise should	

		disclose segment results from continuing operations separately from segment results from discontinued operations	
Para. 55	4	An enterprise should disclose the total carrying amount of segment assets for each reportable segment	
Para. 56	5	An enterprise should disclose segment liabilities for each reportable segment	
Para. 57	6	An enterprise should disclose the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets) for each reportable segment	
Para. 58	7	An enterprise should disclose the total amount of expense included in segment results for depreciation and amortisation of segment assets for the period for each reportable segment	
Para. 61	8	For each reportable segment, an enterprise should disclose the total amount of significant non-cash expenses (other than depreciation and amortisation) that were included in segment expense	
Para. 67	9	An enterprise should present a reconciliation between segment revenue and the enterprise's revenue from external customers	
Para. 67	10	An enterprise should present a reconciliation between segment results from continuing operations and a comparable measure of the enterprise's operating profit or loss from continuing operations	
Para. 67	11	An enterprise should present a reconciliation between segment result from discontinued operations and the enterprise's profit or loss from discontinued operations	
Para. 67	12	An enterprise should present a reconciliation between segment assets and the enterprise's assets	
Para. 67	13	An enterprise should present a reconciliation between segment liabilities and the enterprise's liabilities	
Total score for Compliance with IFRS 8 Requirements			

Appendix V: Annual Report Voluntary Disclosure Information Items

No.	Items	Score
	Group (1) Strategic Information	
1	Brief history of the company	
2	Corporate mission statement	
3	Information about management team	
4	Description of the major products or services offered	
5	Company address/telephone/fax	
6	Company website	
7	General outlook of the economy	
8	Company achieved awards	
9	Significant issues during the year	
10	List of branch locations	
11	Analysis of enterprise's market share	
12	Information about workplace safety	
13	Description of community involvement	
14	Sponsoring of public health and sporting activities	
15	Environmental protection programme	
Total score for Strategic Information		

No.	Items	Score
	Group (2) Financial Information	
16	Brief discussion of the company's operating results	
17	Summary of financial data for the last three years to five years	
18	Sales (revenue) for the last three to five years	
19	Profits after tax for the last three to five years	
20	Dividends per share for last three years to five years	
21	Earnings per share for the last three years to five years	
Total score for Financial Information		

No.	Items	Score
	Group (3) Forward-Looking Information	
22	Description of major types of products	
23	New products or services development	
24	Factors that may affect the future performance (i.e. political, economic, technology)	
25	Research and development activities and expenditures for the next year	
26	Planned advertisement and promotion expenditures	
27	Productive capacity	
28	Future forecast of sales	
29	Future forecast of profit	

30	Cash flow forecast	
31	Earnings per share forecast	
32	Completed and uncompleted projects	
33	Capital expenditure for the next year	
Total score for Forward-Looking Information		

Appendix VI: Secondary Data Capture form for Corporate Governnace Mechanisms Employed by Listed Firms at the Use

No.	Items	Score*
	Board of Directors Characteristics	
1	Independent and NEDs format least two-thirds of the BoDs	
2	A majority of the directors are NEDs	
3	The roles of the chairman board of directors and the chief executive officer are split	
4	Board of directors meetings are disclosed	
Total score for Board of Directors Characteristics		

No.	Items	Score*
	Audit Committee Characteristics	
5	The audit committee is composed of a minimum of three members	
6	The committee comprises of independent directors	
7	The audit committee members are qualified and at least one has a professional accounting certificate	
8	Audit committee meetings are disclosed	
Total score for Audit Committee Characteristics		

No.	Items	Score**
	Ownership Structure	
9	The percentage of shares held by management is disclosed	
10	The percentage of shares held by families is disclosed	
11	The percentage of shares held by local institutions is disclosed	
12	The percentage of shares held by foreign institutions is disclosed	
13	The percentage of shares held by the state is disclosed	
14	The percentage of shares held by local individuals is disclosed	
15	The percentage of shares held by foreign individuals is disclosed	
Total score for Ownership Structure		

Scoring Procedure: * A binary of 1 if the item is disclosed and 0 if not disclosed

**A ratio of the percentage of shares held divided by the total number of shares issued
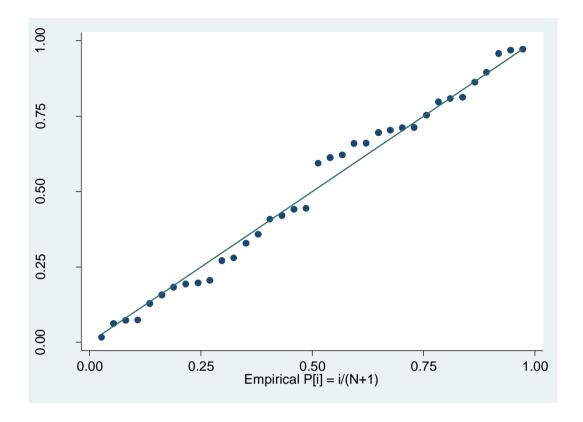
Appendix VII: Secondary Data Capture form for Earnings Management among Listed Firms at the USE

Year	NI	CFO	$TA_{i,t}$	$A_{i,t-1}$	ΔREV	ΔREC	$TA_{i,t} / A_{i,t-1}$	$1/ A_{i,\ t-1}$	β_1 $(1/A_{i,\ t-1})$	β_2 $(\Delta REV - \Delta REC) / A_{i,t-1}$	β_3 $(PPE / A_{i,t-1})$	NDA	DA
2012													
2013													
2014													
2015													
2016													
2017													
2018													
2019													

Appendix VIII: Population of Listed Firms at the USE

No.	Firm Name	USE Code	Sector
1.	British American Tobacco Uganda	BATU	Manufacturing
2.	Bank of Baroda Uganda	BoBU	Banking
3.	Centum Investment Company Limited	CENT	Investment
4.	Cipla Quality Chemicals Industries Limited	CIQL	Manufacturing
5.	Development Finance Company of Uganda Limited	DFCU	Banking
6.	East African Breweries Limited	EABL	Manufacturing
7.	Equity Bank Limited	EBL	Banking
8.	Jubilee Holdings Limited	JHL	Insurance
9.	Kenya Airways	KA	Commercial and Services
10.	KCB Group	KCB	Banking
11.	National Insurance Corporation	NIC	Insurance
12.	Nation Media Group	NMG	Commercial and Services
13.	New Vision Printing and Publishing	NVL	Commercial and Services
14.	Stanbic Uganda Holdings Limited	SBU	Banking
15.	UCHUMI	UCHM	Commercial and Services
16.	Uganda Clays Ltd	UCL	Manufacturing
17.	UMEME Ltd	UMEM	Energy and Petroleum

Appendix IX: Normality of Error Terms

Appendix X: Normality of the Distribution