

The Determinants of Financial Ratio Disclosures and Quality: Evidence from an Emerging Market

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Abstract : This study investigated the influence of firm-specific characteristics which include proportion of Non-Executive Directors, ownership concentration, firm size, profitability, debt equity ratio, liquidity and leverage on the extent and quality of financial ratios disclosed by firms listed on the Ghana Stock Exchange. The research was conducted through detailed analysis of the 2012 financial statements of the listed firms. Descriptive analysis was performed to provide the background statistics of the variables examined. This was followed by regression analysis which forms the main data analysis. The results of the extent of financial ratio disclosure level, mean of 62.78%, indicate that most of the firms listed on the Ghana Stock Exchange did not overwhelmingly disclose such ratios in their annual reports. The results of the low quality of financial ratio disclosure mean of 6.64% indicate that the disclosures failed woefully to meet the International Accounting Standards Board's qualitative characteristics of relevance, reliability, comparability and understandability. The results of the multiple regression analysis show that leverage (gearing ratio) and return on investment (dividend per share) are associated on a statistically significant level as far as the extent of financial ratio disclosure is concerned. Board ownership concentration and proportion of (independent) non-executive directors, on the other hand were found to be statistically associated with the quality of financial ratio disclosed. There is a significant negative relationship between ownership concentration and the quality of financial ratio disclosure. This means that under a higher level of ownership concentration less quality financial ratios are disclosed. The findings also show that there is a significant positive relationship between board composition (proportion of non-executive directors) and the quality of financial ratio disclosure.

Keywords : voluntary disclosure, firm-specific characteristics, financial reporting, financial ratio disclosure, Ghana stock exchange

Conference Title : ICAFE 2015 : International Conference on Accounting, Finance and Economics

Conference Location : Amsterdam, Netherlands

Conference Dates : May 14-15, 2015