Disclosure patterns of Sudanese listed companies

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Abstract: This study investigated disclosure patterns of Sudanese listed companies. Annual reports of 42 listed companies for the year 2007 were used to examine the patterns of disclosing strategic information, and contents of traditional financial statements. Using an unweighted disclosure index of 145 information items, the study showed that only 14% of strategic information items were disclosed, compared to 63% of information items of traditional financial statements. Also, only 15% of voluntary items were disclosed, compared with 52% of mandatory items.

Keywords: disclosure patterns; Sudanese listed companies; annual reports.

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1 Introduction

The importance of adequate disclosure of corporate affairs cannot be overstressed. The key stone of the entire structure of development in a free economy is the accounting disclosure, which determines the efficiency of resources allocations in the economy. Therefore, each country sets policies and regulations to organise its accounting practice and profession.

The quality of financial disclosure varies, widely, among firms and countries. The most important factor may be the level of economic development. Hence, many researchers argued that accounting profession is in its early stages in most less-developed countries (LDCs). It is not more than accumulation of historical data for financial statements and audit purposes. This idea was common in many studies as stated by Hamza (1996). Hamza believes that "the usefulness of accounting information is more essential in the LDCs, which are characterized by their incapacity to, effectively and efficiently, utilize their available resources. Among these unutilized resources, lies accounting information." Users of accounting information will have good chance to make good decisions, when financial information is fully disclosed. Michael et al. (1990) defined financial disclosure as "any deliberate release of financial information, whether numerical or qualitative, required by regulations or voluntary and via formal or informal channels."

There are many motives, both to disclose and not to disclose information. On one hand, managements wish to protect propriety information, in order to exploit its potential economic activities. Particularly, when corporate managements perceive that competition is keen, the temptation may be strong for firms to conceal certain information from their rivals. Singhvi (1972) pointed out to the fact that, managements are less inclined to be initiative in disclosing adequate information, if disclosure is left to their discretion. On the other hand, managements may wish to disclose financial information to enhance their firm's value, i.e., when management is in possession of good news due to better performance, it is more likely to disclose more detailed information than that provided by companies with bad news to avoid undervaluation of their shares.

However, a firm's trade-offs between reporting good news, to reduce the cost of capital, and bad news, to minimise proprietary costs, can induce firm's managements to provide truthful disclosure, when the opposing effects balance each other. Thus, the extent (size) and the kind (quality) of disclosure vary among firms, with respect to timing, disclosed items and other information. Ultimately, various firms will have strong commercial incentives to engage in high standards of practice, if appropriate disclosure standards are required and enforced by appropriate rules and regulations. Such regulations give specified description to the accurate and relevant professional practice. Hannes (2004) argued that, "mandatory disclosure (required by law provisions) is essential to offset the market failure, when there are no rewards for full disclosure."

Observing that many companies provide financial and non-financial information more than what required by laws, Ronen and Yaari (2002) argued that there is no need to impose accounting regulations. He believed that, "self-induced mechanisms would come into play, when the dynamics between firms and outsiders move firms to fully disclose all available information voluntarily (optional provision of information beyond required mandated levels) because outsiders may interpret non-disclosure as the worst possible news." In this context, the study explored the disclosure patterns in the annual reports of all Sudanese listed companies, and presented the results with implications.

2 Literature review

Many accounting researchers tried to examine disclosure quality and disclosure patterns (disclosed and non-disclosed information) all over the world. Roe (1975) found different levels of disclosing certain items by US companies. Also, Jorgensen and Kirschenheite (2008) found that many US companies do not disclose information about profit's sensitivity to market risk factors. Moreover and Evans and Sridhar (2002) found that many US companies underreport their true economic conditions, instead of making voluntary disclosure to enhance capital market efficiency. Similarly, Benjamin (1990) denoted that many companies in Hong Kong do not satisfy disclosure requirements in their annual reports. Chang et al. (2006) and Mediratta and Jain have found that firms generally tend to report sufficient information on their business and strategies as well as on their current performance, while they experience difficulties when preparing information about their future financial prospects and off-balance sheet items.

Sabkti (1997) stated that there is a limited financial disclosure in annual reports of Bahraini banks, regarding information on plans and strategies, management and employees, competitors, social activities, and future expectations. Sijni (2007) found that annual reports of Saudi industrial corporations provide low levels of disclosing information on costs of research and development, actual and planned capital expenditures, and future predictions of loss or profits. Aljifri and Hussainey (2007) showed a low disclosure rate of forward-looking information (current plans and future forecasts that enable users to assess a company's future financial performance) in annual reports of companies in the Union of Arab Emirates. Wallace (1988a) revealed a dualistic pattern in Nigerian annual reports, where the information preferred by accounting professionals and reporting companies overshadowed the information desired by other user groups. This was an indicator for low importance attached to the user-needs. Barako et al. (2006) revealed low level of voluntary disclosure of Kenyan companies.

Many studies tried to assess, not to measure, accounting disclosure quality in Sudan. Examples are those of Adam (2004), Abdelhi (2004), Hassan (2002), Naser (2002), Alsidig (2002) and Taha (1998). On the other hand, there is not even a single study that tried to examine disclosure patterns of Sudanese companies. Corporate reporting in Sudan is regulated by Sudanese Companies Act, Khartoum Stock Exchange (KSE) Act, and the standards of the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFIs). Sudanese Companies Act was issued in 1925 in accordance with the provisions of the English Companies Act of 1908. The legislation was sufficient for companies at that time. As the Act was issued in 1925, and none of its six amendments were devoted to the regulation of corporate financial reporting, it is clear that the Act is not sufficient to regulate corporate reporting. Similarly, KSE Act, which was issued in 1994, does not address any corporate disclosure issues. The AAOIFIs was established in early 1990s to prepare standards of accounting, auditing, governance, and ethics for the Islamic financial institutions and the industry. The standards of the AAOIFIs are adopted and implemented in many countries, including Sudan. All Sudanese financial institutions are obliged to prepare their financial statements according to the AAOIFIs requirements. However, those disclosure acts currently in effect still do not adequately address corporate disclosure issues in Sudan, as evident in the finding of this study. This study focused on disclosure patterns and extent of disclosures of Sudanese listed companies to show what the imminent needs of disclosures are for users.

3 Methodology and data collection

To investigate disclosed and undisclosed information items, the researchers developed a wide-range disclosure index (list) that was not, specifically, directed at a particular group of users. It is taken into account that bias could arise if the selected list was not sufficiently comprehensive.

The scope of the selection would usually be determined by the focus of the research, as there is no general theory on items' selection as stated by Wallace (1988b). To overcome this deficiency, a list of information items studied by nine researchers was constructed to help determine items selection. These were the items studied by McNally et al. (1982) in New Zealand, Firer and Meth (1986) in South Africa, Wallace (1988b) in Nigeria, Naser and Nuseibeh (2003) in Saudi Arabia, Al-Razeen and Karbhari (2004) in Saudi Arabia, Akhtaruddin (2005) in Bangladesh, Barako et al. (2006) and Barako (2007) in Kenya, Aljifri and Hussainey (2007) in the Union of Arab Emirates, and Hossain (2008) in India.

The selection criterion was that any item investigated by two or more of these studies was included in the list. Additionally, any item required by a regulatory body in Sudan, and not mentioned in these previous studies was, also, included. For an instance, all Sudanese banks and insurance companies are subject to the standards of the AAOIFIs. Also, most items of the International Accounting Standards (IAS) check list of disclosure were included because many Sudanese companies, voluntarily, adopt the International Financial Reporting Standards (IFRS). This selection process results in a list of 145 items.

Information about disclosed and undisclosed information items was extracted from annual reports of companies in the sample. At least, annual reports of two fiscal years of each company in the sample were used to check the applicability and non-applicability of each information item. Also, using available annual reports, a cross-wise investigation was made for companies in each sector to get a double check for applicable information items. Based on published annual reports of KSE listed companies, a disclosure sheet for each item, in the disclosure index, was prepared to display the number of companies to which each item was applicable and the number of companies which disclosed each applicable item. Then, disclosure statistics (the mean and standard deviation) of strategic, balance sheet, and income statement information items were presented and analysed. This was achieved by applying a dichotomy approach, i.e., an item scored '1' if it was disclosed, or '0' if it was applicable, but not disclosed. So, if it was apparent that an information item was relevant, for example, by mentioning it but without disclosing amounts, then, disclosure score of that item would be zero. Therefore, each information item was evaluated by the ratio of the number of companies to which that item was applicable and the number of companies that disclosed the item as shown by the coming formula:

$$M = \sum_{i=1}^{n} di$$

where M denotes maximum score an information item can earn, di denotes the number of companies to disclose each item, and n was the number of companies to which each item is applicable ($n \leq 42$ companies). If the percentage of disclosing an item is '0', then no company discloses that particular item though it is applicable. On the other hand, if the percentage is 100%, then all companies disclose that item. Such analysis shows the most popular items that are disclosed by the majority of companies, and the most rare items that are absent in the majority of annual reports.

The year 2007 was chosen because it was recent enough to ensure proper access to published annual reports of the studied companies. On 31 December 2007, there were 52 listed companies in KSE, classified into eight sectors. To make the study free from several types of bias that may be found in any type of sampling, the study aimed to examine all listed companies. However, only 42 companies were studied, while 10 companies were excluded from the study sample. Among excluded companies, six companies were excluded because they had not issued audited financial statements for the year 2007, and four companies were excluded because it was not possible to obtain their annual reports for the year 2007. Nevertheless, the study sample was a fair representative of the study population as shown by Table 1.

Table 1 Market capitalisation of the sampled and total listed companies

Sector	*Market capital in (000) SDG*			*Traded shares in (000) SDG*		
	Population	*Sample*	*%*	*Population*	*Sample*	*%*
Banks	2,625,472	2,625,472	100	139,676	139,676	100
Insurance	26,328	11,321	43	1,906	1,887	99
Commercial	755,584	491,130	65	21,957	21,737	99
Industrial	390,384	390,384	100	4,021	4,021	100
Agricultural	246,104	243,643	99	48	46	96
Communication	6,082,250	6,079,774	99.97	432,185	432,185	100
Financial services	114,469	114,469	100	802	802	100
Others	64,701	64,701	100	97	97	100
Total	10,305,291	10,020,882	97.23	600,691	600,451	99.9

Source: KSE Annual Report 2007

4 Analyses and findings

Using published annual reports of 42 listed companies in KSE for the year 2007, the research analysed disclosure patterns of two categories of accounting information items (contents of balance sheet and income statement versus strategic information items). Table 2 presented the result of the descriptive statistics analysis.

From Table 2, it is obvious that contents of income statement and balance sheet items were the most disclosed items (71% and 58% respectively with an average of 63%), compared to a disclosure level of only 14% for strategic information items. The strategic information items were the ones that refer to what companies want to achieve in future, i.e., company vision, mission, business plans, etc. It is, also, clear that there was wide ranges of variation in disclosing contents of traditional financial statements by studied companies, as indicated by high standard deviations (39% for disclosure of balance sheet items and 35% for disclosure of income statement items). This means that listed companies do not have a general agreement on what information to be provided. On the other hand, the relatively low standard deviation of disclosing strategic information items (22%) might be attributed to the low level of disclosing these items, because when few companies disclose certain strategic information, there may be some sort of consistency among them.

Table 2 Disclosure degrees by information types (see online version for colours)

Information category	*No. of items*	*Ratio*	*Disclosure mean*	*Standard deviation*
Balance sheet items	60	0.41	0.58	0.39
Income statement items	40	0.28	0.71	0.35
Subtotal and average	100	0.69	0.63	0.37
Strategic information items	45	0.31	0.14	0.22
Overall statistics	145	100	0.48	32.61

Source: Researchers' own calculations

To see to what extent, the disclosure of these items was affected by imposed regulations, the same items were reclassified as mandated or voluntarily disclosed information. The attitude of disclosure is clearer when it is taken on the basis of mandatory and/or voluntary disclosure. High levels of disclosing mandatory items reflect high compliance with requirements of regulatory authorities. On the other hand, high levels of disclosing voluntary items reflect strong incentives for a company to provide its accounting information users, optionally, with information more and above required levels. Dividing the items of disclosure index (list) into mandatory and voluntary, mainly according to the requirements of the AAOIFIs, the research constructed in Table 3.

Table 3 Disclosure means of mandatory and voluntary items

Disclosure type	*Items to be disclosed*	*Disclosure mean*	*Standard deviation*
Mandatory	71	0.52	0.36
Voluntary	74	0.15	0.28

Source: Researchers' own calculations

From Table 3, it is obvious that the degree of disclosing mandatory items was high when compared with the degree of disclosing voluntary items (more than three times). This result indicates that Sudanese listed companies lack self-incentives to disclose adequate information voluntarily. This finding may be attributed to the fact that most listed companies have a narrow ownership structure (either initially family-owned or state-owned companies). Concept of secrecy dominates in such companies. Also, Hamza (2002) has stated that many economic decisions including buying, holding, and selling decisions of shares, in Sudan, are taken on bases of non-economic factors. This is a case of a market failure where disclosing companies are not compensated for high quality disclosure.

The same information items were recorded to show disclosure levels of them according to their types in Table 4. The table presented disclosure means of strategic and traditional contents of annual reports after reclassifying them into mandatory and voluntary information as Table 4.

Table 4 Classification of information items

Information category	*Mandatory items*		*Voluntary items*		*Total*	
	Items	*Disc. mean*	*Items*	*Disc. mean*	*Items*	*Disc. mean*
Balance sheet items	37	0.88	23	0.09	60	0.58
Income statement items	34	0.73	06	0.59	40	0.71
Strategic information items	-	-	45	0.14	45	0.14

Source: Researchers' own calculations

Table 4 showed that disclosure levels of mandatory items, both in the balance sheet and income statement, were high when compared with voluntary items. Hence, it is clear that the low disclosure level of strategic information items may be caused by the fact that all of them are voluntarily provided. This finding is consistent with arguments of Schadewitz and Blevins (1998) who stated that, in emerging markets, regulations rather than share price movements may be the driving force behind accounting disclosure.

Moreover, disclosure patterns of these items were summarised and analysed to check the number of items and their percentages with reference to whether the disclosure of those items is popular, common or rare. It is necessary to analyse disclosure patterns on an item-by-item base because the mean alone is not sufficient to assess disclosure levels as it is highly affected by extreme values. For the purpose of measuring commonalities of disclosure, an information item is considered popular if its disclosure mean is more than 75%. On the other hand, if a disclosure mean of an information item is less than 25%, then, this item will be considered rare. Information items whose disclosure means are between these two extreme values will be considered normally (commonly) disclosed. This classification of items as popular, rare or commonly disclosed is designed by the researchers on bases of previous studies.

To have a good view of accounting practice, it is better to look inside disclosure patterns of Sudanese listed companies. To do this, the aggregate image of Tables 2, 3 and 4 was divided into sub groups. Balance sheet items (60 items) help users to assess financial positions of disclosing firms. These information items concern company assets, liabilities and owners' equity. Table A1 presented disclosure statistics of balance sheet items, i.e., the number of companies to which each item was applicable, disclosure means, and standard deviations. As it can be seen from Table A1, all applicable companies disclosed cash and cash equivalents, accounts and notes receivable, total carrying amounts of non-current assets, investments in Musharakah contracts, investments in Murabaha contracts, investments in Bai Salam contracts, investments in other Islamic modes of finance, current and saving accounts, equity of unrestricted investments, balances due to other banks, and total owners' equity.

Other popular items included value of furniture and fittings, depreciable assets' net amounts, aggregate amounts of investments, values of lands and buildings, accumulated depreciation, investments in Mudarabah contracts, advances and loans to staff and directors, total carrying amounts of inventory, aggregate values of intangible assets, share capital, amounts of leasehold properties, total non-current liabilities, investments in government securities, details of owners' equity (shares capital, reserves and retained earnings), other short-term investments, total current liabilities, and deferred tax liabilities.

On the other hand, no company disclosed information on value of imported and local raw-materials, amounts of commitments for acquisition of fixed assets, loans from shareholders, amounts of inventory pledged as security for liabilities, total current assets pledged as security for liabilities, classification of long-term liabilities into secured and non-secured, and classification of current liabilities into secured and non-secured.

Other rare items included minority interests, advances and loans to subsidiaries and associates, inventory carried at net realisable value, provisions for contingencies, nature of contingent assets and liabilities, classification of debtors into aging categories, provisions for proposed dividends, provisions for staff benefit schemes other than pension, and post-balance sheet events. It is obvious that most of popular items are disclosed by banks. However, many rare items are also associated with banks sector, i.e., some companies are efficient in disclosing certain important information items and, at the same time, efficient in concealing other important information items. Table 5 summarises disclosure pattern of the balance sheet items:

Table 5 Disclosure pattern of balance sheet items

Types of disclosure	*No. of items*	*Percentage*
Popular items	28	46.67%
Common items	16	26.67%
Rare items	16	26.66%
Total	60	100.0%

Source: Table A1

Table 5 showed that the disclosure level of balance sheet items was relatively good as popular and common items were disclosed by more than 72%. However, Table 2 showed that a high degree of variations existed in disclosing balance sheet items as explained by the high standard deviation (39%) which indicates a lack of consistency among listed companies regarding disclosure of balance sheet items.

Income statement items (40 items) help users to assess the results of operations. These information items concern company revenues, expenses and the resulting profits or loss. Table A2 presented disclosure statistics of income statements information items, i.e., the number of companies to which each item was applicable, disclosure means and standard deviations.

As it can be seen from Table A2, all companies disclosed information on aggregate amounts of sales, income from ordinary activities, revenue from banking services, other revenues, cost of goods sold, gross income, administrative and general expenses, advertisement expenses, depreciation of fixed assets, donations, net income for the period, tax expenses related to ordinary activities, and income before tax and Zakat. Other popular items were: break up of income from investments, cost of retirement plans, amortisation of intangible assets, staff welfare expenses, staff remunerations other than salaries, expenses on employees training, amounts of revenues in each significant categories, Zakat of the period, remunerations of directors, returns of unrestricted investments, returns of the bank as an agent, and as a Mudarib in restricted and unrestricted investments.

On the other hand, the rarest items were: non-monetary transactions, selling expenses other than advertisement expenses, adjustments due to changes in accounting policies, income of minority shareholders, salaries of senior management staff, and tax expenses/income related to extraordinary activities. Table 6 displayed disclosure pattern of income statement items.

Table 6 Disclosure pattern of income statement items

Type of disclosure	*Number of items*	*Percentage*
Popular items	26	65%
Common items	8	20%
Rare items	6	15%
Total	40	100%

Source: Table A2

Table 6 showed that popular and common items of the income statement were disclosed by 85% of companies. So, disclosure level of income statement items is good. However, Table 2 showed that a high degree of variations existed in disclosing income statement items as explained by the high standard deviation (35%). This refers to lack of consistency among listed companies regarding disclosure of income statement items.

Strategic information items (45 items) are the most needed information for decision making process such as the information related to assessment of efficiency, future performance, future cash flows, and social and environmental responsibilities and the like. They help users to assess current operations results as a base for predicting future performance. These items are of great importance to those who need to make assessment of management efficiency, future expected performance, future expected dividends and cash flows, and how a company bears its social and environmental responsibilities. Table A3 presented disclosure statistics of strategic information items, i.e., the number of companies to which each item was applicable, disclosure means and standard deviations. As it can be seen from Table A3, only one strategic item (significant change in fixed assets) is popular. This item is usually disclosed as a part of presenting depreciation of fixed assets. So, this disclosure cannot be taken as a good proxy for high disclosure level.

On the other hand, 14 items were not disclosed by any company. These items included qualifications of members of board of directors, qualifications of top employees, labour turnover ratio, existence of audit committee, information on corporate environmental responsibilities, discussion of operating results of the past year, discussion of factors that may affect next year results, forecast of performance or profit, expenditure on development of properties, long-term construction contracts, capital expenditure for the coming year, dividends policy, information on expected future dividends, and sales policies.

Other rare information items (17 items) included items of information concerning corporate social responsibilities, number and percentage of shares held by directors, market share in major area of activities, physical output and capacity utilisation, information on investment risk, current business strategy, outside members of board of directors, nature and activities of subsidiaries, employees training and development, names of big shareholders and their ownership percentages, number and types of employees, discussion of major products and services, discussion of business lines, information on future expansion, capital expenditure in last year, number and percentage of shares held by subsidiaries and/or associates, nature and purpose of each capital reserves, and others.

The results of this part of analysis show that annual reports of Sudanese listed companies do not provide users of their accounting information with much of needed information. Investors cannot find information that helps them to predict expected dividends or to assess management performance. Similarly, creditors cannot extract any information on secured liabilities or assets pledged for current liabilities. So, they may not have sufficient information to evaluate company credit worthiness. Moreover, no information is provided about ownership concentration, types of owners, constitution of board of directors, qualifications of top employees, and the like.

To have an inside look, Table 7 displayed disclosure pattern of strategic information items.

Table 7 Disclosure pattern of strategic information items

Types of disclosure	*Number of items*	*Percentage*
Popular items	1	02.22%
Common items	9	20.00%
Rare items	35	77.78%
Total	45	100.0%

Source: Table A3

More than 77% of strategic information items were rarely disclosed, and less than 3% was popular. This poor disclosure of strategic information items might be attributed to the fact that all these information items were classified as voluntarily disclosed information items as shown in Table 4.

Strategic information items are the most relevant for decision making process. If these items are the least disclosed items, then, it is of logic that users do not rely on such information as a base for their decision making.

5 Conclusions and policy implications

5.1 Disclosure of mandatory and voluntary information

Disclosure degree of mandatory items (52%) is far well than disclosure degree of voluntary items (15%). It is clear that KSE listed companies may not, optionally, provide adequate disclosure, if they have the right to decide on what to disclose and what to not disclose, i.e., KSE listed companies lack self-incentives to provide adequate disclosure voluntarily.

Based on these results, the researchers recommend the adoption of the IFRS. Aksu and Arman (2005) stated that the adoption of the IFRS has improved the disclosure quality of Turkish listed companies. Also, more information items should be mandated through regulations of the Sudanese Companies Act 1925, the Central Bank, or the Capital Market. Einhorn (2005) has stated that more mandatory disclosure requirements will minimise the need for voluntary disclosure.

Therefore, Sudanese Companies Act 1925 should be amended to include demanding provisions for disclosure requirements. More provisions should be added to mandate issuance of cash flow statement, interim reports, management forecasts, expected dividends, comparison between budgeted and actual performance, and the like. This recommendation supports Shoib (1995) who called for the adoption of very demanding regulations, to govern the process of financial disclosure in Kuwait. Also, KSE should issue its own Corporate Governance Act to improve the efficiency and effectiveness of listed companies, on one hand, and raise the quality of disclosure and transparency of financial reporting, on the other hand. Besides, KSE has to set listing requirements including adoption of certain disclosure standards such as International Accounting Standards.

5.2 Disclosure of traditional financial statements contents and strategic information

Information items of traditional financial statements (balance sheet and income statement) have been disclosed well by most studied companies. The disclosure mean of the balance sheet items is about 58%. Within this percentage, popular and common items represent about 73%. Similarly, the disclosure mean of the income statement items is about 71%. Within this percentage, popular and common items represent about 85%.

Strategic information items are not adequately disclosed by most KSE listed companies. The disclosure mean of strategic information items is 14%. Within this percentage, rare items represent 78%. Hence, the most desired information items (the most relevant for the decision making process) are overshadowed by the less important items. This finding is consistent with the finding of Wallace (1988a) who pointed to such a dual pattern of corporate disclosure in published annual reports of Nigerian companies. This dualistic pattern of accounting disclosure may explain the low external usage rate of accounting information, in Sudan, that have been documented by Hamza (2002) who found that only 14.2% of external users of accounting information, in Sudan, demand, use and depend on financial statements in their decision-making process, i.e., user groups may be pushed to base their economic decisions on non-accounting information.

To provide useful and adequate accounting information, preparers of financial statements and external auditors have to understand the needs of various user groups of accounting information, mainly lenders, investors and tax officers. Satisfying users' needs would raise the confidence on, and so the usage rate of the produced accounting information which would, eventually, lead to improvements in disclosure quality. To define relevant information items for various user groups, a committee could be formed representing investors, financial institutions, accounting and auditing practitioners, and academicians. Such a committee may conduct very specialised and purpose-tailored studies to precisely define what kinds of accounting information are needed by each user group. Then, most relevant information items may be mandated through proper regulations and effective enforcement mechanism. Also, continuous publications should be issued by regulating authorities, professional bodies and academicians to raise the awareness of the necessity of adequate disclosure quality among both financial statements preparers and users, on one hand, and accounting and auditing practitioners, on the other hand, i.e., academic and professional efforts should be devoted to raise the awareness that high quality disclosure is beneficial for both accounting information producers and users.

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Appendix

Table A1 Disclosure quality of balance sheet items

Applicable item to be disclosed	*No. of companies*	*Disc. mean*	*Std. devn.*
Cash and cash equivalents	42	1.00	0.00
Accounts and notes receivable	41	1.00	0.00
Total carrying amount of non-current assets	42	1.00	0.00
Investments in Musharakah contracts	18	1.00	0.00
Investment in Bai Murabaha contracts	18	1.00	0.00
Investments in Bai Salam contracts	18	1.00	0.00
Investments in other Islamic mudes of finance	19	1.00	0.00
Current and saving accounts	20	1.00	0.00
Equity of unrestricted investments	19	1.00	0.00
Balances due to other banks	19	1.00	0.00
Total owners equity	42	1.00	0.00
Value of furniture and fittings	42	0.98	0.15
Depreciatable assets net amounts	42	0.98	0.15
Aggregate amounts of investments	38	0.97	0.16
Values of lands and buildings	33	0.97	0.17
Accumulated depreciation by categories	42	0.95	0.22
Investments in Mudarabah contracts	19	0.95	0.23
Advances and loans to staff and/or directors	40	0.93	0.27
Total carrying amount of inventory	15	0.93	0.26
Aggregate value of intangible assets	15	0.93	0.26
Shares capital	42	0.93	0.26
Amount of leasehold properties	29	0.90	0.31
Total noncurrent liabilities	10	0.90	0.32
Investments in government securities	38	0.79	0.47
Details of owners equity (share capital, reserves, retained earnings)	42	0.79	0.42
Other short-term investments	36	0.78	0.42
Total current liabilities	23	0.78	0.42
Deferred tax liabilities	42	0.76	0.43
Provisions for doubtful debts	35	0.74	0.44
Total current assets	24	0.71	0.46
Investments in other companies	31	0.68	0.48
Amounts of borrowing costs capitalised	3	0.67	0.58
Classification of shares capital into authorised, issued, paid in, …	42	0.67	0.48
Investments in subsidiaries and associates	32	0.63	0.49
Investments in bank deposits	13	0.54	0.52

Table A1 Disclosure quality of balance sheet items (continued)

Applicable item to be disclosed	*No. of companies*	*Disc. mean*	*Std. devn.*
Classification of assets into current and noncurrent	23	0.52	0.51
Classification of liabilities into current and non-current	23	0.52	0.51
Classification of receivables into trade and other receivables	19	0.37	0.50
Unpaid-up dividends	41	0.37	0.49
Sub-classifications of inventory	14	0.36	0.50
Classification of long-term liabilities into banks, bonds, …	7	0.29	0.49
Par value per share	42	0.29	0.46
Break up of intangible assets	4	0.25	0.50
Classification of creditors into trade and other payable	12	0.25	0.45
Minority interests	19	0.21	0.42
Advances and loans to subsidiaries and/or associates	20	0.20	0.41
Inventory carried at net realisable value	17	0.06	0.24
Provisions for contingencies	32	0.03	0.25
Nature of contingent assets and/or liabilities	31	0.03	0.18
Classification of debtors into aging categories	41	0.02	0.26
Provisions for proposed dividends	42	0.02	0.26
Provisions for staff benefit schemes other than pensions	42	0.02	0.15
Post- balance sheet events	42	0.02	0.26
Value of imported and local raw-material, spare-parts, …	10	0.00	0.00
Amounts of commitments for acquisition of fixed assets	12	0.00	0.00
Loans from shareholders	6	0.00	0.00
Amount of inventory pledged as security for liabilities	6	0.00	0.00
Total current assets pledged as security for liabilities	5	0.00	0.00
Classification of long-term liabilities into secured and non-secured	6	0.00	0.00
Classification of current liabilities into secured and non-secured	15	0.00	0.00
Overall disclosure level		0.58	0.39

Table A2 Disclosure quality of income statement items

Applicable item to be disclosed	*No. of companies*	*Disc. mean*	*Std. dev.*
Aggregate amount of sales/revenue	42	1.00	0.00
Income from ordinary activities	42	1.00	0.00
Revenue from banking services	19	1.00	0.00
Other revenue	42	1.00	0.00
Cost of goods sold during the period	7	1.00	0.00
Gross income	8	1.00	0.00

Table A2 Disclosure quality of income statement items (continued)

Applicable item to be disclosed	*No. of companies*	*Disc. mean*	*Std. dev.*
Administrative and general expenses	42	1.00	0.00
Advertisement expenses	42	1.00	0.22
Depreciations of fixed assets	42	1.00	0.00
Donations	38	1.00	0.00
Net income for the period	42	1.00	0.00
Tax expenses/income related to ordinary activities	42	1.00	0.00
Income before tax and Zakat	42	1.00	0.00
Break up of income from investments	38	0.95	0.32
Cost of pension or retirement plans	42	0.95	0.22
Amortisation of intangible assets	16	0.94	0.25
Staff welfare expenses	41	0.93	0.35
Staff remunerations other than salaries and wages	42	0.93	0.26
Expenses on employees training and development	30	0.93	0.25
Amounts of revenue in each significant category	42	0.90	0.30
Zakat of the period	41	0.90	0.30
Directors remunerations	42	0.88	0.33
Returns of unrestricted investments	19	0.84	0.37
Return of the bank as Mudarib (unrestricted investments)	19	0.84	0.37
Return of the bank as an agent (restricted investments)	19	0.79	0.54
Return of the bank as Mudarib (restricted investments)	19	0.79	0.42
Income from exit and disposal activities	2	0.50	0.71
Foreign exchange gain or loss	37	0.46	0.51
Income arising from sales/disposal of fixed assets	38	0.42	0.50
Finance cost	10	0.40	0.52
Bad debts expenses	39	0.33	0.48
Commission to managing agent, subsidiaries, or associates	12	0.33	0.49
Income from extra ordinary items	3	0.33	0.58
Transactions with related parties	39	0.26	0.44
Non-monetary transactions	14	0.21	0.43
Selling expenses other than advertisement expenses	40	0.15	0.43
Adjustments due to change in accounting policies	7	0.14	0.38
Income of minority shareholders	23	0.13	0.34
Salaries of senior management staff	42	0.02	0.31
Tax expenses/income related to extraordinary activities	1	0.00	0.00
Overall disclosure level		0.71	0.35

Table A3 Disclosure quality of strategic information items

Applicable item to be disclosed	*No. of companies*	*Disc. mean*	*Std. dev.*
Significant change in fixed assets	40	1.00	0.00
Segment data	13	0.69	0.48
Capital expenditure for the current year	42	0.56	0.50
Names of members of board of directors	42	0.45	0.50
Discussion of operating results of the year	42	0.40	0.50
Recommended dividends for current year	42	0.38	0.49
Holdings in subsidiaries and associates	35	0.37	0.49
Purchase policies	42	0.33	0.75
Number and percentage of shares held by government	22	0.27	0.46
Names of top employees	42	0.26	0.45
Outside members of board of directors	42	0.19	0.40
Nature and activities of subsidiaries	30	0.17	0.38
Employees training and development	39	0.15	0.37
Information on corporate social responsibilities	40	0.15	0.36
Physical output and capacity utilisation	7	0.14	0.38
Details of owners (institutional, individuals, foreigners, local, …)	42	0.14	0.35
Names of big shareholders and ownership	42	0.12	0.33
Number and type of employees	42	0.11	0.33
Number and percentage of shares of directors	41	0.02	0.16
Number and percentage of shares held by subsidiaries and/or associates	23	0.02	0.21
Nature and purpose of capital reserves	42	0.02	0.22
Market share in major area of activities	42	0.02	0.15
Discussion of major products/services	42	0.02	0.15
Information on investments risk	42	0.02	0.26
Organisational structure/chart	42	0.02	0.15
Current business strategy	42	0.02	0.15
Discussion of business lines	42	0.02	0.30
Information on future expansion	42	0.02	0.15
Capital expenditure in last year	42	0.02	0.15
Qualifications of board of directors	42	0.00	0.00
Qualifications of top employees	42	0.00	0.00
Labour turnover ratio	42	0.00	0.00
Existence of audit committee	8	0.00	0.00
Information on corporate environmental responsibilities	6	0.00	0.00
Discussion of operating results of the past year	42	0.00	0.00
Discussion of factors that may affect next year results	42	0.00	0.00
Forecast of performance or profit	42	0.00	0.00

Table A3 Disclosure quality of strategic information items (continued)

Applicable item to be disclosed	*No. of companies*	*Disc. mean*	*Std. dev.*
Expenditure on development of properties	39	0.00	0.00
Long-term construction contracts	12	0.00	0.00
Capital expenditure for the coming year	42	0.00	0.00
Dividends policy	42	0.00	0.00
Information on expected future dividends	42	0.00	0.00
Sales policies	42	0.00	0.00
Expenses on loyalties and know-how	5	0.00	0.00
Research and development expenses	12	0.00	0.00
Overall disclosure level		0.14	0.22