IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 18, Issue 11. Ver. IV (November. 2016), PP 27-34
www.iosrjournals.org

Relationship between Value Added Statement Disclosure and Financial Performance of Non-Financial Firms Listed in Nairobi Securities Exchange, Kenya

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Abstract: *This study envisaged to determine the relationship between Value Added Statement Disclosure and financial performance of non-financial firms listed in the Nairobi Securities Exchange (NSE). Performance indicator was market based measurement (Tobin's Q ratio). The study employed descriptive cross-sectional research design. A census of 45 non- financial firms listed in NSE, was taken. The study used secondary panel data contained in the annual reports of non-financial firms listed in NSE, Kenya. The data was extracted from the NSE hand book for the period 2011-2015 and from companies' websites. This was complimented by semi-structured questionnaires which were given to 45 Chief Executive Officers. Data analysis was done by both descriptive (measures of central tendency and dispersion) and inferential statistic (multiple regression analysis and correlation analysis) with help of Statistical Packages of Social Sciences (SPSS version 22). The results revealed that there was a significant positive linear relationship between value-added statement disclosure and firm financial performance measured by Tobin's Q of listed non-financial firms in Kenya. Based on these findings the study concluded that listed non-financial firms should voluntary disclose their value added statement to all their stakeholders.*

Keywords: *Value Added Statement Disclosure, Tobin's Q, non-financial firms*

I. Introduction

Background of the Study

The most important role of annual reports is to provide relevant, useful and reliable accounting information to the various users namely; shareholders, management, government, employees, lenders, competitors, trade unions, creditors, financial analysts and potential investors (Carmona & Trombetta, 2010). Binh, (2012) cited Flack and Douglas (2007) who reported that annual reports are known as the annual reporting behaviors of a company and it has ability to improve the perceptions of accountability among stakeholders and the wider community. In addition, information disclosure in annual reports is a strategic tool, which can enhance the company's ability in raising capital at the lowest possible cost (Healy & Palepu, 2001). Annual reports are used as a medium for communicating both quantitative and qualitative corporate information to shareholders, investors and other users. The information that has been supplied by annual reports towards their stakeholders includes two types: mandatory and voluntary information (Al-Shammari, 2008). Mandatory disclosure is a basic market demand for information that is required by various statutory laws and regulatory bodies and has been ruled at global, regional or national level through professional organizations or government authorities. Corporate voluntary disclosures, being in excess of requirements, represents free choices on the part of management to provide information to users of the annual reports. This voluntary information is disclosed to satisfy the users' needs, seem to be insufficiently supplied by the mandatory disclosure. Mandatory financial disclosures consider; Statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity. These are traditional financial statements which are obligatory and readily available in companies' annual reports and websites (Yuen, Liu, Zhang & Lu, 2009).

The authority of management disclosures is enhanced by regulators, standard setters, auditors and other capital market intermediaries. Agency relationship exists between shareholders (principal) and management (agent). The main issue is the information asymmetry between management and other stakeholders. In this agency relationship, management has information advantage. The agent may take actions that are at variance with other stakeholders interests. Voluntary disclosure presents a better opportunity to apply agency theory, in the sense that management who have better access to a firm's private information than external owners and investors can make plausible and reliable communication to the market to enhance the value of the firm by reducing the costs of the agency relationship.

II. Literature Review

Theoretical Framework

The agency relationship leads to the information asymmetry problem due to the fact that management can access information more than shareholders (Jensen & Meckling, 1976). Optimal contracts is one of the means of mitigating the agency problem as it helps in bringing shareholders' interests in line with management interests (Healy & Palepu,2001). In addition, voluntary disclosure is another means of mitigating the agency problem, where management discloses more voluntary information reducing the agency costs (Barako et al., 2006). Oliveira et al., (2013) used stakeholder theory to explore the voluntary disclosure of information regarding intellectual capital in the annual reports of listed companies. The observed level and pattern of voluntary disclosure is found to be consistent with the managerial branch of stakeholder theory and to be influenced strongly by the power of minority shareholders, creditors, consumer proximity, employees, the intensity of the holding of intangibles in the industry in which a company is located, and managerial board ownership. The understandings that emerge should inform regulatory efforts aimed at improving the level, quantity and scope of disclosures of intellectual capital items in financial reports. Decision Usefulness Theory that for decisions to be made by investors and other stakeholders, information need to be disclosed. This theory indicates that important information needs to be in the public domain so that the true worth of a business organization can be seen both from physical resources, financial resources and human resources. Legitimacy theory on the other hand has the role of explaining the behavior of organizations in implementing and developing voluntary social and environmental disclosure of information in order to fulfill their social contract that enables the recognition of their objectives and the survival in an anxious and turbulent environment.

Empirical Review

According to Chow (1987), voluntary financial disclosures includes: value added statement, financial analysis and historical financial statements. Value added statement is a financial statement which shows how much value (wealth) has been created by an enterprise through utilization of its capacity, capital, manpower, and other resources and how it is allocated among different stakeholders (employees, lenders, shareholders and government) in an accounting period,(Van staden,2000). This research study determined the effect of value added statement on firm performance. A study by Qu, (2011) on Voluntary disclosure by listed firms in China, showed that voluntary disclosure made by listed firms in the Chinese stock market increased. Qu further found that firms positively reacted to changed corporate disclosure environment in China.

Jullobol & Sartmool (2015) conducted a study on the effect of firm performance on voluntary disclosure in annual reports: a case study of technology industry in the stock exchange of Thailand. The study employed Random-effects Tobit Models of the listed firms in technology industry during 2009 to 2013 by using return on asset (ROA) and Tobin's Q as measurement index of performance. The result of the overall information disclosure showed significant effects of firm performance on voluntary disclosure. However, disaggregate analyses by classifying data into strategy information, non-financial information, and financial information, indicate that voluntary disclosure of strategy information and non- financial information are influenced by firm performance while disclosure of financial information is not.

Dourlein (2009) finding was that there is positively insignificant relationship between the level of voluntary disclosure provided in the annual report and that there is a negatively insignificant relationship between the level of voluntary disclosures provided on the company website and the cost of capital. Adams (1996) results indicated that the level of information voluntarily disclosed by life insurance companies in their annual reports was positively associated with; firm size, product diversity and reliance on independent sales agents. Gietzmann and Ireland (2005), Espinosa and Trombetta (2007) and Francis et al. (2008) found a negative association between voluntary disclosure and the cost of capital. Qu, (2011) on Voluntary disclosure by listed firms in China, showed that voluntary disclosure made by listed firms in the Chinese stock market increased.

Wangari (2014) conducted a research on effect of voluntary disclosure on the financial performance of commercial banks in Kenya. Wangari's study examined general and strategic disclosure, financial disclosure, forward looking disclosure and social and board disclosure as proxies for measuring voluntary disclosure and how they affect the financial performance of commercial banks in Kenya. Secondary data was collected from annual reports of the forty two commercial banks for a period of six years from 2008 to 2013. The study found a positive relationship between financial, forward looking and board and social disclosure and return on equity. These are among the few studies reviewed, especially in the Kenyan context, to consider the multi-dimensionality of firm performance when investigating effect of voluntary disclosures on firm performance.

III. Methodology

This study was founded on the positivism paradigm. The positivism stance was appropriate for this study based on the underlying assumptions of this paradigm relative to social constructivism. Positivism assumes in its understanding of the world that the environment and the events of interest are objective , external and independent of the researcher (Bryman & Bell, 2003). This study adopted a descriptive cross-sectional research design to analyze the effect of voluntary disclosure on performance of non-financial companies listed in the NSE. The target population of the study comprised of all non-financial companies listed in the Nairobi Securities Exchange (NSE). The NSE has 45 non-financial companies as per NSE Hand book 2015. The researcher used structured questionnaires which were issued to the CEO's of the 45 listed non-financial firms in NSE. A drop and pick method was used as this provides ample time to the respondent to address the questions. Secondary data was collected from annual published financial statements using a secondary data collection sheet. Secondary data was also gathered from audited financial reports of non-financial firms listed in NSE, Kenya. The data for all the variables in the study was extracted from published annual reports and financial statements of the listed companies in the NSE covering the years 2011 to 2015. The data obtained was analyzed using descriptive and inferential statistics, correlation analysis and panel multiple linear regression analysis to analyze data.

IV. Findings and Discussion

A total number of 45 questionnaires were administered to the CEO of 45 listed non-financial companies in Kenya. According to table 4.8, a response rate of 44 was recorded. This constituted 97.78% response rate. Response rate refers to the extent to which the final data set includes all sample members and is calculated as the number of people with whom interviews are completed divided by the total number of people in the entire sample, including those who refused to participate and those who were unavailable,(Fowler, 2013).

Diagnostic Tests

Normality Test

The assumption of linear regression requires that the data should be normally distributed. Therefore to test the normality of the dependent variable Tobin's Q, a One-Sample Kolmogorov-Smirnov Test (KS) was conducted. The Kolmogorov-Smirnov test (also known as the K-S test or one sample Kolmogorov-Smirnov test) is a non-parametric procedure that determines whether a sample of data comes from a specific distribution, i.e., normal, uniform, Poisson, or exponential distribution. It is mostly used for evaluating the assumption of univariate normality by taking the observed cumulative distribution of scores and comparing them to the theoretical cumulative distribution for a normally distributed variable. The null and alternative hypotheses are stated below.

H_o: The data is normally distributed

H_1: The data is not normally distributed

The rule is that if the p-value is greater than 0.05, H_o is accepted and H_1 is rejected, if the p -value is less than 0.05, H_o is rejected and H_1 is accepted.

Table 1: One-Sample Kolmogorov-Smirnov Test

		TOBIN'S Q RATIO
N		44
Normal Parameters[a,b]	Mean	1213.78
	Std. Deviation	2966.729
Most Extreme Differences	Absolute	.341
	Positive	.330
	Negative	-.341
Kolmogorov-Smirnov Z		22.264
Asymp. Sig. (2-tailed)		.065
a. Test distribution is Normal.		
b. Calculated from data.		

The results obtained indicate that Kolmogorov-Smirnov Z statistic is 22.264 (p-value=0.065) since the statistic is high with the p-value greater than 0.05, the null hypothesis was accepted and concluded that the data was normally distributed and therefore fit for linear regression analysis.

Homoscedastic Test for Firm Financial Performance

Homoscedasticity suggests that the dependent variable has an equal level of variability for each of the values of the independent variables (Garson, 2012). A test for homoscedasticity is made to test for variance in residuals in the regression model used. If there exists equal variance of the error term, we have a normal distribution. Lack of an equal level of variability for each value of the independent variables is known as

heteroscedasticity, The Breusch-Pagan test developed by Breusch and Pagan (1979) was used to test for homogeneity in a linear regression mode. The null and alternative hypotheses are stated below.
H_o: The data is not heterogenous in variance
H_1: The data is heterogeneous in variance

The rule is that if the p-value is greater than 0.05, H_o is accepted and H_1 is rejected, if the p -value is less than 0.05, H_o is rejected and H_1 is accepted. The result of the test is shown in table 4.4, which indicate that the test statistic is 6.4321 (p-value = 0.453) with the degree of freedom. Since the test –Statistic is small with the p-value greater than 0.05, the null hypothesis was accepted and concluded that there was homoscedasticity in the data (that is, the data is not heterogeneous in variance), which satisfies the assumption of regression.

Table 2: Test for Homoscedasticity in the Response and Residuals

Test – Statistic	**Degree of Freedom**	**P-Value**
6.4321	4	0.453

Test for serial Autocorrelation

The test for autocorrelation was performed to establish whether residuals are correlated across time. OLS assumptions require that residuals should not be correlated across time and thus the Breusch–Godfrey test which is also an LM test was adopted in this study. The null hypothesis is that no first order serial /auto correlation exists. The results of the Table3 below indicated that the null hypothesis of no autocorrelation is rejected and that residuals are not auto correlated (p-value=0.0001). The null hypothesis is that there is no serial correlation of any order.

Table 3: Serial Correlation Tests

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	13.59370	Prob. F(2,38)	0.0000
Obs*R-squared	18.35087	Prob. Chi-Square(2)	0.0001

V. Descriptive Analysis

This section provides descriptive results on how respondents responded to the statement in the questionnaire. The study sought to establish whether the non-financial firms listed in in the Nairobi Securities Exchange disclosed value added statements to their stakeholders.

Table 4: Descriptive Results for Value Added Statement disclosure

	Strongly disagree	disagree	Neutral	agree	Strongly agree	Mean	Std Dev
Our company disclosures its annual turnover to all its stakeholders	4.5%	2.3%	4.5%	47.7%	40.9%	4.18	0.97
Our company disclosures its Bought in materials & services to all its stakeholders	15.9%	29.5%	15.9%	15.9%	22.7%	3.00	1.43
Our company disclosures its Employees' wages and benefits to all its stakeholders	20.5%	20.5%	22.7%	27.3%	9.1%	2.84	1.29
Our company disclosures its dividends and interests payables to all its stakeholders	25.0%	22.7%	18.2%	11.4%	22.7%	2.84	1.51
Our company disclosures its annual tax payable to all its stakeholders	11.4%	15.9%	20.5%	31.8%	20.5%	3.34	1.29
value added statement disclosure have a significant effects on financial performance of non-financial firms listed	11.4%	2.3%	4.5%	47.7%	34.1%	3.91	1.24

The study sought to establish whether the non-financial firms listed in in the Nairobi Securities Exchange disclosed value added statements to their stakeholders. The findings revealed that over 88.6% of the respondents agreed that their firms disclosed their annual turnover to all its stakeholders, 45% indicated that they did not disclose bought in material and services to all their stakeholders, 41% indicated that they did not disclosed information on wages and benefits of their employees to the stakeholders while 36.4% indicated that they disclosed this information to stakeholders, 47.7% strongly disagreed and disagreed that they disclosed dividends and interest payables to stakeholders. The findings also showed that 52.3% strongly agreed and agreed that they disclosed Annual tax payable to stakeholders. Those who strongly disagreed and disagreed were 27.3% of the total respondents that participated in this study. The descriptive results showed that 47.7%

and 34.1% of the respondents agreed and strongly agreed that value added statement disclosure had a significant effect on the financial performance of non-financial firms listed in NSE. The mean of 3.91 further indicated that majority of the respondents agreed with the statement. These findings concur with Mendes-da–Silva et al., (2004) who showed evidence of existence of significant association between the firm value and the voluntary disclosure of financial information.

Correlation Results for Value Added Statement and Tobin's Q

To ascertain the association between value added statement disclosure and firm value measured by Tobin's Q, the study carried out a Pearson's correlation test. According to Kothari (2014), the correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation,+1indicating a perfect positive correlation, and 0 indicating no correlation at all. The results of correlations are provided in Table 5

Table 5: Correlation Results for Value Added Statement and Tobin's Q

		Value Added Disclosure	TOBIN'S Q RATIO
Value Added Disclosure	Pearson Correlation	1	.575**
	Sig. (2-tailed)		.000
	N	44	44
TOBIN'S Q RATIO	Pearson Correlation	.575**	1
	Sig. (2-tailed)	.000	
	N	44	44
**. Correlation is significant at the 0.01 level (2-tailed).			

The results indicated that value added statement disclosure had a positive and significant correlation with firm value (r=0.575, p=0.000). The findings imply that increase in value added statement disclosure would result in increase in firm value measured using Tobin's Q.

These findings concur with Mendes-da–Silva et al., (2004) who conducted a study on the voluntary disclosure of financial information on the internet and the firm value across Latin America. The firm value was measured by Tobin's Q ratio. The study consisted of a cross-section based data from a group of 150 companies from Stock Exchange in Argentina, Brazil and Mexico in 2002. Multivariate analysis showed evidence of existence of significant association between the firm value and the voluntary disclosure of financial information.

Univariate Regression Result for Value Added Statement Disclosure and Tobin's Q

The objective of this study was to establish the relationship between value added statement disclosure and financial performance of non-financial firms listed in the Nairobi Securities Exchange. The value added statement that the study investigated include; annual turnover disclosure, bought in materials & services disclosure, employees' wages and benefits disclosure, dividends and interests payables disclosure and annual tax payable disclosure. To ascertain the nature of relationship between Value Added Statement Disclosure and Tobin's Q, the study employed a linear regression analysis. According to Kothari (2014), regression is the determination of a statistical relationship between two or more variables. In simple regression, there are two variables, one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable). Kothari (2014) describes ANOVA as a procedure for testing the difference among different groups of data for homogeneity. The essence of ANOVA is that the total amount of variation in a set of data is broken down into two types, that amount which can be attributed to chance and that amount which can be attributed to specified causes while F- test was used in the context of analysis of variance (ANOVA) for judging the significance of multiple correlation coefficients.

Table 6: Model Summary for Value Added Statement and Tobin's Q

Model	1
R	.575a
R Square	0.331
Adjusted R Square	0.315
Std. Error of the Estimate	2455.818
a Predictors: (Constant), Value Added Disclosure Mean	

The results showed a relationship R= 0.575, indicates a strong positive association between Value Added Statement Disclosure and Tobin's Q. R-squared= 0.331 indicated that 33.1% of variation in the firm value can be explained by Value Added Statement Disclosure while the remaining percentage of 83.0% is explained by other variables not in the model.

F-test was carried out to test the null hypothesis that there is no significant impact of Value Added Statement Disclosure and firm value (Tobin's Q) of listed non-financial firms in Kenya. The results of ANOVA test show that the F value is 20.753with a significance of p value = 0.000 which is less than 0.05, meaning that

null hypothesis is rejected and conclude that there is a relationship between Value Added Statement Disclosure and firm value (Tobin's Q) of listed non-financial firms in Kenya.

Table 7: ANOVA Results for Value Added Statement and Tobin's Q

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	125162098.672	1	125162098.672	20.753	.000[b]
	Residual	253303851.578	42	6031044.085		
	Total	378465950.250	43			
a. Dependent Variable: TOBIN'S Q RATIO						
b. Predictors: (Constant), Value Added Disclosure						

To test the significance of regression relationship between Value Added Statement and Tobin's Q, the regression coefficients (β), the intercept (α), and the significance of all coefficients in the model were subjected to the t-test to test the null hypothesis that the coefficient is zero. The null hypothesis state that, β (beta) = 0, meaning there is no significant relationship between Value Added Statement disclosure and Tobin's Q as the slope β (beta) = 0 (no relationship between the two variables).

Table 8: Regression Coefficient for Value Added Statement and Tobin's Q

	B	Std. Error	Beta	t	Sig.
(Constant)	7441.78	1935.734		3.844	0.000
Value Added Disclosure	2573.266	564.865	0.575	4.556	0.000
a Dependent Variable: TOBIN'S Q RATIO					

The model **Y= □$_{0+}$ □$_{1}$ X$_{1}$+□** therefore became **TOBIN'S Q RATIO= 7441.78 +2573.266 (Value Added Statement Disclosure)+ □**

The results on the beta coefficient of the resulting model showed that the constant α = 7441.78 is significantly different from 0, since the p- value = 0.000 is less than 0.05. The coefficient β = 2573.266 is also significantly different from 0 with a p-value=0.000 which is less than 0.05. The results imply that a unit change in Value Added Statement disclosure will result in 2573.266 units change in firm value. This confirms that there is a significant positive linear relationship between Value Added Statement disclosure and firm value of listed non-financial firms in Kenya. Thuis study tested the following null hypothesis;

H0: There is no statistically significant relationship between value added statement disclosures in annual reports and financial performance of non- financial firms listed in NSE.

F-test was carried out to test the null hypothesis that there is no significant impact of Value Added Statement Disclosure and firm value (Tobin's Q) of listed non-financial firms in Kenya. The results of ANOVA test show that the F value is 20.753with a significance of p value = 0.000 which is less than 0.05, meaning that null hypothesis is rejected and conclude that there is a relationship between Value Added Statement Disclosure and firm value (Tobin's Q) of listed non-financial firms in Kenya. The results on the beta coefficient of the resulting model showed that the constant α = 7441.78 is significantly different from 0, since the p- value = 0.000 is less than 0.05. The coefficient β = 2573.266 is also significantly different from 0 with a p-value=0.000 which is less than 0.05. The results imply that a unit change in Value Added Statement disclosure will result in 2573.266 units change in firm value. This confirmed that there is a significant positive linear relationship between Value Added Statement disclosure and firm value of listed non-financial firms in Kenya.

Univariate analysis showed evidence of existence of significant association between the firm value and the voluntary disclosure of financial information. The findings of this study concur with those of Bryan (1996) who carried a study on determinants of voluntary disclosure by New Zealand life insurance companies. Empirical results of the study indicated that the level of information voluntarily disclosed by life insurance companies in their annual reports was positively associated with; firm size, product diversity and reliance on independent sales agents. Similarly, Jullobol & Sartmool (2015) conducted a study on the effect of firm performance on voluntary disclosure in annual reports: a case study of technology industry in the stock exchange of Thailand. The study employed Random-effects Tobit Models of the listed firms in technology industry during 2009 to 2013 by using return on asset (ROA) and Tobin's Q as measurement index of performance. The result of the overall information disclosure showed significant effects of firm performance on voluntary disclosure.

Moderating Effect of corporate governance attribute (Board Composition) on Relationship between Value Added Disclosure and Financial Performance

Regression analysis was performed to determine the moderating effect of corporate governance attribute (Board Composition) on relationship between value added disclosure and financial performance. The interaction between value added disclosure and corporate governance attribute (Board Composition) (Value

Added disclosure*Corporate Governance) was calculated and used in the regression model $Y = \beta_0 + \beta_1$ (Value Added disclosure*Corporate Governance) + β_2 Value Added disclosure + e. According to the results, the value of adjusted R square without consideration of the corporate governance attribute (Board Composition) is 33.1%. The adjusted R square improves to 40.4% when the corporate governance attribute (Board Composition) is considered. This implies that the adjusted R square changed by 0.073%.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
without moderator	.575a	0.331	0.315	2455.818
with moderator	.636a	0.404	0.375	2345.065
a Predictors: (Constant), Corporate Governance Disclosure, Value Added Disclosure				
a Predictors: (Constant), Value Added disclosure*Corporate Governance, Value Added Disclosure				

The ANOVA results for the moderation effect of Value Added Disclosure on the level of financial performance. According to the results, the F-statistic with the moderator variable is 20.753, which is greater than the F-critical of 3.000. The ANOVA also showed that the F change was significant at the 0.05 level. This implied that the coefficients in the model were not equal to zero and exhibited a good fit.

Table 10: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
without moderator	Regression	125162098.7	1	125162098.7	20.753	.000b
	Residual	253303851.6	42	6031044.085		
	Total	378465950.3	43			
with moderator	Regression	152993477.9	2	76496738.96	13.91	.000b
	Residual	225472472.3	41	5499328.593		
	Total	378465950.3	43			
a Dependent Variable: TOBIN'S Q RATIO						
b Predictors: (Constant), Value Added Disclosure						
b Predictors: (Constant), Value Added disclosure*Corporate Governance, Value Added Disclosure						

The regression coefficient results showed that the coefficient on the moderating variable variable, Value Added disclosure*Corporate Governance is 393.342. The coefficient on the interaction variable was also significant since its p-value was 0.003 which is less than 0.05. Since the coefficient of Value Added disclosure*Corporate Governance was significant it further implied that the corporate governance attribute (Board composition) significantly moderated the relationship between financial performance (measured by Tobin's Q) and voluntary accounting disclosures.

Table 11: Regression Coefficient Results

Model		B	Std. Error	Beta	t	Sig.
without moderator	(Constant)	7441.78	1935.734		3.844	0.000
	Value Added Disclosure	2573.266	564.865	0.575	4.556	0.000
with moderator	(Constant)	4191.912	2345.983		1.787	0.081
	Value Added Disclosure	339.464	1130.006	0.076	0.3	0.765
	Value Added disclosure*Corporate Governance	393.342	174.847	0.568	2.25	0.003
a Dependent Variable: TOBIN'S Q RATIO						

VI. Conclusion

Based on these findings the study concluded that value added disclosure was key to financial performance of non-financial firms listed in NSE. Value Added statements Reporting which focuses that value added is meaningful measure of corporate performance rather than conventional measures based on traditional financial accounting and can be particularly useful for employees oriented approach, which can be more fruitful discussion with employees and can be especially useful in productivity arrangements

VII. Recommendations

The study recommended that non-financial firms listed in the NSE should disclose their value added statements to all their stakeholders since such disclosure influences the investments decisions of stakeholders. Value added statement is a financial statement which shows how much value (wealth) has been created by an enterprise through utilization of its capacity, capital, manpower, and other resources and how it is allocated among different stakeholders

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