SURVEY OF THE EXTENT OF COMPLIANCE TO INTERNATIONAL ACCOUNTING STANDARDS DISCLOSURE REQUIREMENTS FOR LISTED COMPANIES AT THE NAIROBI STOCK EXCHANGE

BY

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DECLARATION

This management research paper is my original work and to the best of my knowledge has not been presented for the award of any degree in any university.

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To my lovely three year old daughter, Precious Nyambura, who made the completion of this study a nightmare by insisting she should 'read first".

ABSTRACT.

In 1998 the council of Institute of Certified Public Accountants of Kenya (ICPAK) adopted international accounting standards for financial reporting in Kenya and required companies to prepare their financial statements in accordance with IAS and the financial statements to be audited in accordance with international standards on auditing. Since 1999, auditors opinion in the financial statement states that the financial statements are prepared in accordance with the IAS. One may however ask whether in reality the financial statements fully comply with the requirements of IAS.

This study attempted to answer some key questions on the extent of compliance to IAS requirements on disclosure by listed companies in Kenya. The specific objectives of the study were;

a) To determine the extent of compliance to IAS disclosure requirements among companies in Kenya.
b) To identify set of factors that may have an impact on the level of compliance to IAS disclosure requirements in Kenya.

This study looked at the 47 companies quoted at the Nairobi Stock Exchange whose financial statements for year ending any month of 2004 had already been filed with the NSE. The study used the disclosure index method and a percentage calculated as the total number of items disclosed divided by the total number of items that should have been disclosed. A data collection instrument was compiled by bringing together the disclosure requirements of seventeen IAS. To test whether various factors had an impact on levels of disclosure, the study divided the population into various groupings and using t test of significance at 5% level of confidence tested whether the means between various groups were significantly different.

The conclusion of the study is that the overall level of compliance among quoted companies at the Nairobi Stock Exchange was 71.95% with the highest level being 81.72% by a big company and the lowest being 55.56% by a small company. This results

are disappointing in the sense that one would expect higher levels of compliance among quoted companies and especially so as most of them are audited by the big 4 auditing firms. Its apparent therefore that level of compliance is low in Kenya as one would expect much lower compliance among smaller companies and especially those audited by the very small firms.

The t-score analysis results showed that the firm size as measured by its annual turnover and the type of the auditor as factors that have significant impact on the levels of compliance to IAS disclosure requirements in Kenya.

Though companies in the finance sector were found to comply more than companies in other sectors, the difference in the means for various industry categories were found not to be statistically significant thus the industry does not have a significant impact on the level of compliance. More profitability companies were found to comply more than those less profitable as is the case with less geared companies. T test analysis however showed the difference between the means not to be significant thus the conclusion that profitability and gearing are factors that do not have significant impact on the levels of compliance to IAS disclosure requirements in Kenya.

The findings of this study confirms the findings of previous other studies such as Kinya (1993), Street and Gray (2001) and Elsalam and Weetman (2002) who all found that the type of the auditor has a significant impact on the levels of compliance to IAS disclosure requirements. The study also confirms the findings of Street and Gray in as far as profitability and the industry as factors that do not have significant impact on levels of compliance. The findings of this study are however different from those of Kinya (1993) and Street and Gray (2001), who found company size as not having a significant impact on the levels of compliance. This study found company size as measured by annual turnover to have a significant impact on the levels of compliance to IAS disclosure requirements in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background

In 1998, the council of the Institute of Certified Public Accountants of Kenya (ICPAK) adopted International Standards for financial reporting in Kenya, which thereby became Kenyan Standards. All financial statements covering periods beginning January 1, 1999, must be prepared in accordance with International Accounting Standards (IASs), and financial statements prepared for periods ending on and after December 31, 1999 must be audited in accordance with International Standards on Auditing (ISAs). IASs are applicable for enterprises of all sizes and types, to the extent that they apply to the specific circumstances of the reporting entity. The country's tax authorities require enterprises to produce IAS-compliant income statements for determining accounting profit, which is adjusted to calculate taxable profit.

The use of IASs is not only being enforced in Kenya but also elsewhere. This is evidenced by the endorsement in May 2000 from the International Organisation of Securities Commissions (IOSCO) and the European Commission formally presenting a proposal for a regulation requiring all European Union (EU) listed Companies to prepare consolidated financial statements based on IAS by 2005.

Reporting to have adopted the requirements of the IAS is one thing and actually adopting and incorporating the requirements into preparation of the financial statements another. A study by (Abayo 1992) showed that the mean for mandatory disclosure in Tanzania was only 52.93% with a median of 50.50%, mode of 71% and a standard deviation of 11.84%.

The study by Wallace (1988) showed compliance with regulatory requirements in Nigeria to be less than adequate in 34% of the companies studied in as far as balance sheet items are concerned, 46% for income statements, 44% for notes to the accounts and 51% for the directors report. The trend was however different in Kenya as shown by Kinya (1993) who found compliance in Kenya to be high as compared to both Tanzania and Nigeria with adherence being as high as 93% by some firms with the lowest being 41%.

There is therefore a continuous need to monitor and study financial statements of different organizations in the country to assess whether they fully follow the disclosure and measurement requirements of the accounting standards which change from time to time. Where there is no compliance at all or partial compliance there is need to establish the reasons leading to the failure to comply.

On 9th November 2001, a World Bank team led by M. Zubaidur Rahman presented a report that provided an assessment of accounting and auditing practices in Kenya in relation to the requirements of the International Accounting Standards and the International Standards on Auditing. The report highlights the strengths and weaknesses of the institutional framework and an action plan for institutional capacity building. The report goes ahead to highlight areas where there were no full compliance or none at all. Though the report does not state levels of compliance it paints a picture of low compliance to the IAS. The report however fails to identify the factors that have direct impact on compliance with IAS.

A survey by Street and Gray (2001) examined the financial statements and footnotes of a world sample of companies referring to use of IASs. The study found a significant extent of non-compliance with IASs. Key factors associated with the levels of compliance included listing status, being audited by a Big 5+2 firms, manner of reference to IASs and the Country of domicile. This study however did not include Companies from Kenya, which justifies a separate study focusing on Kenya. Secondly, changes in IAS take place regularly to the extent that certain standards applicable at the time of the study by Street and Gray (2001) may no longer be applicable having been replaced by other standards that require a different treatment.

A study on Egypt by Elsalam and Weetman (2002) was more concerned on the relative familiarity and language effect as the main language in Egypt is Arabic yet the IAS are issued in English. The language problem would not be an issue since the official language in Kenya is English.

The study by Kinya (1993) was done at a time when financial statements were prepared in accordance Kenya Accounting Standards. These standards have now been replaced by the international accounting standards. During Kinya's study (1993), ICPAK had only released seventeen standards while by 2004 companies were required to comply with thirty-four standards (appendix 1), which is twice the number in Kinya's 1993 study. This implies that companies now have a heavier burden of compliance than before.

The study by Kinya (1993) was conducted twelve years ago, which is a long time as various conditions, which have effect on levels of compliance, have changed. Rahman (2001) observes that economic growth and various social indicators in Kenya continue to decline. Deep-seated skeptism on the part of private investors, about the possibility of successful implementing reform initiatives has not yet been overcome, and private investment levels remain very low. Secondly there has been change in political front whereby the Kenyan Government has embraced multi-partism and even change of Government from KANU government to NARC government. This factor is quite important in that Companies are faced with political costs arising because they are normally under close observation by the government and government economic policies normally have direct or indirect impact on the operations of businesses. Kinya's study though done in 1993 looks at financial statements relating to year 1989.

The study by the World Bank was conducted in 2001, only two years from the time the companies were required to start complying with the IAS requirements. This is such a short time taking into accounting the increased requirements and training of accounting personnel who were otherwise familiar to Kenya Accounting Standards (KAS) as opposed to IAS. Six years from the time the IAS became operational, one would expect the accounting profession to have embraced the changes by incorporating the IAS requirements into the training syllabus. One should therefore ask whether levels of compliance have improved with time.

Rahman (2001) observes that weaknesses in corporate governance practices, lack of pressure from the users of financial statements for high quality information and the general absence of transparency in the corporate sector, pervades the corporate financial reporting regime in Kenya. A number of Banks failed in the late 1990s yet the audited financial statements did not provide early warning signals about these failures. This brings in the problem of whether the accounting and auditing practices in Kenya can be relied on to provide accurate information.

In order to promote appropriate corporate governance practices the Capital Markets Authority implemented new regulations effect December 2002. Some of the requirements like requiring Chief Finance Officers of listed Companies and heads of accounting departments to be members of ICPAK, listed companies to comply with IAS with auditing being done in accordance with

ISA, disclosure of profit warnings and the mandatory requirements by listed companies to report half yearly, are more in line towards promoting high levels of compliance. There is need to study whether these regulations are bearing any fruits in as far as compliance to IASs are concerned.

1.2 Statement of the problem

Financial disclosure gives rise to more understanding of the financial reports. It enables various stakeholders know what the management has done with the resources entrusted to it. Disclosure is however very expensive. Both the process of information generation and reporting are expensive in terms of time and use of other resources. Managers may also wish to protect proprietary information in order to exploit potential economic advantages.

Arising from contradictions above (providing financial information being necessary and useful but expensive) and due to the fact it uses up scarce economic resources it is necessary to regulate financial disclosure. One way of doing this is the requirement by ICPAK to all companies in Kenya to implement requirements of IAS. Studies by Wallace (1998) in Nigeria and Abayo (1992) in Tanzania shows that there are some companies that fail to meet even the minimum requirements. Study by Kinya (1993) though shows a better scenario in Kenya then than in Tanzania and Nigeria. It also shows that there was no hundred percent compliance even in Kenya.

The use of IAS in Kenya may impact on financial reporting in a number of ways. First, the use of IAS is an important step in upgrading the financial reporting practices of the Kenyan enterprises. Rahman (2001) observes that the use of IAS & ISA would improve the quality of accounting and auditing practices in Kenya and especially if ICPAK was to issue manuals on the appropriate application of the standards. Rahman (2001) continues that since a number of banks failed in the late 1990s and the audited financial statements did not provide early warning signals about these failures, then the general public must be worried as to whether the quality of accounting and auditing in the country could be trusted. Street and Gray (2001) argues that use of IAS provides an avenue through which high quality international accounting and financial reporting standards can be used, interpreted and enforced consistently throughout the world. Secondly, within the framework of national intentions for developing a capital market, which will command the confidence of investors internationally, financial statements must be prepared in accordance with accounting standards that are universally accepted. One can therefore argue that use of IAS will greatly impact on financial reporting thereby complying with same reporting requirements as the rest of the world while failure to comply with IAS may affect decisions and especially on the foreign investors.

There has been investment in Kenya by foreign entities. To assess investment opportunities in Kenya the foreign investors will need to look at the financial statements prepared under the same basis as Financial reports in other countries for comparison purposes. Do we therefore have an assurance that financial statements prepared in Kenya are compliant to the IAS or are these prepared on other basis other than IAS?

Rahman (2001) observes that lack of guidance on the application of IAS resulted in implementation problems. He further points out other difficulties such as lack of effective mechanism to ensure that ethical standards provided for in the "Codes of Ethics for Professional Accountants" are observed in practice. There is lack of adequate resources by audit firms to implement proper quality control as well as resistance by enterprise management to the application of rigorous procedures for identifying related party relationships and transactions.

Given these difficulties associated with implementation of IAS, do companies in Kenya actually adhere to the requirements? If so, then to what extent? What categories of companies adhere more than others? Which groups are more lax in their adherence to the regulations?

This study is an attempt to answer these questions in the area of information reporting vis a vis IAS requirements.

The study by Street and Gray 2001 raised questions that are relevant to this study.

1. To what extent do companies comply with the requirements of IAS?
2. What are the primary factors associated with the degree of compliance in as far as disclosure and measurement requirements are concerned.

1.3 Objectives of the study

The primary objective of this study is to determine the extent of compliance to IAS disclosure requirements among companies operating in Kenya.

The secondary objective is to identify the set of factors that may have an impact on the level of compliance to IAS disclosure requirements in Kenya.

1.4 Importance of the study

a) To Individual Companies

To finding of this study will help the individual organizations realize whether from an independent party they are adjudged to be fully compliant and the factors that has led to their non-compliance. The Organisations will have an informed opinion as to what they should do to be fully compliant.

b) To ICPAK and other Regulatory Bodies

The findings of these study will highlight to ICPAK the level of compliance and thus by extension the conduct of its members in carrying out their duties as accountants and auditors of the Kenyan Companies. Through these findings the council will be in a better position to formulate strategies aimed at ensuring improved compliance.

c) The Investors

The findings of this study will guide individual investors on the level of compliance of financial statements thus the level reliability of the same when it comes to making investment decisions. The lower the level of compliance the less reliable the financial statements would be for investment decisions.

d) Academia and Researchers

The findings of this study will add to the existing body of knowledge in areas of compliance with accounting standards and factors contributing to compliance and non-compliance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section looks at the findings of various past studies dealing with the extent of compliance to IAS and the various factors affecting the levels of compliance. This section will look at various studies both in Kenya and abroad. It is at this section after reviewing findings of other studies that the research hypothesis of this study is derived.

2.2 Accounting Standards in Kenya.

On 1st July 1977, the accountants Act, chapter 531, laws of Kenya, established three bodies namely the Institute of Certified Public Accountants of Kenya (ICPAK), Registration of accountants Board (RAB) and the Kenya Accountants and Secretaries National Examination Board (KASNEB). KASNEB administers examinations for persons intending to qualify for registration as accountants and company secretaries while RAB is empowered to register those who have attained the specified qualifications after passing the relevant examinations administered by KASNEB. Upon completion of examination requirements, when a person obtains registration with RAB, he is allowed to be a member of the ICPAK.

ICPAK became a member of the International Federation of Accountants (IFAC) in the early 1980s and in fulfillment of its mandate under the Accountants Act of promoting standards of professional competence and practice amongst members of the institute, has been involved in setting accounting and auditing standards since the early 1980s. In 1998, the council of the ICPAK adopted international standards for financial reporting in Kenya, which thereby became Kenyan standards. All financial statements covering periods beginning January 1, 1999 must be prepared in accordance with IAS and financial statements for period ending on and after December 31, 1999 must be audited in accordance with ISAs. IASs are applicable to enterprises of all sizes and types, to the extent that they apply to the specific circumstances of the reporting entity.

2.3 Extent of compliance.

Several studies have addressed extent of compliance to IAS in various countries and results have been varying from one country to the other. While Kinya (1993), found adherence in Kenya to be high at an average rate of 78.16%, Wallace (1988) found extent of compliance to be low in Nigeria at less than 34% in as far as balance sheet items are concerned. The study by Wallace (1988) found compliance to be less than 46% on income statement requirements and less than 44% for notes to the accounts. The study by Abayo (1992) showed mean disclosure rates in Tanzania to be only 52.93%.

Various studies have used various independent variables to collect data meant to test levels of compliance to IASs and other mandatory disclosures. Compliance is tested by studying either accounting policies, notes to the accounts, balance sheet, profit and loss statements, cashflow statements, auditors report, directors report or a combination of any or all of them depending on the independent variable being studied.

Street et al. (1999) used ten IASs issued as part of the comparability project. Based on an examination of the 1996 annual reports of 49 large companies referring to IAS in their accounting policy notes, non-compliance was particularly problematic in several areas including: -

i. Violation of the strict definition of Extra-ordinary items (IAS 8).
ii. Failure to provide all required disclosures for property, plant and equipment, particularly those associated with revaluations (IAS 16).
iii. Failure to comply with pension disclosures requirements (IAS 19).
iv. For companies operating in inflationary economies, failure to restate foreign entities in accordance with IAS 29 and to provide the required disclosures.
v. Charging goodwill to reserves or amortizing goodwill over a period in excess of the 20-year limit (IAS 22).

The report on the observance of standards and codes (ROSC) in Kenya by M. Zubaidur Rahman (201) and others observed non-compliance on the following: -

i. Basis of presentation note (IAS 1). Companies that did not fully comply with the IAS attested in the notes to have complied.

ii. Consolidated financial statements (IAS 27). Most companies studied did not disclose the accounting policy on preparing consolidated financial statements while others did not give a list of significant subsidiaries as required by IAS.

iii. Revenue recognition (IAS 18). Many companies did not disclose accounting policy on revenue recognition while others did not follow the generally accepted revenue recognition policy thus the possibility of revenue misstatements in the financial statements.

iv. Related party disclosures (IAS 24). There was inadequate disclosure on related party transactions.

v. Segment reporting (IAS 14). This was also observed to be inadequate.

vi. Interest rate risk (IAS 32). Most companies were observed not to provide required information on their exposure to interest rate risk.

vii. Deferred taxes (IAS 12). Some companies did not compute deferred tax on revaluation surpluses arising from valuations of industrial buildings, property, plant and equipment claiming that these are permanent differences that will not reverse.

viii. Post employment benefits (IAS 19). Most companies complied with IAS requirements on accounting and disclosure for a defined contribution pension scheme but non-compliance was evident for companies operation defined benefit plan.

ix. Revaluing fixed assets (IAS 16). In many companies, lack of property procedure for revaluing fixed assets distorted reported accounting numbers. Even during the years when the general market price of property, plant and equipment experienced significantly higher than the previously revalued amounts.

x. Impaired assets (IAS 36). Only few companies disclosed that the carrying amounts of property, plant and equipment are reviewed at each balance sheet dated to determine whether these exceed the recoverable amounts, in which case an impairment loss is recognized.

xi. Assets pledged as security (IAS 16 paragraph 61a). The financial statements of most of the companies contained no disclosure on the existence and amounts of restrictions on title or on property, plant and equipment pledged as security for liabilities.

xii. Lessee's disclosure (IAS 17). Lessee companies that disclosed the existence of a finance lease did not comply with some or all of the disclosure requirements of IAS 17 paragraph 23 while those who disclosed the existence of an operating lease did not comply with some or all of the disclosure requirements under IAS 17 paragraph 27.

xiii. Financial risk management (IAS 32). Many companies did not describe their financial risk management objectives and policies as is required.

xiv. Investments in securities (IAS 39). Most companies did not disclose investments as held for trading, held to maturity and available for sale. Rather they grouped investment securities together and included them in the asset section of the balance sheet at historical cost.

Street and Brian (2000) reported that for the entire sample the overall level of compliance was less than or equal to 75% on the following IASs.

i. IAS 14, segment reporting, in regard to geographical disclosures.
ii. IAS 17, leases
iii. IAS 19, employee benefits
iv. IAS 23, borrowing costs
v. IAS 29, financial reporting in hyperinflationary economies.

Street and Gray (2001) found out that in France compliance levels were as follows.

i. Only 16% of those reporting extraordinary items adhered to the strict IAS 8 definition.
ii. Only 74% used the appropriate accounting policy for deferred tax.
iii. Only 44% used the appropriate accounting policy for pensions.
iv. Only 25% used the appropriate accounting policy for operations in hyperinflationary economies.
v. Only 78% capitalized and amortized goodwill while only 73% amortized goodwill over a period of 20 years or less.
vi. Only 28% presented goodwill appropriately on the income statements.

The study by Street and Gray (2001) found relatively lower levels of compliance with IAS among companies domiciled in France, Germany and Africa but high levels of compliance among companies domiciled in China and Switzerland.

This study will address the extent of compliance in Kenya and highlight percentage compliance of every IAS studied. The idea is to highlight those IAS`s that are highly complied with and those that are not.

2.4 Factors affecting compliance

Several studies (Street and Gray 2001, Cooke 1991 and 1992) have addressed the impact of various corporate characteristics on annual report disclosures. These characteristics include size, listing status, leverage, profitability, industry, type auditor, size of the equity market, degree of economic development, type of economy, activity on the equity market, dispersion of stock ownership and culture.

A number of studies indicate that size and listing status are significantly associated with the level of disclosure. Cooke (1986 b) concluded that while size as measured by total assets, sales and number of shareholder is an important variable it does not matter which of the three measures of size is selected. Kinya (1993) while agreeing that listing status is significantly associated with the level of disclosure observes that size as measured by the level of turnover is not significantly associated with the level of disclosure.

Findings regarding the relationship between disclosure and other corporate variables have been mixed.

i. While Cooke (1991 and 1992) reports that manufacturing companies report more information than other types of corporations, Inchausti's (1997) findings do not support an association between type of industry and level of disclosure.

ii. Research by Singhvi and Desai (1971); Craswell and Taylor (1992); Inchausti (1997) and Dumontier and Raffournier (1998) suggests an association between audit firm and level of Disclosure. However Firth (1979), Mcnalley et al (1982) and Hossain et al. (1994) provide no evidence of this association. Street and Gray (2001) and Elsalam and Weetman (2002) confirm an association between the level of disclosure and the type of the auditor in their research.

2.4.1 Listing status

The legal form of the company may either be listed as a stock exchange or not listed. Under the listed companies there are those described as "public sector companies" which are state owned or those described as "private sector companies" which are held entirely or in the majority by private sector institutions or individuals. A public sector company will reflect two other factors namely size and the intention to offer shares in the near future as part of the privatization programme. This is consistent with both agency theory (relating to size) and capital need theory (relating to the intention to raise equity capital) as well as the theory of political costs arising because these companies are under close observation by the government and the public.

Previous research has indicated that companies may disclose more in the years immediately before they issue new securities (Lang and Lundholm 1993).

Listing status has been observed to be significantly associated with the levels of disclosure (Street and Gray 2001, Kinya 1993). Kinya (1993) observes that quoted companies in Kenya tend to comply more than those unquoted because of the tough requirements to be listed and remain listed as well as the close monitoring by the Nairobi Stock Exchange.

This study did not address this factor, as it was limited only to those companies that are listed at the Nairobi Stock Exchange.

2.4.2 Size

Size has been shown in previous research to be an important determinant of disclosure level. It is a comprehensive variable, which can proxy a number of corporate attributes such as competitive advantage, information production costs, and political costs (Hossain et al. 1994). It is a reflection of agency theory (e.g. a larger number of shareholders and debt holders), capital need theory (being more likely to raise capital from outsiders) and political cost (being in the public eye).

Various measures can be used to define size among them turnover, assets number of employees or a combination of these. However a study involving companies in different industries may find use of number employees, capital employed or assets inappropriate because service companies would be labour intensive and therefore many employees and few assets while those in manufacturing sector will require heavy capital outlay.

Kinya (1993) in her study used sales turnover as her classifications for size. She described those companies having an annual turnover of more than Kenya shillings one hundred million as large companies with those whose turnover was less than hundred million as small. Her findings were that though large companies had a mean level of 84.11% of disclosure and small companies had

75.09%, the difference was statistically insignificant leading to the conclusion that size does not have significant effect on disclosure in as far as Kenyan Companies are concerned.

It was important to re-look at this important aspect to find out whether passage of time and a heavier burden of compliance had affected the relative importance of size in as far as compliance is concerned.

The following hypothesis was used to test the association between size and compliance with IAS

Hol: Company size is not significantly associated with the extent of compliance with IAS requirements on disclosure.

2.4.3 Profitability

Profitability is measured as the ratio of pre-tax profit to shareholders equity at the balance sheet date. Agency theory suggests that managers of companies with higher profits are motivated to disclose more information to support the continuance of their positions and boost their compensation (Singhvi and Desai 1971), Signalling theory implies that companies that have good news will signal this to the market to avoid under valuation of their shares (Inchausti 1997). In addition companies with relatively high profits will be interested in disclosing more information in order to justify the level of profits.

Companies with bad new might choose to disclose it before it is discovered in other ways, in order to reduce the risk of legal liability and severe share devaluation and loss of reputation (Skinner 1994).

Street & Gray (2001) did not find any significant difference on compliance associated with profitability while Kinya (1993) did not address the issue of profitability.

In this project the variable profit was measured as the ratio of net income before tax to total shareholders equity and the association between profitability and compliance with IAS measured by the following hypothesis.

Ho2: Company profitability is not significantly associated with the extent of compliance with IAS requirements on disclosure.

2.4.4 Industry

Previous research has given some indication that disclosure indices of different companies differ according to business activity (e.g. Stanga 1976, Cooke 1991 and El Modahki 1995), but results were not consistent across all studies. Using the type of business activity as an independent variable may be justified on the basis of signalling theory or political costs. Watts and Zimmerman (1986) suggest that industry membership probably affect the political vulnerability of a company. In addition if a company does not adopt the same corporate reporting strategy as others from the same activity, it could be could be interpreted by the market as "bad news" (Inchausti 1977). Disclosure by some companies seems to provoke other companies to make related disclosures (Dye and Sridhar 1995) or may lead to a bandwagon effect (Cooke 1991).

Street & Gray (2001) found greater compliance with those companies that are in the transportation, communications and electronics industries. Kinya (1993) found the highest levels of compliance with those companies in the agricultural sector at 85% compliance followed by manufacturing at 84.31%, wholesale at 78.18% and Finance at 72.53%. This is contrary to what many may expect in Kenya and especially bearing in mind that companies in the finance sector are closely monitored and regulated by the Central Bank of Kenya through the Banking Act.

This research further explored the relationship between the variable industry and the level of compliance to IAS and the association was tested by the following hypothesis.

Ho3: The industry in which the company operates is not significantly associated with the extent of compliance with IAS requirements on disclosure.

2.4.5 Type of auditor

The audit firm of a company can influence significantly the amount of information disclosed in the annual report (Ahmed and Nicholls 1994) to reduce the agency costs born by principals and agents (Watts and Zimmerman 1986). Auditing firms may use the information disclosed by their clients as a way of signaling about their own quality (Inchausti 1997). Large audit firms have high reputation at stake. Consequently, they may insist that their clients comply with regulations and thus strengthen their audit reputation (Dumontier and Raffournier 1998).

Wallace (1988) blames the poor performance by the Nigerian Companies to the accounting Practice in Nigeria. Abayo (1992) partly blames insufficient supply of trained accounting personnel to the low level of adherence to regulatory requirements. Rahman (2001) observes that small accounting firms find it difficult to keep up to date with new developments in accounting and auditing. These small firms cannot afford to spend money and time on training programs and further handicapped by their lack of access to appropriate literature on the application of established accounting and auditing standards.

Both studies by Street & Gray (2001) and Kinya (1993) observe that there is high compliance among those companies audited by the big audit firms.

The number of qualified accountants has steadily risen in the immediate past with the number topping three thousand by 2001 (Rahman 2001). ICPAK have also introduced various measures such as Continuous Professional Education (CPE) among its registered members as well as peer reviews (Rahman 2001) with a view to improving the performance of the practicing members.

This research project further explored the relationship between the type of the auditor and the level of compliance to IAS and the association was tested by the following hypothesis.

Ho4: The type of the auditor is not significantly associated with the extent of compliance with IAS requirements on disclosure.

2.4.6 Gearing

In the research carried out by Elsalam and Weetman (2002) gearing is measured as the ratio of total long-term debt to equity at the end of the year. Gearing is a proxy for the financial risk of the company. The higher the gearing the higher the financial risk of the company and the higher the expected disclosure (Patton and Zelenka 1997). In addition, gearing is a proxy for contracting and monitoring costs of lending agreements. (Holthausen and Leftwich 1983). A highly geared company has a greater obligation to satisfy the needs of long-term creditors for information (Wallace et al. 1994). A potential transfer of wealth from bondholders to shareholders is likely in highly geared companies (Myers 1977). Agency costs increase because of the increases in monitoring costs (Jensen and Meckling 1976). Therefore, it can be said that, as the gearing of the company grows, agency theory predicts that the level of disclosure increases to avoid agency costs (Hossin et al. 1994).

On the other hand, signaling theory suggests that a company with relatively low gearing may wish to signal its financial structure to the market; this implies incentives for higher voluntary disclosures by low-geared companies.

In testing the relationship between gearing and compliances to IAS, this study used the ratio of total long-term debt to equity and was tested by the following hypothesis.

Ho5: Gearing ratio is not positively associated with the extent of compliance with IAS requirements on disclosure.

2.4.7 Others

Certain other factors have been found by earlier studies to be associated with compliance with IAS. These factors were however not considered in this study. Cairns (1999) suggests certain types of non-compliance with IAS to be linked to the country of domicile. For example he indicates that some French companies have noted exceptions to the use of IAS in regard to income statements presentation. Example is that a company states "Capital gains and losses on disposal of fixed assets" as exceptional, whereas under IAS these items should be reported as operating items.

Size of the home stock market may also be associated with compliance with IAS. For example, multi national companies seeking access to capital markets throughout the world may be subject to several regulatory authorities and reviews. As such, corporate management and the board of directors, as well as the independent auditor, may be motivated by regulatory pressure to focus more on completeness and accuracy of the annual accounts. Additionally, multi-nationals may be more likely to find themselves competing for capital with companies that are subject to detailed accounting regulations focused on providing useful information for capital market participants (Meek et al. 1995; Zarzeki 1996). In such situations the Multi-nationals may be motivated to provide voluntary complete, transparent financial information based on IAS.

The study by Rahman (2001) found out that local subsidiaries of multinational enterprises have higher levels of compliance than local companies as they do have access to adequately trained accountants. According to the study the accountants for many corporate entities lack the skills to prepare financial statements in accordance with the mandatory accounting and reporting requirements. The study by Elsalam and Weetman (2002) attributes the higher level of compliance among multinationals than local companies in Egypt due to the fact that most Multinational companies were being audited by firms that were linked to major international auditing firms.

As reported by Adhikari and Tondkar (1992) there is a significant positive association between size of the equity market and disclosure requirements. The overall quality and level of disclosure varies with the size of stock market. Thus, companies based in the larger, well-developed and more international stock markets are likely to be more responsive to IASC required disclosures.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study seeks to establish the extent of compliance to IAS among Kenyan companies quoted at the NSE and the factors that have an impact on compliance. This section sets out the methodology that was employed to achieve the two objectives of the study. It is organized in three major parts; population and sample, data collection, data analysis.

3.2 Population and sample of the study

The population of interest in this study consists of all Companies quoted at the Nairobi Stock Exchange. The choice of this population is based on two main factors.

i. Availability of financial reports. This study is based on the analysis of the financial statements and thus the availability of the financial statements is very crucial for the study. Most companies are known to consider their financial statements as private and thus unwilling to divulge the same to outsiders even for academic purposes. Financial statements for companies quoted at the Nairobi Stock Exchange are readily available as they are considered to be public documents. All listed companies are required to file their annual financial reports with the Nairobi Stock Exchange.
ii. Due to time limit and scarcity of resources it is not possible within the context of this study to study all other limited liability companies in Kenya.

The whole population of the companies quoted at the Nairobi Stock Exchange was studied. Appendix 4 shows all the companies quoted at the Nairobi Stock Exchange. A total of 48 companies were considered for the study but only 47 were studied as not all had their annual financial reports for 2004 available at the Nairobi Stock Exchange.

Data collection was based on annual reports for 2004 mainly because this represents six years from the time IAS became operational in Kenya, which I consider, enough time to have overcome implementing problems. Secondly 2004 annual reports are the most recent annual reports at the time of the study.

3.3 Data specification

Out of the 34 applicable IAS's (appendix 1), this study considered only 17 standards applicable for the year 2004 (appendix 2). These 17 standards have been arrived at by adopting all the IAS considered by Street and Gray (2001) and additional 5 standards that are more recent. All the standards whose effective date is after 2000 were chosen for this study as they represent the most recent standards to be released (this includes IAS 39,40 & 41) while a random selection of the four standards released in 1998 yielded IAS 36 and 38. The choice of 17 standards was considered reasonable bearing in mind that due to scarce resources and time limit it is not possible to study all the standards applicable in Kenya. Seventeen is considered a representative sample of the total IAS's as this is exactly half of all standards applicable.

A data collection instrument (appendix 3) was compiled by bringing together the information requirements of all 17 standards considered in this study. Other information scores that had already been developed by other researchers e.g. Kinya (1993) could not be used for the purpose of this study because requirements by the accounting standards then are different from requirements today. The information scores developed by Street and Gray (2001) in their study were not considered as it only addressed a handful of issues on some IAS. This study attempted to look at all the IAS under study in more details.

For this study, a disclosure index method was used, taking into account the commonly used approach of giving the item a disclosure score one is it was disclosed and zero if it was not disclosed. The disclosure index was calculated as the ratio of total actual score awarded to the maximum possible score of relevant items applicable for that company.

$$\mathbf{Dp = Ap/Mp}$$

Where Dp is the disclosure index of company P, Ap is the actual total score for company P and Mp is the maximum possible score for Company P.

The item was omitted from numerator and denominator if it is not applicable (Wallace 1987, Cooke 1989, and Abayo et al. 1993). A percentage was calculated as the total number of items disclosed divided by the total number of items that should have been disclosed or measured multiplied by 100. This is an attempt to get round the problem of having different totals for different companies.

To reduce subjectivity in determining the applicable items, the whole annual report was read first to make a judgment about whether a particular item is relevant (Cooke, 1989). A company was not penalised for not disclosing an item, which was deemed not to be applicable to its activities.

The study used an unweighted score approach, giving the same importance to each disclosure item (Wallace 1987, Cooke 198, Abayo et al. 1993, Belkaoui 1994 and Hossain et al. 1994). This avoids the subjectivity of using weights based on the perceptions of the researcher. The unweighted approach concentrates on the extent of disclosure rather than emphasizing particular items.

For this study and based on the checklist (appendix 3) the maximum possible score was 164.

3.4 Data Analysis

Data collected was grouped into various categories and subjected to different data analysis procedures depending on the objective being studied.

3.4.1 Extent of compliance

In order to achieve the first objective of the study that is to determine the extent of compliance, disclosure index of all the companies was determined. It was expected that disclosure index of each company will fall under the equation below.

$$0 \leq Dp \leq 100\%$$

This implies that disclosure index of company P is equal to or greater than zero but less than or equal to a hundred percent.

The study computed the mean disclosure index and the range for the whole population to get the extent of compliance.

The study further analysed levels of compliance to each and every IAS studied and came up with percentages of compliance for each. The percentage of compliance was given by the following formulae.

$$Xt = At/Mt$$

Where ***Xt*** is the percentage compliance of IAS(t), ***At*** is the actual total score for all the companies for IAS(t) and ***Mt*** is the maximum possible score of all the companies for IAS(t).

These gave an indication of the most and least complied with IAS.

3.4.2 Factors affecting compliance

In order to achieve the second objective of determining factors that may influence the levels of compliance, it was necessary to identify appropriate groupings for certain categorical variables.

3.4.2.1 Size

The classification for Size (sales turnover) includes;

1) Larger Companies. This will include all the companies whose revenue for the year is above the median of all the companies under review (Elsalam and Weetman 2002).
2) Smaller Companies whose sales revenue for the year are equal or below the median of all companies under review (Elsalam and Weetman 2002).

The study chooses sales turnover to define size. This is supported by Woolburn (1984) who found in his study of South African Companies that sales turnover was a strong measure when compared to other measures such as capital employed and labour intensity. This measure is more appropriate for this study because it deals with all companies quoted at the Nairobi Stock Exchange. Some companies are in the service industry, which would be labour intensive (thus a high number of employees and few assets) while others are manufacturing companies with heavy capital outlay.

The study computes the median of the sales turnover of the whole population. Those companies whose sales turnover for 2004 was above the median were classified as large companies while those whose sales turnover for 2004 were equal or below the median were be classified as small companies.

For each of the two groups the mean disclosure index standard deviation was computed. A two-tailed significant test at 5% level of confidence was conducted to test whether the results of the two groupings are significantly different. If found to be significantly different then it will be concluded that the company size is a significant factor associated with the extent of compliance with IAS requirements on disclosure.

3.4.2.2 Profitability

The classification for profitability includes:-

1) More profitable companies. This group includes all those companies whose ratio of pretax profit to shareholders equity is above the median of all companies being studied (Elsalam and Weetman 2002).
2) Less profitable companies. This group includes all those companies whose ratio of pretax profit to shareholders equity is equal or less than the median of all companies being studied (Elsalam and Weetman 2002).

The ratio of Pretax profit to shareholders equity was computed for each company in the whole population and was represented by X

$$X_j = \frac{\textbf{Pretax profit}}{\textbf{Shareholders equity}}$$

Where X is the ratio of company j's profitability indicator.

The median ratio of the whole population was computed. Those companies whose ratio is more than the median were classified as more profitable companies and those whose ratio is less than or equal to median being classified in the group of less profitable companies.

A company is more profitable if: $\mathbf{X > i}$

A company is less profitable if: $\mathbf{X \leq i}$

Where X is the Companies ratio of pretax profit to shareholders equity and I is the median ratio of the whole population.

For each of the two groups the mean disclosure index and standard deviation were computed. A two-tailed significant test at 5% level of confidence was conducted to test whether the results of the two groupings are significantly different. If found to be significantly different then it will be concluded that the company profitability is a significant factor associated with the extent of compliance with IAS requirements on disclosure and measurement.

3.4.2.3 Type of Auditor.

The classification for type of auditor includes:-

1) Audited by Big 4. This group include all those companies audited by one of the big four auditing firms in Kenya namely PricewaterhouseCoopers, Deloitte & Touche, KPMG Peatmarwick and Ernst & Young auditing firms.
2) Others than the big 4. This group includes all those companies audited by any other firm other than the big 4 auditing firms.

For each of the two groups the mean disclosure index and standard deviation was computed. A two-tailed significant test at 5% level of confidence was conducted to test whether the results of the two groupings are significantly different. If found to be significantly different then it will be concluded that the type of auditor is a significant factor associated with the extent of compliance with IAS requirements on disclosure and measurement.

3.4.2.4 Industry

The industry categorization was based on the same categorization as that of the Nairobi Stock Exchange. The categories thus include:-

1. Agricultural Sector
2. Commercial and Services Sector
3. Finance and Investment Sector
4. Industrial and Allied Sector
5. Alternative Markets

All the companies in the study were grouped into the five categories. For each category the mean disclosure index was computed. To test whether the differences in the means are significant the study grouped the results into inter-quartile ranges after which Chi-square tests will be done. The use of inter-quartile range methods and the Chi-square test methods are supported by Kinya (1993) who found a high concentration of companies in the 70% - 90% range.

The Chi square test is a general test designed to evaluate whether the difference between observed frequencies and expected frequencies under a set of theoretical assumptions is statistically significant. If the observed chi-square value is equal or greater than the expected value the null hypothesis will be rejected at the stated level of significance, which in this case will be 5%.

The general formulae of the chi-square test is.

$$X2 = \sum_{i=1}^{r} \sum_{j=1}^{c} \frac{\underline{Uij-Eij}}{Eij}$$

Where U is observed number of cases categorized in the ith row and the jth column.

E is the number of cases expected in the ith row of the jth column when Ho is true.

3.4.2.5 Gearing

The classification for gearing include:-

1) Highly geared companies. This category includes all those companies whose ratio of total long-term debt to equity is above the mean for all the companies under review (Elsalam and Weetman 2002).

2) Less geared companies. This category includes all those companies whose ratio of total long-term debt to equity is below the mean of all the companies under review (Elsalam and Weetman 2002).

For each company the gearing ratio was computed. This was given by the following equation.

$$\text{Gearing Ratio} = \frac{\underline{\text{Total long-term debt}}}{\text{Shareholders equity}}$$

The median gearing ratio was computed for the whole population after which each company was categorized either as highly geared or less geared based on the following conditions.

Highly geared if $\mathbf{X > I}$

Less geared if $\mathbf{X < i}$

Where X is the gearing ratio of the company and I is the mean gearing ratio of the whole population.

For each of the two groups the mean disclosure index and standard deviation was computed. A two-tailed significant test at 5% level of confidence was conducted to test whether the results of the two groupings are significantly different. If found to be significantly different then it will be concluded that the company gearing is a significant factor associated with the extent of compliance with IAS requirements on disclosure and measurement.

CHAPTER FOUR.

DATA ANALYSIS AND INTERPRETATION OF FINDINGS.

4.1 Introduction

This study is an attempt to identify the extent of compliance to IAS disclosure requirements as well as identifying set of factors that may have an effect on the levels of compliance. The study looks at all the companies quoted at the Nairobi stock exchange and reviews financial statements for the 2004 financial year.

Forty-eight companies were quoted at the Nairobi Stock Exchange as at 31st August 2005. However only 47 companies were considered for this study as Hutchings Biemer (K) Ltd whose year-end is 31st December had not filed its annual returns for year ended 31st December 2004 with Nairobi Stock Exchange.

To analyse the data it was necessary to capture certain information about the companies. This information includes turnover, profit before tax, shareholders equity, long-term liabilities, industry as well as the auditors of the companies. Appendix 21 (pages 69 & 70) shows all these details for all the 47 companies for their 2004 financial years.

4.2 Extent of compliance.

Appendix 5 (pages 58 & 59) shows the analysis of all the forty-seven companies considered for this study. It shows the actual score and maximum possible score for each IAS per company as well as the overall percentage disclosure index for every company.

The study found the mean disclosure rate for the listed companies to be 71.95% with a standard deviation of 5.37. The highest disclosure rate was observed to be 81.72% while the lowest was 55.56%.

CFC Bank (K) Ltd who are categorised in the study as a large company with a turnover of Kshs 3.8 Billion and audited by one of the big 4 auditing firms (Deloitte and Touch) had the highest level of compliance at 81.72%. CFC was closely followed by BOC Kenya limited, a company categorized as a small company with a turnover of Ksh 830 Million and audited by PricewaterhouseCoopers at a compliance level of 80.46%.

City Trust (K) Ltd, which is the smallest company in terms of turnover at Ksh 13.5 million, recorded the lowest level of compliance at 55.56%. The company is nevertheless audited by one of the big 4 auditing firms.

Appendix 6 shows the extent of compliance for all the 47 companies and the results are summarized in table 1 below.

Table 1. Disclosure index for all the companies

% of disclosure	Number of companies	% of companies
X < 60	1	2.13
60≤ X < 70	12	25.53
70≤ X < 80	32	68.09
X > 80	2	4.25
Total number of companies	47	100
Mean disclosure index	71.95	

Source: appendix 6 page 60 of this study.

Taking a look at appendix 7 (pages 61 & 62) on individual IAS analysis we see that the most popularly complied with IAS is IAS 33 (earnings per share) with a compliance level of 92.55% followed by IAS 38 (Intangible assets) at 89.19% and IAS 17 (borrowing costs) at 88.29%. IAS 36 (Impairment of assets) was the least complied with at a compliance level of 43.40% followed by IAS 32 (financial instruments; disclosure and presentation) at 49.23%. Appendix 7, which shows the compliance levels for every IAS considered in the study, has been summarized on Table 2.

Table 2. Disclosure index per IAS

% of disclosure	Number of IAS	% of companies	IAS
X < 60	4	23.53	36, 32, 39, 2
60≤ X < 70	4	23.53	41, 40, 19, 23
70≤ X < 80	4	23.53	14, 21, 16, 22
X > 80	5	29.41	8, 12, 17, 38, 33
Total	17	100	

Source: Appendix 7 pages 61 and 62 of this study.

4.3 Testing of study hypothesis.

The study considered a number of factors that have been found by previous studies to have an impact on the levels of compliance. To study the factors, null hypotheses were developed which required to be tested in order to find out whether the factors were either having a significant impact on levels of compliance to IAS disclosure or not.

4.3.1 Size

The study defined the companies as either small or large depending on their annual turnover. The annual turnover considered was net of indirect taxes and value added tax. The median was computed and found to be Ksh 1,762,203,000. All companies whose annual turnover was above this figure were considered to be large and were 23 in total while all the others were considered to be small and were 24 in total.

Appendices 8 and 9 shows both mean disclosure index and standard deviation of both groups. Large companies were observed to comply more with a mean disclosure index of 73.78% and standard deviation of 4.5 than the small companies, which had a mean disclosure index of 70.19%, and a standard deviation of 5.63. Appendices 8 and 9 have been summarized on table 3 below

Table 3. Disclosure index by large and small companies

% of disclosure	Large Companies	% of large Cos	Small Companies	% of small Cos
X < 62	0	0	1	4.2
62 ≤ X < 69	3	13	7	29.2
69 ≤ X < 76	11	47.83	13	54.2
76 < X	9	39.17	3	12.4
Total no. of cos.	23	100	24	100
Mean disclosure index		73.78		70.19
Standard Deviation		4.50		5.63

Source: Appendices 8 & 9 on page 63 of this study

To find out whether the means of the two groups are significantly different the t score was calculated at 5% level of confidence and 45 degrees of freedom. Whereas the expected t-score at 5% level of confidence and 45 degrees of freedom was 2.016, the calculated t-score was 2.4758.

The calculated t-score was observed to be more than the expected t-score and thus the null hypothesis is rejected. This implies that the difference between the mean disclosure indices of the two groups is significant at 5% level of confidence, thus size as a factor has a significant impact on the level of compliance to IAS disclosure. The findings lead to the rejection of the null hypothesis and the conclusion that the larger the company the higher relatively is their levels of compliance to IAS requirements on disclosure.

This observation looks reasonable in that compliance requires enough resources and larger companies would ordinarily have more to spend on compliance work than the smaller organizations. Secondly larger companies will attract more public attention than the smaller companies and would thus comply more to satisfy the needs of the public.

4.3.2 Profitability.

The study defined the companies as either less profitable or more profitable depending on the profitability index, which was computed by diving profit before tax with the shareholders equity. The median was computed and found to be 17% of shareholders equity. All companies whose profitability indices were above this figure were considered to be more profitable and were 23 in total while all the others were considered to be less profitable and were 24 in total.

Appendices 10 and 11 shows both mean disclosure index and standard deviation of both groups. More profitable companies were observed to comply more with a mean disclosure index of 72.57% and standard deviation of 5.08 compared to 71.35%, and 5.67 respectively for less profitable companies. Appendices 10 and 11 have been summarized on table 4 below.

Table 4. Disclosure index by more profitable and less profitable companies

% of disclosure	More profitable Companies	% of more Profitable Companies	Less profitable Companies	% of less Profitable Companies
$X < 62$	0	0	1	4.17
$62 \leq X < 69$	5	21.74	5	20.83
$69 \leq X < 76$	12	52.17	12	50
$76 < X$	6	26.09	6	25
Total no.of Cos.	23	100	24	100
Mean disclosure index		72.57		71.35
Standard Deviation		5.08		5.67

Source: Appendices 10 & 11 on page 64 of this study

To find out whether the means of the two groups are significantly different the t score was calculated at 5% level of confidence and 45 degrees of freedom. Whereas the expected t-score at 5% level of confidence and 45 degrees of freedom was 2.016, the calculated t-score was 0.82.

The calculated t-score was observed to be less than the expected t-score and thus the null hypothesis was not rejected. This implies that the difference between the mean disclosure indices of the two groups is not significant at 5% level of confidence, thus profitability is not a significant factor associated with the extent of compliance with IAS requirements on disclosure.

Ordinarily one would expect that more profitable companies would comply more than less profitable companies as they would have more resources to apply to compliance as well as the fact that they have good news to tell to the public. Though this study confirms that more profitable companies comply more it shows that the difference is statistically not significant. One possible reason why the study confirms that the difference is not significant is because it only considers one year which implies that a company that has been making losses but has only turned around in 2004 is considered as profitable while a company that has been making profits all along but a loss in year 2004 is considered as less profitable which means that the classification may be wrong due to the time factor considered.

4.3.3 Type of Auditor.

Type of auditor was defined as either being audited by the big 4 or audited by other auditor other than the big 4. Of the 47 companies considered in this study, 43 were audited by the big 4 notably PricewaterhouseCoopers, Deloitte & Touche, KPMG Peatmarwick and Ernst & Young. Only 4 companies were audited by other auditors other than the big 4.

Appendices 12 and 13 shows both mean disclosure index and standard deviation of both groups. Companies audited by the big 4 were observed to comply more with a mean disclosure index of 72.38% and standard deviation of 5.09 while the other group had a mean disclosure index of 67.29% and a standard deviation of 6.95. Appendices 12 and 13 have been summarized on table 5 below

Table 5. Disclosure indices by firms audited by big 4 auditors and by other auditors

% of disclosure	Big 4 Auditors:	% of Cos audited: By big 4	Other Auditors	% of Cos audited. by other auditors
X < 62	1	2.3	0	0
62 ≤ X < 69	7	16.28	3	75
69 ≤ X < 76	24	55.81	0	0
76 < X	11	25.61	1	25
Total no. of Cos	43	100	4	100
Mean disclosure index		72.38		67.29
Standard Deviation		5.09		6.95

Source: Appendices 12 & 13 on page 65 of this study

Further analysis to determine whether the means of the two groups are significantly different reveals the calculated t score at 5% level of confidence and 45 degrees of freedom to be 2.75 against an expected t-score of 2.016.

The calculated t-score was observed to be more than the expected t-score and thus the null hypothesis is rejected. This implies that the difference between the mean disclosure index of the two groups is significant at 5% level of confidence, thus type of auditor as a factor have a significant impact on the level of compliance to IAS requirements on disclosure.

The study confirms what other studies have revealed in that the type of the auditor has an impact on the levels of compliance to IAS requirements on disclosure. The possible reasons why the compliance levels for those companies audited by the big auditing firms is higher, is that big auditing firms have the capability to employ more qualified staff than the small auditing firms. Secondly they have the resources to invest on training as well as on quality control, something that may not be possible with the small audit firms. In any case the big auditing firms have global networks that ensure appropriate human capacity for ensuring ease of adherence to IAS.

4.3.4 Industry

The companies under study were categorized into 5 industrial groups. These groupings were the same as that of the Nairobi Stock Exchange. Appendices 14, 15, 16, 17, and 18 shows the disclosure index by companies in each industrial sector as well as the mean disclosure index for each industrial group. The results have been summarized on table 6 as below.

Table 6. Disclosure indices by various industrial sectors.

% of Disclosure	Agricultural	Commercial	Finance	Industrial	Alternative	Total
X < 62	0	0	0	0	1	1
62≤ X < 69	1	2	2	2	3	10
69≤ X < 76	3	3	5	8	5	24
X > 76	0	2	4	6	0	12
Total no. of Companies	4	7	11	16	9	47
Mean disclosure Index	69.77	72.14	74.23	73.43	67.34	71.95

Source: Appendices 14, 15, 16, 17 & 18 on pages 66 & 67 of this study

Companies in the finance sector were observed to comply more than companies in other sectors at a mean disclosure rate of 74.23% while companies in the alternative market sectors were observed to comply less at 67.34%. This observation is contrary to the findings of Kinya (1993) who observed compliance to be lower in the finance sector (72.53%) than other sectors such as agricultural (85%), manufacturing (84.31%) and wholesale (78.18%).

The Chi-square test was used to confirm whether the difference in the means is significant. The Chi-square test is a general test designed to evaluate whether the difference between observed frequencies and expected frequencies under a set of theoretical assumptions is statistically significant.

Appendix 22 shows the computation of the observed frequencies at 5% level of confidence using the chi-square method. The observed chi-square value at 5% level of confidence was found to be 11.09 against an expected chi-square value at 5% level of confidence and 12 degrees of freedom (5 columns and 4 rows) of 21.026.

Since the observed chi-square value is less than the expected value, the study did not reject the null hypothesis, which implies that the difference between means is not statistically significant. Industry classification is thus not a significant factor at a 5% level of confidence to compliance with IAS requirements on disclosure.

Though industry classification is observed not to be a significant factor, the companies in the finance sector were observed to comply more than those in the other sectors. The possible reason for this is that unlike in the other sectors the finance sector has an additional regulator i.e. the Central Bank of Kenya who normally insists on quarterly reporting. This reporting is required to comply with IAS.

4.3.5 Gearing

The study defined the companies as either less geared or more geared depending on their gearing ratios, which was computed by diving long-term liabilities with the shareholders equity. The median was computed and found to be 13% of shareholders equity. All companies whose gearing ratio was above this figure were considered to be more geared and were 23 in total while all the others were considered to be less geared and were 24 in total.

Appendices 19 and 20 shows both mean disclosure index and standard deviation of both groups. Less geared companies were observed to comply more with a mean disclosure index of 72.05% and standard deviation of 6.05 compared to 71.84% and 4.69 respectively for the more geared companies. Appendices 19 and 20 have been summarized on table 7 below.

Table 7. Disclosure indices for more geared and less geared groups

% of disclosure	more geared companies	% of more geared companies	Less geared companies	% of less geared companies
X < 62	0	0	1	4.2
62 ≤ X < 69	5	21.74	5	20.83
69 ≤ X < 76	13	56.52	11	45.86
76 < X	5	21.74	7	20.83
Total no. of cos.	23	100	24	100
Mean disclosure index		71.84		72.05
Standard Deviation		4.69		6.05

Source: Appendices 19 & 20 on pages 68 of this study

To find out whether the means of the two groups are significantly different the t score was calculated at 5% level of confidence and 45 degrees of freedom. Whereas the expected t-score at 5% level of confidence and 45 degrees of freedom was 2.016, the calculated t-score was 0.14.

The calculated t-score was observed to be less than the expected t-score and thus the null hypothesis is not rejected. This implies that the difference between the mean disclosure indices of the two groups is not significant at 5% level of confidence, thus gearing is not a significant factor associated with the extent of compliance with IAS requirements on disclosure.

Though less geared companies were observed to comply more than the more geared companies the difference was not significant. This observation is reasonable in the sense that while less geared companies may have internal funds to finance compliance, the more geared companies may be required to maintain high levels of compliance despite not having funds to finance high compliance levels so as to attract external financing or because of the close monitoring by the providers of credit.

4.4 Implication of the study

The disclosure index in Kenya is lower than that of Egypt as observed by Elsalam and Weetman (2002) at an average of 71.95% among the listed companies. The overall disclosure index is even lower than 71.95%. This conclusion is based on the belief that non-listed companies and especially those audited by small audit firms will depict a worse scenario than that of listed companies. Secondly there has been a significant decline from 1993 as per results of the study by Kinya. Kinya (1993) found the mean disclosure rate among listed companies to be 85.70%. Could this decline be attributed to increased compliance requirements or is it merely due to the policing system that is in place which is inadequate?

For the hypothesis on firm size, we reject the null hypothesis and maintain that size of the company is a significant factor of the extent of compliance to IAS. This seems to contradict the findings of Kinya (1993) who found that size was not a significant determinant of the levels of adherence to mandatory disclosure. However the two studies used different measures to categorise the companies into large and small. While Kinya (1993) used Ksh 100 million turnovers as the benchmark after the mean turnover provided very few items in the large category, this study uses the median turnover, which divides the whole population into two equal groups. Secondly while Kinya's population included more than just the listed companies, this study only looked at the listed companies. The difference in categorization as well as the different populations in the two studies could be a possible explanation for the difference in the findings. This study evaluated compliance to IAS, whereas Kinya (1993) looked at mandatory disclosure, which ideally was limited to KAS and company law Cap 486. The disclosure items considered by this study are much more than those considered by Kinya (1993).

The study rejects the null hypothesis on the size of the audit firm. There is a difference in the level of disclosure between firms audited by the large audit firms vis a vis those audited by small audit firms. The study is however not in a position to point out the exact reason why there is the difference between the two groups. However there could be correlation to the size of the company as the three out of the four companies audited by other firms other than the big 4 fall under the small companies with the fourth falling under the large companies category and exhibits a relatively high compliance level at more than 77%. It could also be just that big audit firms have higher numbers of professionally qualified employees than the small audit firms.

From the results we fail to reject the null hypothesis on industry categorization and maintain that there is no significant difference in the levels of disclosure by various industry classification. These results are different from Kinya's (1993) who concluded in favour of the alternative hypothesis. Of more interest are the findings in this study that finance sector companies comply more while Kinya (1993) found companies in the finance sector to comply least. Could the change in compliance be because of strict monitoring policy by the Central Bank of Kenya today than was the case in 1993?

The study confirms the null hypothesis on profitability and gearing thus maintaining that the two factors have no significant impact on the levels of compliance among listed companies at NSE.

CHAPTER FIVE

SUMMARY AND CONCLUSION OF RESULTS

5.1 Summary of results

The overall extent of IAS disclosure requirements in Kenya among the listed companies in 2004 is 71.95%. This is however lower than the observed compliance rate by Kinya (1993) who observed the mean disclosure index to be 85.7% among the listed companies. Compliance is lower in Kenya than in Egypt, which had a mean disclosure index of 83% as observed by Elsalam and Weetman (2002).

Certain factors affect the levels of compliance leading to differences in levels of compliance by various groups.

i) Large companies have a higher level of compliance than small companies.
ii) Companies audited by the big 4 auditing firms comply more than those companies audited by other companies other than the big 4.
iii) Profitability has no effect on the level of compliance.
iv) There is no difference in the extent of compliance by various industries.
v) Gearing has no effect on the level of compliance to IAS requirements on disclosure.

5.2 Conclusions.

The extent of compliance in Kenya is low. This conclusion arises from the believe that listed companies in any country are expected to comply more than those not listed. In Kenya one would expect listed companies to exhibit high levels of compliance due to the strict monitoring by the Nairobi Stock Exchange and the Capital Markets Authority. Going by this argument one would therefore expect that levels of compliance among non listed companies to be lower than the average 71.95% observed among the listed companies as the non listed companies have fewer compliance regulators. Secondly, most of the companies at the NSE except four are audited by the big 4 audit firms. This study like many others before, Kinya (1993), Street and Gray (2001) rejects the null hypothesis on the type of the auditor in favour of the alternative hypothesis thus concluding that type of the auditor has a significant impact on levels of compliance. Its is therefore imperative that those companies audited by other auditors, comply less which paints an even worse situation in Kenya in as far as IAS disclosure requirements are concerned.

The disappointing thing in as far as levels of compliance are concerned is that for all the companies under study, auditor's opinion is that the financial statements comply with the requirements of IAS. Not a single company is observed to comply 100% yet auditors continue to give clean opinion.

Kinya (1993) observed compliance to be high at 85.7% among listed companies. This study cannot conclude conclusively that compliance is worse off today than in 1993 because Kinya's study was restricted to mandatory disclosure, which was by then defined by the companies Act and KAS. This study mostly used the IASs used by Street and Gray (2001). Twelve out of the seventeen IAS used in this study was adopted from what was used by Street and Gray (2001). It's important to note that the choice by Street and Gray (2001) was based on those IAS which prior research had indicated high levels of non-compliance. This could have led to a less favourable result in as far as Kenya is concerned.

This study contends that the type of the auditor has a significant impact on levels of compliance. Those companies audited by the big 4 are observed to comply more than those audited by small audit firms. A possible explanation of this is that small companies lack in capacity in terms of staff professional expertise and experience. Small audit firms also do not have the resources to invest in training as well as setting up technical departments to look at the quality of work being done.

This study finds that the industry in which the company operates has no significant impact on levels of compliance. It is however worth noting that companies in finance sector were observed to comply more than others. This is a different case from what was observed by Kinya (1993) who concluded that industry is a significant factor with the finance sector having the lowest compliance rate. This implies that there has been a change in as far as the finance sector applies with regards to compliance. The possible explanation for this is compliance regulation by the Central Bank of Kenya. Though Central Bank of Kenya was still the regulator during the time of the study of Kinya, it is possible that its closer monitoring of the companies in the finance sector has led to improved compliance.

5.2 Recommendations.

The levels of compliance are low and in any case they are not 100%. ICPAK, NSE as well as Capital Markets Authority should therefore come up with a strategy to improve on the levels of compliance. There are monitoring departments both at the NSE and CMA yet the levels of compliance remain low. The fact that most of the companies studied are audited by the big 4 auditing firms, and that the type of auditor is found to have an impact on the level of compliance implies that the results could be different among those companies audited by the small audit firms. ICPAK should therefore monitor the work performance of its members more closely to ensure improved compliance.

There is need to find out why small audit firms continue to perform poorly as compared to the big audit firms. Specific attributes that are in the big audit firms and missing in the small audit firms should be identified and remedial action taken. If for instance the issue is to do with experience and professional qualifications, then ICPAK should issue guidelines on minimum qualification in terms of professional examinations and experience in-order to be employed or promoted to certain positions within the registered audit firms.

Certain IAS like IAS 33, IAS 38 has over 80% compliance level while others like IAS 36, IAS 32 have compliance levels of less than 60%. ICPAK should find out the reason why certain items are not adequately disclosed. The institute should investigate whether the firms do not find the disclosure material or is there any other reason for their failure not to disclose.

5.3 Limitations of the study.

Since the study looked only at companies quoted at the Nairobi Stock Exchange, the findings do not necessary give a complete picture of the extent of compliance in Kenya. This is because whereas a low level of compliance among quoted companies would have lead to a conclusion that there is low compliance among all the companies in Kenya, one would not necessarily conclude that a high level of compliance among quoted companies means a high level of compliance among all companies in Kenya.

Since only listed companies were studied, the research fails to study a very important factor that has been found to be associated with levels of compliance. Since only listed companies were studied one is not in a position to tell whether compliance between listed and unlisted companies is significantly different.

The information Index used gave equal weighing to all information items. This may not be reflective of users needs as some may view certain aspects as more important than others thus giving more weight to those considered more important.

The study relied on what the financial statements disclosed. This may not always be the case on the ground. E g. a company may disclose to have stated inventories at the lower of cost or net realizable value while in actual fact this may not be the case. This study is not in a position to detect such misrepresentation.

5.4 Suggestions for further research.

1) A research could be carried out on other companies other than the listed companies at NSE.
2) A research could be carried out on IAS measurement requirements.
3) A longitudinal study could be carried out to monitor the changes in levels of disclosure over time.
4) A research could be carried out to determine whether the quality of accounting personnel in the companies in terms of qualification and experience have any impact on the levels of compliance to IAS.

5) A longitudinal study could be carried out to determine whether levels of compliance have changed with the implementation of guidelines to corporate governance

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APPENDIX 1. LIST OF INTERNATIONAL ACCOUNTING STANDARDS APPLICABLE IN 2004

1) IAS 1 - Presentation of Financial statements
2) IAS 2 - Inventories
3) IAS 7 - Cashflow statements
4) IAS 8 - Net profit or loss for the period. fundamental errors and changes in Accounting policies.
5) IAS 10 - Events after Balance sheet date
6) IAS 11 - Construction Contracts
7) IAS 12 - Income Taxes
8) IAS 14 - Segment Reporting
9) IAS 15 - Information Reflecting the effects of Changing prices
10) IAS 16 - Property, Plant and equipment
11) IAS 17 - Leases
12) IAS 18 - Revenue
13) IAS 19 - Employee benefits
14) IAS 20 - Accounting for Government Grants and disclosure of Government Assistance
15) IAS 21 - The effects of changes in foreign exchange rates
16) IAS 22 - Business combinations
17) IAS 23 - Borrowing Costs
18) IAS 24 - Related Party Disclosures
19) IAS 26 - Accounting and Reporting by Retirement Benefit Plans
20) IAS 27 - Consolidated Financial statements and accounting for investment in subsidiaries
21) IAS 28 - Accounting for Investments in associates
22) IAS 29 - Financial reporting in Hyperinflationary Economies
23) IAS 30 - Disclosures in the financial statements of Banks and similar Financial Institutions
24) IAS 31 - Financial reporting of interests in Joint Ventures
25) IAS 32 - Financial Instruments: Disclosure and Presentation
26) IAS 33 - Earnings per share
27) IAS 34 - Interim Financial reporting
28) IAS 35 - Discontinuing Operations

29) IAS 36 - Impairment of Assets

30) IAS 37 - Provisions, Contingent liabilities and Contingent Assets

31) IAS 38 - Intangible assets

32) IAS 39 - Financial Instruments: Recognition and Measurements

33) IAS 40 - Investment Property

34) IAS 41 - Agriculture

APPENDIX 2 – LIST OF INTERNATIONAL STANDARDS TO BE CONSIDERED IN THIS STUDY

A) Previously used by Street and Gray (2001)

1) IAS 2 - Inventories
2) IAS 8 - Net profit or loss for the period, fundamental errors and changes in Accounting policies
3) IAS 12 - Income Taxes
4) IAS 14 - Segment Reporting
5) IAS 16 - Property, Plant and equipment
6) IAS 17 - Leases
7) IAS 19 - Employee benefits
8) IAS 21 - The effects of changes in foreign exchange rates
9) IAS 22 - Business combinations
10) IAS 23 - Borrowing Costs
11) IAS 32 - Financial Instruments: Disclosure and Presentation
12) IAS 33 - Earnings per share

B) Others - Most recently standards not used by Street & Gray (2001)

13) IAS 36 - Impairment of Assets
14) IAS 38 - intangible assets
15) IAS 39 - financial Instruments: Recognition and Measurement
16) IAS 40 - Investment Property
17) IAS 41 - Agriculture

APPENDIX 3 – DATA COLLECTION CHECKLIST

	Not Applicable	Disclosed	Not Disclosed

IAS 2.

1) Are inventories measured at lower of cost and net realisable value?
2) Are the accounting policies adopted in measuring inventories including the cost formulas used (e.g. FIFO, LIFO, weighted average) disclosed
3) The total carrying amounts of inventories and carrying amounts in classifications (e.g. finished goods, Work in progress, Raw materials) disclosed
4) Whether the carrying amount of inventories carried at net realisable value disclosed
5) Whether the carrying amounts of inventories pledged as security for liabilities is disclosed

IAS 8

6) Is the profit or loss from ordinary activities disclosed on the face of the income statement?
7) Is income or loss from extraordinary disclosed on the face of income statement
8) Is the nature and amount of each extraordinary item separately disclosed.
9) Are the nature and amounts of change in accounting estimate that has material effect whether in current or future periods disclosed?
10) Where the amount is not disclosed is the reason for not quantifying given?
11) Where there is a fundamental error relating to prior periods, is the error corrected by adjusting the opening balance of retained earnings and the comparative information restated?
12) Is the nature of the Fundamental error discloses?
13) Is the amount of correction for the current period and each prior period presented disclosed?
14) Is the amount of the correction relating to periods prior to those included in the comparative information disclosed?
15) Is change in accounting policy justified i.e. is it due to a requirement by stature, or by accounting standard setting body, or the change will result in a more appropriate presentation of events or transactions.
16) Is the resulting adjustment due to change in policy reported as an adjustment to the opening balance of retained earnings?
17) Is the reason for change disclosed?
18) Is the amount of the adjustment recognised in the net profit or loss in the current period disclosed?
19) Is the proforma information relating to prior period's adjustments disclosed in the financial statements? If impracticable to present proforma information, is this fact disclosed?

IAS 12

20) Have deferred tax liability recognised for all taxable temporary differences except for Goodwill amortisation or initial recognition of asset or liability, which is not a business combination.
21) Have deferred tax asset recognised for the carry forward of unused tax losses where future tax profits will be available.

22) Have tax liabilities or assets for the current and prior periods measured using tax rates enacted at the balance sheet date.
23) Have the current and deferred tax recognised as income or expense and included in the net profit or loss for the period.
24) Have the carrying amount of deferred tax asset reviewed at each balance sheet date.
25) Have the current and deferred tax charged directly to equity if the tax relates to items charged directly to equity.
26) Have deferred tax assets and liabilities presented separately from other assets and liabilities in the balance sheet.

27) The enterprise should not classify deferred tax and liabilities as either current assets or liabilities. Is the case?
28) Have the tax expense or income related to profit or loss from ordinary activities presented on the face of the income statement.
29) Have the current and deferred tax disclosed separately?
30) Has tax expense or income relating to extra ordinary items disclosed separately?
31) Is there a disclosure explaining the relationship between tax expense and accounting profit?
32) Have aggregate amount of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures disclosed separately?

IAS 14

33) Have the organisation reported its various activities either as business segment or geographical segments?
34) Have the enterprise disclosed segment revenue for each reportable segment?
35) Have the enterprise disclosed segment results for each reportable segment?
36) Have the enterprise disclosed the total carrying amount of segment assets for each reportable segment
37) Have the enterprise disclosed segment liabilities for each reportable segment?
38) Have the enterprise disclosed the total cost incurred to acquire property, plant, equipment and intangible assets for each reportable segment?
39) Have the enterprise disclosed the total amount of expenses included in segment results for depreciation and amortisation of segment assets from each reportable segment?

IAS 16

40) Have the property, plants and equipment initially measured at cost?
41) Have the property, plant and equipment subsequent to initial recognition, carried at cost less any accumulated depreciation or accumulated impairment losses.
42) Where an item of PPE has been revalued have the entire class to which the asset belongs revalued?
43) Have the revaluation surplus credited directly to equity.
44) Where an assets value decreases is this charged to expenses as long as there was not revaluation surplus on the asset recognised before?
45) Have the PPE depreciated over its expected useful life?
46) Have the depreciation charge recognised as an expense?
47) Have gains or losses from retirement or disposal of an item of PPE recognised as income or expense in the income statement
48) Have the measurement bases used for determining the gross carrying amount disclosed?
49) Have the depreciation method used disclosed?
50) Have the useful lives or depreciation rates used disclosed?
51) Have a reconciliation of the carrying amount at the beginning and end showing such things as additions, disposals, revaluations etc disclosed?
52) Have the existence and amount of restrictions on title on PPE pledged as security for liabilities disclosed?
53) Have the amounts of expenditure on account of PPE in the course of construction disclosed
54) Have the amounts of commitments for acquisition of PPE disclosed.
55) Is basis of revaluation stated?
56) Is effective date of revaluation stated?
57) Is there a mention of independent Valuer being involved?
58) Is the nature of any indices used to determine replacement costs disclosed?
59) Is the carrying amount of each class of PPE that would have been included that the assets been measured under cost less depreciation basis disclosed?
60) Have the revaluation surplus, indicating movement for the period and any restriction on the distribution of the balance to shareholders disclosed?

IAS 17

61) Have lease payment been apportioned between the finance and the reduction of the outstanding liability?
62) Since Finance lease gives rise to a depreciation expense for the depreciable assets is the depreciation policy consistent with that of depreciable assets that are owned?

63) Has the net carrying amount of each class of asset at the B/S date disclosed
64) Is the reconciliation between the total of minimum lease payments at the B/S date and their present value disclosed?
65) Have the total minimum lease payments disclosed for each period i.e. not later that one year, later than one year but less than five years, later that five years.
66) For operating lease have lease payments recognised as an expense in the income statement on a straight-line basis?
67) For operating leases is there disclosure of future minimum lease payments categorised as not later than one year, later than one year but less than five years, later than five years.

IAS 19

68) Has the enterprise defined the scheme as either defined contribution or defined benefit scheme?
69) Are the actuarial assumptions incorporating projected salary levels given?
70) Has assets valuation at fair value given?
71) Is actuarial valuation being done every three years or less?
72) Does the enterprise disclose the general description of each plan including employees groups covered?
73) Are the amounts recognised as expenses or income during the year disclosed?
74) Is there an indication whether the plan is funded if a defined benefit plans?
75) Is the actuarial present value of promised retirement benefit at the date of most recent actuarial valuation disclosed?
76) Is the fair value of plan asset if plan is funded disclosed?
77) Are the accounting policies adopted including a description of the principle actuarial assumptions disclosed?
78) Is the date of the most recent actuarial valuation and frequency of valuation disclosed?

IAS 21

79) Have foreign currency monetary items reported using the closing rates?
80) Have monetary items carried in terms of historical costs denominated in a foreign currency reported using the exchange rate at the date of transactions.
81) Have non-monetary items carried at fair value denominated in a foreign currency reported using the exchange rates that existed when the values were determined?
82) Have the enterprise disclosed the amount of exchange difference included in the net profit or loss for the period.
83) Have the enterprises disclosed the net exchange differences classified as equity as a separate component of equity, and a reconciliation of the amount of such exchange difference a the beginning and at the end of the period?
84) Where the reporting currency is different from currency of the country of domicile, have the reason for using the different currency disclosed?
85) Have the enterprise disclosed the method used to translate goodwill and fair value adjustments arising on the acquisition of a foreign entity.

IAS 22

86) Have the enterprise accounted for a business combination using the purchase method of accounting?
87) Have the enterprise as from the date of acquisition incorporated into the income statement the results of operations of the acquiree.
88) Have the enterprise recognised in the B/S the identifiable assets and liabilities of the acquiree and any goodwill arising on the acquisition?
89) Have the acquisition accounted for at its cost?
90) Have the goodwill carried at cost less any accumulated amortisation and any accumulated impairment losses.

91) Has the amortisation for each period been recognised as an expense.

For a business combinations have the following disclosures

92) Names and descriptions of the combining enterprises
93) Method of accounting for the combinations
94) Effective date of the combination
95) Any operations resulting from the business combination, which the enterprise has decided to dispose off.

For and acquisition have the following disclosures been made

96) The percentage of voting shares acquired
97) The cost of acquisition and a description of the purchase consideration paid or contingently payable?

For good will have the financial statements disclosed the following

98) The amortisation period adopted
99) If goodwill is amortised over more than 20 years, the reason and factors significant in determining the useful life of the goodwill over 20 years.
100) If goodwill is not amortised on a straight-line method the basis used and reason why that basis is more appropriate
101) The line item of the income statement in which the amortisation of goodwill is included
102) A reconciliation of the carrying amount of goodwill at the beginning and end of the period.

For negative goodwill have the financial statement disclosed the following

103) A description, the amount and the timing of the expected future losses and expenses.
104) The period over which negative goodwill is recognised as income
105) The line item of the income statement in which negative goodwill is recognised as income.
106) A reconciliation of the carrying amount of negative goodwill at beginning and end of the period.
107) Have borrowing costs been recognised as an expense in the period in which they are incurred/
108) Have the financial statement disclosed the accounting policy adopted for borrowing costs?
109) Where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, have the costs been capitalised.
110) Have the enterprise disclosed the amount of borrowing costs capitalised during the period?
111) Have the enterprise disclosed the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation

IAS 32

112) Has the organisation that has issued financial instrument classified either as a liability or as equity?
113) Has the interest, dividends, losses and gains relating to financial instruments classified as financial liability reported in the income statements as expense or income?

114) Has the enterprise described its financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used?
115) Has the enterprise disclosed for each financial instrument, the accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied?
116) Has the enterprise disclosed for each financial instrument information about its exposure to interest rate risk including effective interest rates, contractual repricing dates or maturity dates?
117) Has the enterprise disclosed for each financial instrument information about its exposure to credit risk including maximum credit risk exposure and significant concentrations or credit risk?
118) Has the enterprise disclosed for each class of financial instrument information about fair value? When not possible to determine the fair value has this fact been disclosed?

IAS 33

119) Has the basic earnings per share calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.
120) Has the enterprise presented basic and diluted earnings per share on the face of the income statement for each class of ordinary shares that has a different right to share in the net profit of the organisation.
121) Has the enterprise disclosed the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period?
122) Has the enterprise disclosed the 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?

IAS 36

123) Has the enterprise disclosed the 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?
124) Has the organisation disclosed the amounts of reversals of impairment losses recognised in the income statement during the period and the line item of the income statement in which those impairment losses are reversed?
125) Has the organisation disclosed the amount of impairment losses recognised directly in equity during the period?
126) Has the organisation disclosed the amount of reversals of impairment losses recognised directly in equity?
127) has the organisation disclosed amount of impairment losses for each reportable segment
128) Has the organisation disclosed by way of brief description the main classes of assets affected by impairment losses or reversals?
129) Has the organisation disclosed by a brief description the main events and circumstances that led to the recognition or reversals of the impairment losses.

IAS 38

130) Is the intangible asset carried at its cost less any accumulated amortisation and any accumulated impairment losses?
131) Where an intangible asset has been revalued has all other assets in its class revalued
132) Has the depreciable amount of an intangible asset allocated on a systematic basis over its useful life and not exceeding twenty years?
133) Is the amortisation method used reflecting the pattern in which the assets economic benefits are consumed by the enterprise? Where the pattern cannot be determined is the straight-line method used?
134) Is the residual value of the intangible asset assumed to be zero except where there is a commitment by third party to purchase the asset at the end of its useful life or there is an active market for the asset.

Has the financial statements disclosed the following?

135) The useful lives or the amortisation rates used
136) The amortisation method used
137) The gross carrying amounts and accumulated amortisation at the beginning and at the end of the period.
138) The line item of the income statement in which the amortisation of intangible assets is included
139) A reconciliation of the carrying amount at the beginning and end of the period.
140) Where the intangible asset is amortised over more than 20 years the reasons for this.

IAS 39

141) Has the enterprise recognised a financial asset or liability in its B/S only after it becomes part of the contractual provisions of the instrument
142) Are the financial assets or liabilities recognised initially at cost and thereafter at the fair value?
143) Are gains or losses on remeasurement of fair value included in the net profit or loss for the period in which arises.

144) Has the enterprise disclosed the methods and significant assumptions applied in estimating fair values of financial assets and liabilities?
145) Has the enterprise disclosed whether gains or losses arising from changes in the fair value are included in net profit or loss for the period or are recognises directly in equity?
146) Has the enterprise disclosed the nature and amount of any impairment loss or reversal recognised for a financial asset separately for each significant class of financial assets
147) Has the enterprise classified its financial assets into appropriate groups' i.e. Held to maturity, held for sale, etc?

IAS 40

148) Has the enterprise measured investment properties initially at cost with transaction costs being included in the initial measurement?
149) Has the enterprise chosen the fair value model or the cost model as its accounting policy and applied that policy for all its investment properties?
150) Has gains or losses arising from a change in the fair value of investment property included in the net profit or loss for the period in which it arises?
151) Has the enterprise that has adopted cost Model State its investment property at cost less accumulated depreciation and accumulated impairment losses.
152) Has the enterprise disclosed methods and significant assumptions applied in determining the fair value of investment properties?
153) Has the enterprise disclosed the extent to which an independent valuer bases the fair value of investment property on a valuation?
154) Has the enterprise disclosed the amounts included in the income statement for rental income from investment property, direct operating expenses arising from investment properties?
155) Has the enterprise disclosed the existence and amounts of restrictions on the realisation of investment property on remittance of income and proceeds of disposal
156) Has the enterprise disclosed additions, disposals transfers etc?
157) Has the enterprise that uses cost model disclosed depreciation methods used useful lives or depreciation rates, carrying amounts and accumulated depreciation as well as reconciliation of beginning and closing balances?

IAS 41

158) Is the enterprise after initial recognition for intangible assets related to agricultural activity, measured the intangible asset at cost less any accumulated amortisation and impairment losses or at revalued amount.
159) Are subsequent costs of producing and harvesting biological assets charged to expense when incurred?
160) Is subsequent expenditure that increase the number of units of biological assets owned or controlled by the enterprise added to the carrying amount of the asset.
161) Is the extent to which carrying amount of biological assets reflects a valuation by external independent valuer disclosed?
162) Is there disclosure on activities that are unsustainable with an estimated date of cessation of the activities?
163) Is there disclosure on the aggregate-carrying amount of an enterprise's agricultural land and the basis on which the carrying amount was determined?
164) Is there disclosure on the carrying amount of agricultural produce either on the face of the balance sheet or in the notes?

APPENDIX 4. COMPANIES QUOTED ON NAIROBI STOCK EXCHANGE

Agricultural Sector

Unilever Tea Kenya Ltd.
Kakuzi Ltd
Sasini Tea Ltd.
Rea Vipingo Ltd.

Commercial & Services Sector

Car & General Ltd.
Hutchings Biemer
CMC Holdings
Kenya Airways
Marshalls E.A. Ltd.
Nation Media Group
TPS (Serena)
Uchumi Supermarkets Ltd.

Finance & Investement Sector

Pan Africa Insurance Co. Ltd.
HFCK Co. Ltd
Barclays Bank of Kenya Ltd
CFC Bank
Diamond Trust Bank
ICDC Investment Ltd
Jubilee Insurance Ltd
National Bank of Kenya
NIC Bank
Kenya Commercial Bank
Standard Chartered Bank

Industrial & Allied Sector

Athi River Mining
BOC Kenya Ltd
Bamburi Cement Ltd
British American Tobacco (K) Ltd
Crown Berger (K) Ltd
Carbacid Investments
Olympia Capital Holdings
E.A Breweries Ltd
E.A. Cables Ltd
E.A. Portland Cement Co. Ltd
Firestone (E.A.) Ltd.
K.P.L & Co. Ltd
Kenya Oil Ltd
Total (K) Ltd
Unga Group Ltd

Mumias Sugar Co. Ltd.

Alternative Market

Eaagads Ltd
Williamson Tea Kenya Ltd
Kapchorua Tea Co. Ltd
Limuru Tea Ltd
A Baumann Ltd
Standard Newspapers
Express (K) Ltd
City Trust
Kenya Orchards

APPENDIX 5. INDIVIDUAL DISCLOSURE INDEX BY ALL COMPANIES																			
																			Percentage
	IAS	2	8	12	14	16	17	19	21	22	23	32	33	36	38	39	40	41	Total	Score
Unilever Tea Kenya Ltd	Actual Score	3	8	10	0	17	1	7	4	5	2	3	4	0	0	3	0	5	72	72.73
	Maximum Possible Score	5	9	13	0	21	1	11	5	7	2	7	4	0	0	7	0	7	99	
Eaagads Ltd	Actual Score	3	1	10	0	14	2	2	4	0	0	3	4	0	0	0	0	3	46	73 02
	Maximum Possible Score	5	1	10	0	20	2	4	5	0	0	7	4	0	0	0	0	5	63	
Williamson Tea Kenya Ltd	Actual Score	3	6	9	7	17	7	2	4	5	2	4	4	0	0	4	5	5	84	71 19
	Maximum Possible Score	5	13	13	7	21	7	4	5	8	2	7	4	0	0	7	8	7	118	
Kakuzi Ltd	Actual Score	3	3	11	2	14	2	2	4	4	2	2	4	2	0	5	0	4	64	65 31
	Maximum Possible Score	5	3	13	7	20	2	4	6	7	2	7	4	4	0	7	0	7	98	
Kapchorua Tea Co Ltd	Actual Score	1	5	10	2	15	1	2	4	0	2	3	4	0	0	3	0	3	55	69 62
	Maximum Possible Score	3	6	12	7	20	1	4	5	0	4	4	4	0	0	4	0	5	79	
Limuru Tea Ltd	Actual Score	3	9	9	0	16	2	4	3	0	0	4	4	0	0	0	0	5	59	71 08
	Maximum Possible Score	5	10	12	0	20	2	11	5	0	0	7	4	0	0	0	0	7	83	
Sasini Tea Ltd	Actual Score	2	9	11	7	15	1	1	4	5	1	3	3	0	0	2	0	3	67	70 53
	Maximum Possible Score	5	11	13	7	20	1	4	6	6	2	6	4	0	0	5	0	5	95	
Rea Vipingo Ltd	Actual Score	3	6	11	5	9	4	8	4	6	1	2	4	0	0	0	0	4	67	70 53
	Maximum Possible Score	5	9	12	7	12	5	11	6	8	2	7	4	0	0	0	0	7	95	
A Baumann Ltd	Actual Score	3	6	11	7	10	1	0	4	4	1	2	4	0	0	0	4	0	57	64 77
	Maximum Possible Score	5	8	12	7	20	1	0	6	8	2	7	4	0	0	0	8	0	88	
Car & General Ltd	Actual Score	2	3	8	7	13	2	2	4	4	2	4	4	2	9	0	4	0	70	71 43
	Maximum Possible Score	5	3	12	7	20	2	4	6	5	2	7	4	4	9	0	8	0	98	
Hutchings Biemer	Actual Score																		0	
	Maximum Possible Score																		0	
CMC Holdings	Actual Score	3	7	11	0	14	1	8	4	6	2	2	4	0	0	0	5	0	67	72 04
	Maximum Possible Score	5	9	12	0	20	1	11	6	8	2	7	4	0	0	0	8	0	93	
Kenya Airways	Actual Score	3	4	9	4	10	5	2	4	11	3	4	4	0	4	4	0	0	71	65 74
	Maximum Possible Score	5	10	13	7	12	7	4	6	14	5	7	4	0	7	7	0	0	108	
Marshalls E A Ltd	Actual Score	3	7	9	1	14	2	2	4	0	2	3	3	0	0	0	0	0	50	65 79
	Maximum Possible Score	5	9	10	7	20	2	4	6	0	2	7	4	0	0	0	0	0	76	
Nation Media Group	Actual Score	3	9	10	7	17	2	2	5	5	1	4	4	0	0	4	0	0	73	76 84
	Maximum Possible Score	5	9	13	7	21	2	4	6	8	2	7	4	0	0	7	0	0	95	
TPS (Serena)	Actual Score	2	1	11	0	16	1	2	4	0	2	2	4	0	0	0	0	0	45	75 00
	Maximum Possible Score	5	1	11	0	20	1	4	5	0	2	7	4	0	0	0	0	0	60	
Standard Newspapers	Actual Score	3	3	9	7	10	2	2	4	5	1	3	2	1	0	4	0	0	56	66 67
	Maximum Possible Score	5	3	12	7	14	2	4	5	8	2	7	4	4	0	7	0	0	84	
Express (K) Ltd	Actual Score	2	3	10	0	14	5	2	4	12	2	2	4	0	0	2	0	0	62	71 26
	Maximum Possible Score	4	3	13	0	18	7	4	6	14	2	7	4	0	0	5	0	0	87	
Uchumi Supermarkets Ltd	Actual Score	3	1	11	5	16	2	2	4	6	2	3	4	0	9	0	0	0	68	78 16
	Maximum Possible Score	5	1	12	7	20	2	4	6	8	2	7	4	0	9	0	0	0	87	
City Trust	Actual Score	0	1	3	0	0	0	0	3	5	0	2	4	0	0	2	0	0	20	55 56
	Maximum Possible Score	0	1	8	1	0	0	0	5	7	0	5	4	0	0	5	0	0	36	
Pan Africa Insurance Co Ltd	Actual Score	0	3	10	7	13	2	2	4	6	0	2	1	1	0	6	4	0	61	66 30
	Maximum Possible Score	0	3	12	7	20	2	4	6	8	0	7	4	4	0	7	8	0	92	
HFCK Co Ltd	Actual Score	0	1	9	7	16	1	10	3	4	0	5	1	1	7	4	0	0	69	73 40
	Maximum Possible Score	0	1	11	7	20	1	11	5	7	0	7	4	5	8	7	0	0	94	
Barclays Bank of Kenya Ltd	Actual Score	0	3	10	0	7	1	8	4	9	0	5	4	2	0	4	0	0	57	71 25
	Maximum Possible Score	0	3	12	0	12	1	11	5	15	0	7	4	3	0	7	0	0	80	
CFC Bank	Actual Score	0	1	9	7	10	5	2	3	10	2	5	4	0	9	4	5	0	76	81 72
	Maximum Possible Score	0	1	10	7	11	6	4	5	12	2	7	4	0	9	7	8	0	93	
Diamond Trust Bank	Actual Score	0	6	8	0	16	1	2	4	6	0	5	4	0	3	4	0	0	59	72 84

APPENDIX 5. INDIVIDUAL DISCLOSURE INDEX BY ALL COMPANIES

	IAS	2	8	12	14	16	17	19	21	22	23	32	33	36	38	39	40	41	Total	Percentage Score
	Maximum Possible Score	0	6	13	0	20	2	4	5	7	0	7	4	0	6	7	0	0	81	
ICDC Investment Ltd	Actual Score	0	8	11	4	9	2	2	3	7	2	4	4	0	9	5	5	0	75	78 13
	Maximum Possible Score	0	9	12	7	12	2	4	5	8	2	7	4	0	9	7	8	0	96	
Jubilee Insurance Ltd	Actual Score	0	7	8	4	8	0	2	5	6	1	3	4	2	0	4	5	0	59	64 84
	Maximum Possible Score	0	9	13	7	12	0	4	6	8	2	7	4	4	0	7	8	0	91	
National Bank of Kenya	Actual Score	0	3	10	0	14	2	10	4	5	1	5	4	1	9	3	0	0	71	75 53
	Maximum Possible Score	0	3	11	0	20	2	11	5	7	5	7	4	3	9	7	0	0	94	
NIC Bank	Actual Score	0	1	10	0	15	6	7	4	6	1	5	4	0	9	4	0	0	72	78 26
	Maximum Possible Score	0	1	11	0	20	7	11	5	8	2	7	4	0	9	7	0	0	92	
Kenya Commercial Bank	Actual Score	0	11	9	0	13	1	9	5	6	1	4	4	2	8	5	0	0	78	75 00
	Maximum Possible Score	0	12	13	0	20	2	11	6	8	2	7	4	4	8	7	0	0	104	
Standard Chartered Bank	Actual Score	0	1	10	0	16	1	10	4	5	2	5	4	3	0	4	0	0	65	79 27
	Maximum Possible Score	0	1	11	0	20	1	11	6	8	2	7	4	4	0	7	0	0	82	
Athi River Mining	Actual Score	3	3	9	7	15	5	0	4	6	1	3	4	0	6	3	0	0	69	71.13
	Maximum Possible Score	5	3	13	7	21	6	0	6	8	2	7	4	0	8	7	0	0	97	
BOC Kenya Ltd	Actual Score	3	1	11	5	14	2	10	5	8	0	3	4	0	0	4	0	0	70	80 46
	Maximum Possible Score	5	1	12	7	18	2	11	5	8	0	7	4	0	0	7	0	0	87	
Bamburi Cement Ltd	Actual Score	3	1	11	5	17	2	2	4	11	2	2	4	0	4	4	0	0	72	75 00
	Maximum Possible Score	5	1	12	7	20	2	4	6	13	2	7	4	0	6	7	0	0	96	
British American Tobacco (K	Actual Score	3	1	11	0	14	1	7	4	5	2	3	4	0	0	0	0	0	55	71 43
	Maximum Possible Score	5	1	12	1	20	1	11	5	8	2	7	4	0	0	0	0	0	77	
Crown Berger (K) Ltd	Actual Score	3	9	9	0	17	1	2	4	12	1	3	3	0	6	4	0	0	74	71 84
	Maximum Possible Score	5	13	13	0	20	1	4	5	14	2	7	4	0	8	7	0	0	103	
Carbacid Investments	Actual Score	3	1	11	7	15	2	2	4	6	0	3	4	0	0	4	4	0	66	75 00
	Maximum Possible Score	5	1	12	7	19	2	4	5	8	0	7	4	0	0	7	7	0	88	
Olympia Capital Holdings	Actual Score	3	7	9	2	16	4	1	5	10	1	3	3	0	5	0	0	0	69	63 89
	Maximum Possible Score	5	12	13	7	21	6	4	6	14	2	7	4	0	7	0	0	0	108	
E A Breweries Ltd	Actual Score	3	6	11	7	16	2	9	4	10	1	4	4	3	0	4	0	0	84	77 06
	Maximum Possible Score	5	7	12	7	20	2	11	6	12	2	7	4	7	0	7	0	0	109	
E A Cables Ltd	Actual Score	3	3	9	0	14	1	2	4	5	1	3	4	0	0	3	0	0	52	65 82
	Maximum Possible Score	5	3	13	1	19	1	4	6	7	2	7	4	0	0	7	0	0	79	
E A Portland Cement Co Lt	Actual Score	3	1	11	2	16	2	10	3	0	2	3	3	0	9	2	0	0	67	76 14
	Maximum Possible Score	5	1	11	3	19	2	11	4	0	5	7	4	0	9	7	0	0	88	
Firestone (E A) Ltd	Actual Score	1	11	9	2	10	2	2	5	6	2	4	4	0	0	0	6	0	64	71 91
	Maximum Possible Score	4	11	13	7	14	2	4	6	8	2	7	4	0	0	0	7	0	89	
Kenya Orchards	Actual Score	3	1	10	0	14	0	0	4	0	1	2	3	0	0	0	6	0	44	62 86
	Maximum Possible Score	5	1	11	1	20	0	0	5	0	2	7	4	0	0	0	10	4	70	
K P L & Co Ltd	Actual Score	3	8	11	7	16	2	8	4	0	2	5	4	0	0	3	0	0	73	77 66
	Maximum Possible Score	5	10	11	7	20	2	11	5	0	5	7	4	0	0	7	0	0	94	
Kenya Oil Ltd	Actual Score	2	1	11	7	15	2	2	4	11	1	2	4	0	0	2	0	0	64	69 57
	Maximum Possible Score	5	3	12	7	20	2	4	6	13	2	7	4	0	0	7	0	0	92	
Total (K) Ltd	Actual Score	2	3	10	2	14	2	2	4	11	2	3	4	0	8	2	0	0	69	71 88
	Maximum Possible Score	5	3	13	7	20	2	4	5	13	2	7	4	0	9	2	0	0	96	
Unga Group Ltd	Actual Score	3	3	11	7	13	1	9	4	6	2	5	4	2	9	3	0	0	82	76 64
	Maximum Possible Score	5	3	13	7	20	2	11	5	8	2	7	4	4	9	7	0	0	107	
Mumias Sugar Co Ltd	Actual Score	3	8	11	0	17	2	7	4	0	2	5	4	1	9	4	0	4	81	79 41
	Maximum Possible Score	5	10	12	1	20	2	10	4	0	2	7	4	3	9	7	0	6	102	

APPENDIX 6. DISCLOSURE INDEX FOR ALL COMPANIES

	Disclosure index
City Trust	55.56
Kenya Orchards	62.86
Olympia Capital Holdings	63.89
A. Baumann Ltd.	64.77
Jubilee Insurance Ltd	64.84
Kakuzi Ltd	65.31
Kenya Airways	65.74
Marshalls E.A. Ltd.	65.79
E.A. Cables Ltd	65.82
Pan Africa Insurance Co. Ltd.	66.30
Standard Newspapers	66.67
Kenya Oil Ltd	69.57
Kapchorua Tea Co. Ltd.	69.62
Sasini Tea Ltd.	70.53
Rea Vipingo Ltd.	70.53
Limuru Tea Ltd	71.08
Athi River Mining	71.13
Williamson Tea Kenya Ltd.	71.19
Barclays Bank of Kenya Ltd	71.25
Express (K) Ltd.	71.26
Car & General Ltd.	71.43
British American Tobacco (K) Ltd	71.43
Crown Berger (K) Ltd	71.84
Total (K) Ltd	71.88
Firestone (E.A.) Ltd.	71.91
CMC Holdings	72.04
Univer Tea Kenya Ltd.	72.73
Diamond Trust Bank	72.84
Eaagads Ltd	73.02
HFCK Co. Ltd	73.40
TPS (Serena)	75.00
Kenya Commercial Bank	75.00
Bamburi Cement Ltd	75.00
Carbacid Investments	75.00
National Bank of Kenya	75.53
E.A. Portland Cement Co. Ltd	76.14
Unga Group Ltd	76.64
Nation Media Group	76.84
E.A Breweries Ltd	77.06
K.P.L & Co. Ltd	77.66
ICDC Investment Ltd	78.13
Uchumi Supermarkets Ltd.	78.16
NIC Bank	78.26
Standard Chartered Bank	79.27
Mumias Sugar Co. Ltd.	79.41
BOC Kenya Ltd	80 46
CFC Bank	81.72
Mean Disclosure Index	**71.95**

APPENDIX 7: DISCLOSURE INDEX PER IAS (Sorted from lowest complied with to highest complied with IAS)

	IAS	36	32	39	2	41	40	19	23	14	21	16	22	8	12	17	38	33
Unilever Tea Kenya Ltd	Actual Score	0	3	3	3	5	0	7	2	0	4	17	5	8	10	1	0	4
	Maximum Possible Score	0	7	7	5	7	0	11	2	0	5	21	7	9	13	1	0	4
Eaagads Ltd	Actual Score	0	3	0	3	3	0	2	0	0	4	14	0	1	10	2	0	4
	Maximum Possible Score	0	7	0	5	5	0	4	0	0	5	20	0	1	10	2	0	4
Williamson Tea Kenya Ltd	Actual Score	0	4	4	3	5	5	2	2	7	4	17	5	6	9	7	0	4
	Maximum Possible Score	0	7	7	5	7	8	4	2	7	5	21	8	13	13	7	0	4
Kakuzi Ltd	Actual Score	2	2	5	3	4	0	2	2	2	4	14	4	3	11	2	0	4
	Maximum Possible Score	4	7	7	5	7	0	4	2	7	6	20	7	3	13	2	0	4
Kapchorua Tea Co Ltd	Actual Score	0	3	3	1	3	0	2	2	2	4	15	0	5	10	1	0	4
	Maximum Possible Score	0	4	4	3	5	0	4	4	7	5	20	0	6	12	1	0	4
Limuru Tea Ltd	Actual Score	0	4	0	3	5	0	4	0	0	3	16	0	9	9	2	0	4
	Maximum Possible Score	0	7	0	5	7	0	11	0	0	5	20	0	10	12	2	0	4
Sasini Tea Ltd	Actual Score	0	3	2	2	3	0	1	1	7	4	15	5	9	11	1	0	3
	Maximum Possible Score	0	6	5	5	5	0	4	2	7	6	20	6	11	13	1	0	4
Rea Vipingo Ltd	Actual Score	0	2	0	3	4	0	8	1	5	4	9	6	6	11	4	0	4
	Maximum Possible Score	0	7	0	5	7	0	11	2	7	6	12	8	9	12	5	0	4
A Baumann Ltd	Actual Score	0	2	0	3	0	4	0	1	7	4	10	4	6	11	1	0	4
	Maximum Possible Score	0	7	0	5	0	8	0	2	7	6	20	8	8	12	1	0	4
Car & General Ltd	Actual Score	2	4	0	2	0	4	2	2	7	4	13	4	3	8	2	9	4
	Maximum Possible Score	4	7	0	5	0	8	4	2	7	6	20	5	3	12	2	9	4
Hutchings Biemer	Actual Score																	
	Maximum Possible Score																	
CMC Holdings	Actual Score	0	2	0	3	0	5	8	2	0	4	14	6	7	11	1	0	4
	Maximum Possible Score	0	7	0	5	0	8	11	2	0	6	20	8	9	12	1	0	4
Kenya Airways	Actual Score	0	4	4	3	0	0	2	3	4	4	10	11	4	9	5	4	4
	Maximum Possible Score	0	7	7	5	0	0	4	5	7	6	12	14	10	13	7	7	4
Marshalls E.A. Ltd	Actual Score	0	3	0	3	0	0	2	2	1	4	14	0	7	9	2	0	3
	Maximum Possible Score	0	7	0	5	0	0	4	2	7	6	20	0	9	10	2	0	4
Nation Media Group	Actual Score	0	4	4	3	0	0	2	1	7	5	17	5	9	10	2	0	4
	Maximum Possible Score	0	7	7	5	0	0	4	2	7	6	21	8	9	13	2	0	4
TPS (Serena)	Actual Score	0	2	0	2	0	0	2	2	0	4	16	0	1	11	1	0	4
	Maximum Possible Score	0	7	0	5	0	0	4	2	0	5	20	0	1	11	1	0	4
Standard Newspapers	Actual Score	1	3	4	3	0	0	2	1	7	4	10	5	3	9	2	0	2
	Maximum Possible Score	4	7	7	5	0	0	4	2	7	5	4	8	3	12	2	0	4
Express (K) Ltd	Actual Score	0	2	2	2	0	0	2	2	0	4	14	12	3	10	5	0	4
	Maximum Possible Score	0	7	5	4	0	0	4	2	0	6	18	14	3	13	7	0	4
Uchumi Supermarkets Ltd	Actual Score	0	3	0	3	0	0	2	2	5	4	16	6	1	11	2	9	4
	Maximum Possible Score	0	7	0	5	0	0	4	2	7	6	20	8	1	12	2	9	4
City Trust	Actual Score	0	2	2	0	0	0	0	0	0	3	0	5	1	3	0	0	4
	Maximum Possible Score	0	5	5	0	0	0	0	0	1	5	0	7	1	8	0	0	4
Pan Africa Insurance Co Ltd	Actual Score	1	2	6	0	0	4	2	0	7	4	13	6	3	10	2	0	1
	Maximum Possible Score	4	7	7	0	0	8	4	0	7	6	20	8	3	12	2	0	4
HFCK Co Ltd	Actual Score	1	5	4	0	0	0	10	0	7	3	16	4	1	9	1	7	1
	Maximum Possible Score	5	7	7	0	0	0	11	0	7	5	20	7	1	11	1	8	4
Barclays Bank of Kenya Ltd	Actual Score	2	5	4	0	0	0	8	0	0	4	7	9	3	10	1	0	4
	Maximum Possible Score	3	7	7	0	0	0	11	0	0	5	12	15	3	12	1	0	4
CFC Bank	Actual Score	0	5	4	0	0	5	2	2	7	3	10	10	1	9	5	9	4
	Maximum Possible Score	0	7	7	0	0	8	4	2	7	5	11	12	1	10	6	9	4
Diamond Trust Bank	Actual Score	0	5	4	0	0	0	2	0	0	4	16	6	6	8	1	3	4
	Maximum Possible Score	0	7	7	0	0	0	4	0	0	5	20	7	6	13	2	6	4
ICDC Investment Ltd	Actual Score	0	4	5	0	0	5	2	2	4	3	9	7	8	11	2	9	4
	Maximum Possible Score	0	7	7	0	0	8	4	2	7	5	12	8	9	12	2	9	4
Jubilee Insurance Ltd	Actual Score	2	3	4	0	0	5	2	1	4	5	8	6	7	8	0	0	4
	Maximum Possible Score	4	7	7	0	0	8	4	2	7	6	12	8	9	13	0	0	4

APPENDIX 7: DISCLOSURE INDEX PER IAS (Sorted from lowest complied with to highest complied with IAS)

	IAS	36	32	39	2	41	40	19	23	14	21	16	22	8	12	17	38	33
National Bank of Kenya	Actual Score	1	5	3	0	0	0	10	1	0	4	14	5	3	10	2	9	4
	Maximum Possible Score	3	7	7	0	0	0	11	5	0	5	20	7	3	11	2	9	4
NIC Bank	Actual Score	0	5	4	0	0	0	7	1	0	4	15	6	1	10	6	9	4
	Maximum Possible Score	0	7	7	0	0	0	11	2	0	5	20	8	1	11	7	9	4
Kenya Commercial Bank	Actual Score	2	4	5	0	0	0	9	1	0	5	13	6	11	9	1	8	4
	Maximum Possible Score	4	7	7	0	0	0	11	2	0	6	20	8	12	13	2	8	4
Standard Chartered Bank	Actual Score	3	5	4	0	0	0	10	2	0	4	16	5	1	10	1	0	4
	Maximum Possible Score	4	7	7	0	0	0	11	2	0	6	20	8	1	11	1	0	4
Athi River Mining	Actual Score	0	3	3	3	0	0	0	1	7	4	15	6	3	9	5	6	4
	Maximum Possible Score	0	7	7	5	0	0	0	2	7	6	21	8	3	13	6	8	4
BOC Kenya Ltd	Actual Score	0	3	4	3	0	0	10	0	5	5	14	8	1	11	2	0	4
	Maximum Possible Score	0	7	7	5	0	0	11	0	7	5	18	8	1	12	2	0	4
Bamburi Cement Ltd	Actual Score	0	2	4	3	0	0	2	2	5	4	17	11	1	11	2	4	4
	Maximum Possible Score	0	7	7	5	0	0	4	2	7	6	20	13	1	12	2	6	4
British American Tobacco (K) Ltd	Actual Score	0	3	0	3	0	0	7	2	0	4	14	5	1	11	1	0	4
	Maximum Possible Score	0	7	0	5	0	0	11	2	1	5	20	8	1	12	1	0	4
Crown Berger (K) Ltd	Actual Score	0	3	4	3	0	0	2	1	0	4	17	12	9	9	1	6	3
	Maximum Possible Score	0	7	7	5	0	0	4	2	0	5	20	14	13	13	1	8	4
Carbacid Investments	Actual Score	0	3	4	3	0	4	2	0	7	4	15	6	1	11	2	0	4
	Maximum Possible Score	0	7	7	5	0	7	4	0	7	5	19	8	1	12	2	0	4
Olympia Capital Holdings	Actual Score	0	3	0	3	0	0	1	1	2	5	16	10	7	9	4	5	3
	Maximum Possible Score	0	7	0	5	0	0	4	2	7	6	21	14	12	13	6	7	4
E A Breweries Ltd	Actual Score	3	4	4	3	0	0	9	1	7	4	16	10	6	11	2	0	4
	Maximum Possible Score	7	7	7	5	0	0	11	2	7	6	20	12	7	12	2	0	4
E A Cables Ltd	Actual Score	0	3	3	3	0	0	2	1	0	4	14	5	3	9	1	0	4
	Maximum Possible Score	0	7	7	5	0	0	4	2	1	6	19	7	3	13	1	0	4
E A Portland Cement Co Ltd	Actual Score	0	3	2	3	0	0	10	2	2	3	16	0	1	11	2	9	3
	Maximum Possible Score	0	7	7	5	0	0	11	5	3	4	19	0	1	11	2	9	4
Firestone (E A) Ltd	Actual Score	0	4	0	1	0	6	2	2	2	5	10	6	11	9	2	0	4
	Maximum Possible Score	0	7	0	4	0	7	4	2	7	6	14	8	11	13	2	0	4
Kenya Orchards	Actual Score	0	2	0	3	0	6	0	1	0	4	14	0	1	10	0	0	3
	Maximum Possible Score	0	7	0	5	4	10	0	2	1	5	20	0	1	11	0	0	4
K P L & Co Ltd	Actual Score	0	5	3	3	0	0	8	2	7	4	16	0	8	11	2	0	4
	Maximum Possible Score	0	7	7	5	0	0	11	5	7	5	20	0	10	11	2	0	4
Kenya Oil Ltd	Actual Score	0	2	2	2	0	0	2	1	7	4	15	11	1	11	2	0	4
	Maximum Possible Score	0	7	7	5	0	0	4	2	7	6	20	13	3	12	2	0	4
Total (K) Ltd	Actual Score	0	3	2	2	0	0	2	2	2	4	14	11	3	10	2	8	4
	Maximum Possible Score	0	7	2	5	0	0	4	2	7	5	20	13	3	13	2	9	4
Unga Group Ltd	Actual Score	2	5	3	3	0	0	9	2	7	4	13	6	3	11	1	9	4
	Maximum Possible Score	4	7	7	5	0	0	11	2	7	5	20	8	3	13	2	9	4
Mumias Sugar Co Ltd	Actual Score	1	5	4	3	4	0	7	2	0	4	17	0	8	11	2	9	4
	Maximum Possible Score	3	7	7	5	6	0	10	2	1	4	20	0	10	12	2	9	4
Total Scores per IAS	Actual Score	23	159	122	95	36	53	191	61	150	188	641	260	205	462	98	132	174
	Maximum Possible Score	53	323	224	171	60	88	290	90	204	255	857	346	252	563	111	148	188
	% score	43.40	49.23	54.46	55.56	60.00	60.23	65.86	67.78	73.53	73.73	74.80	75.14	81.35	82.06	88.29	89.19	92.55

APPENDIX 8: DISCLOSURE INDEX BY SMALL COMPANIES			
			Percentage
		Turnover	Score
1	City Trust	13,523.50	55.56
2	Eaagads Ltd	49,274 00	73.02
3	Limuru Tea Ltd	59,021 00	71 08
4	Kenya Orchards	78,816.00	62 86
5	A. Baumann Ltd.	107,685 00	64 77
6	Carbacid Investments	213,104 00	75.00
7	Olympia Capital Holdings	291,887 00	63 89
8	ICDC Investment Ltd	354,570 00	78.13
9	Kapchorua Tea Co. Ltd.	441,052.00	69.62
10	Car & General Ltd	629,100 00	71.43
11	E.A. Cables Ltd	825,316 00	65 82
12	BOC Kenya Ltd	830,675 00	80.46
13	Williamson Tea Kenya Ltd.	849,801.00	71.19
14	Rea Vipingo Ltd	891,710 00	70 53
15	Diamond Trust Bank	942,739.00	72 84
16	Crown Berger (K) Ltd	1,225,506 00	71 84
17	Marshalls E.A. Ltd.	1,273,874 00	65 79
18	NIC Bank	1,361,756.00	78 26
19	HFCK Co. Ltd	1,370,260.00	73 40
20	Pan Africa Insurance Co. Ltd.	1,380,741.00	66.30
21	Kakuzi Ltd	1,517,617.00	65 31
22	Athi River Mining	1,639,508.00	71.13
23	TPS (Serena)	1,672,490 00	75 00
24	Express (K) Ltd.	1,762,203.00	71.26
	Mean Disclosure Index		70.19
	Standard Deviation		5.63

APPENDIX 9: DISCLOSURE INDEX BY LARGE COMPANIES			
			Percentage
		Turnover	Score
1	Standard Newspapers	1,762,993 00	66 67
2	Sasini Tea Ltd.	2,005,137.00	70.53
3	Jubilee Insurance Ltd	3,028,852 00	64.84
4	Firestone (E.A.) Ltd.	3,270,254.00	71.91
5	CFC Bank	3,877,383.00	81.72
6	E.A. Portland Cement Co. Ltd	4,166,289 00	76.14
7	National Bank of Kenya	4,750,218.00	75 53
8	Nation Media Group	4,866,200.00	76 84
9	Univer Tea Kenya Ltd.	4,903,740.00	72.73
10	British American Tobacco (K) Ltd	5,466,326.00	71.43
11	CMC Holdings	6,048,231.00	72.04
12	Unga Group Ltd	6,305,387.00	76.64
13	Standard Chartered Bank	6,723,354.00	79 27
14	Uchumi Supermarkets Ltd.	7,962,986 00	78.16
15	Kenya Commercial Bank	8,761,275.00	75.00
16	Mumias Sugar Co. Ltd.	9,792,503.00	79.41
17	Bamburi Cement Ltd	12,427,000.00	75.00
18	Barclays Bank of Kenya Ltd	14,220,000 00	71.25
19	E.A Breweries Ltd	16,592,335 00	77.06
20	K.P.L & Co. Ltd	23,865,914.00	77 66
21	Kenya Airways	29,451,000.00	65.74
22	Kenya Oil Ltd	30,414,739.00	69.57
23	Total (K) Ltd	31,757,358 00	71 88
	Mean Disclosure Index		73 78
	Standard Deviation		4.50

APPENDIX 10: DISCLOSURE INDEX BY LESS PROFITABLE COMPANIES			
		Profitability Index	Percentage Score
1	Uchumi Supermarkets Ltd.	(5.95)	78 16
2	Kenya Orchards	(3 63)	62.86
3	E.A. Portland Cement Co. Ltd	(0.22)	76.14
4	Unga Group Ltd	(0 07)	76 64
5	A. Baumann Ltd.	(0.04)	64.77
6	Eaagads Ltd	(0.02)	73 02
7	K.P.L & Co. Ltd	0.05	77 66
8	Express (K) Ltd	0 05	71.26
9	Williamson Tea Kenya Ltd	0 05	71.19
10	City Trust	0.06	55 56
11	HFCK Co. Ltd	0 08	73.40
12	Kapchorua Tea Co. Ltd.	0 08	69 62
13	Kakuzi Ltd	0.09	65 31
14	Car & General Ltd.	0.11	71.43
15	Pan Africa Insurance Co. Ltd.	0.11	66.30
16	ICDC Investment Ltd	0 12	78.13
17	Crown Berger (K) Ltd	0 12	71.84
18	Kenya Commercial Bank	0 13	75.00
19	CMC Holdings	0.14	72.04
20	NIC Bank	0.14	78 26
21	Carbacid Investments	0.16	75.00
22	Diamond Trust Bank	0.17	72.84
23	Jubilee Insurance Ltd.	0 17	64 84
24	Athi River Mining	0.17	71.13
			1,712 39
	Standard Deviation		5 67

APPENDIX 11: DISCLOSURE INDEX BY MORE PROFITABLE COMPANIES			
		Profitability Index	Percentage Score
1	Univer Tea Kenya Ltd.	0 18	72.73
2	TPS (Serena)	0.18	75.00
3	BOC Kenya Ltd	0.19	80.46
4	Firestone (E.A.) Ltd.	0.20	71.91
5	Total (K) Ltd	0.21	71 88
6	Mumias Sugar Co. Ltd.	0.21	79.41
7	Kenya Airways	0 25	65.74
8	Bamburi Cement Ltd	0 28	75.00
9	National Bank of Kenya	0.28	75 53
10	Marshalls E.A. Ltd.	0 30	65 79
11	Limuru Tea Ltd	0.30	71.08
12	Nation Media Group	0.31	76 84
13	Rea Vipingo Ltd.	0.31	70.53
14	CFC Bank	0.35	81.72
15	Sasini Tea Ltd	0 35	70 53
16	Kenya Oil Ltd	0.35	69.57
17	Olympia Capital Holdings	0.36	63 89
18	Barclays Bank of Kenya Ltd	0.43	71 25
19	Standard Chartered Bank	0.44	79.27
20	British American Tobacco (K) Ltd	0.47	71.43
21	E.A Breweries Ltd	0.52	77.06
22	E.A. Cables Ltd	0 56	65 82
23	Standard Newspapers	0.69	66 67
			1,669 10
	Standard Deviation		5.08

APPENDIX 12: DISCLOSURE INDEX BY COMPANIES AUDITED BY OTHERS			
			Percentage
		Auditor	Score
1	K.P.L & Co. Ltd	Auditor general	77 66
2	Olympia Capital Holdings	Grant Thornton	63 89
3	Kenya Orchards	Kassim Bharadia	62 86
4	A. Baumann Ltd	KLSA Pannell Kerr Foster	64 77
	Mean Disclosure Index		67 29
	Standard Deviation		6 95

APPENDIX 13: DISCLOSURE INDEX BY COMPANIES AUDITED BY THE BIG 4			
			Percentage
		Auditor	Score
1	Eaagads Ltd	D&T	73 02
2	Williamson Tea Kenya Ltd.	D&T	71 19
3	Kapchorua Tea Co. Ltd.	D&T	69 62
4	Rea Vipingo Ltd.	D&T	70 53
5	Car & General Ltd.	D&T	71 43
6	Kenya Airways	D&T	65 74
7	City Trust	D&T	55 56
8	CFC Bank	D&T	81 72
9	ICDC Investment Ltd	D&T	78 13
10	National Bank of Kenya	D&T	75 53
11	NIC Bank	D&T	78 26
12	Athi River Mining	D&T	71 13
13	Bamburi Cement Ltd	D&T	75 00
14	Carbacid Investments	D&T	75 00
15	E.A. Portland Cement Co. Ltd	D&T	76 14
16	Total (K) Ltd	D&T	71 88
17	Unga Group Ltd	D&T	76 64
18	Mumias Sugar Co. Ltd.	D&T	79 41
19	Sasini Tea Ltd.	E&Y	70 53
20	Kenya Commercial Bank	E&Y	75 00
21	Crown Berger (K) Ltd	E&Y	71 84
22	Standard Newspapers	KPMG	66 67
23	Express (K) Ltd.	KPMG	71 26
24	HFCK Co. Ltd	KPMG	73 40
25	Standard Chartered Bank	KPMG	79 27
26	E.A Breweries Ltd	KPMG	77 06
27	E.A. Cables Ltd	KPMG	65 82
28	Univer Tea Kenya Ltd.	PWC	72 73
29	Kakuzi Ltd	PWC	65 31
30	Limuru Tea Ltd	PWC	71 08
31	CMC Holdings	PWC	72 04
32	Marshalls E.A. Ltd.	PWC	65 79
33	Nation Media Group	PWC	76 84
34	TPS (Serena)	PWC	75 00
35	Uchumi Supermarkets Ltd.	PWC	78 16
36	Pan Africa Insurance Co. Ltd.	PWC	66 30
37	Barclays Bank of Kenya Ltd	PWC	71 25
38	Diamond Trust Bank	PWC	72 84
39	Jubilee Insurance Ltd	PWC	64 84
40	BOC Kenya Ltd	PWC	80 46
41	British American Tobacco (K) Ltd	PWC	71 43
42	Firestone (E.A.) Ltd.	PWC	71 91
43	Kenya Oil Ltd	PWC	69 57
	Mean Disclosure Index		72 38
	Standard Deviation		5 09

APPENDIX 14: DISCLOSURE INDEX BY COMPANIES IN AGRICULTURAL SECTOR			
		Disclosure Index	
1	Unilever Tea Kenya Ltd	72.73	
2	Kakuzi Ltd	65.31	
3	Sasini Tea Ltd.	70.53	
4	Rea Vipingo Ltd.	70.53	
	Mean Disclosure Index	69.77	

APPENDIX 15: DISCLOSURE INDEX BY COMPANIES IN COMMERCIAL SECTOR			
		Disclosure Index	
1	Car & General Ltd.	71.43	
2	CMC Holdings	72.04	
3	Kenya Airways	65.74	
4	Marshalls E.A. Ltd.	65.79	
5	Nation Media Group	76.84	
6	TPS (Serena)	75.00	
7	Uchumi Supermarkets Ltd	78.16	
	Mean Disclosure Index	72.14	

APPENDIX 16: DISCLOSURE INDEX BY COMPANIES IN FINANCE SECTOR			
		Disclosure Index	
1	Pan Africa Insurance Co. Ltd	66.30	
2	HFCK Co. Ltd	73.40	
3	Barclays Bank of Kenya Ltd	71.25	
4	CFC Bank	81.72	
5	Diamond Trust Bank	72.84	
6	ICDC Investment Ltd	78.13	
7	Jubilee Insurance Ltd	64.84	
8	National Bank of Kenya	75.53	
9	NIC Bank	78.26	
10	Kenya Commercial Bank	75.00	
11	Standard Chartered Bank	79.27	
	Mean Disclosure Index	74.23	

APPENDIX 17: DISCLOSURE INDEX BY COMPANIES IN INDUSTRIAL SECTOR			
		Disclosure	
		Index	
1	Athi River Mining	71.13	
2	BOC Kenya Ltd	80.46	
3	Bamburi Cement Ltd	75.00	
4	British American Tobacco (K) Ltd	71.43	
5	Crown Berger (K) Ltd	71.84	
6	Carbacid Investments	75.00	
7	Olympia Capital Holdings	63.89	
8	E.A Breweries Ltd	77.06	
9	E.A. Cables Ltd	65.82	
10	E.A. Portland Cement Co. Ltd	76.14	
11	Firestone (E.A.) Ltd.	71.91	
12	K.P.L & Co. Ltd	77.66	
13	Kenya Oil Ltd	69.57	
14	Total (K) Ltd	71.88	
15	Unga Group Ltd	76.64	
16	Mumias Sugar Co. Ltd.	79.41	
	Mean Disclosure Index	73.43	

APPENDIX 18: DISCLOSURE INDEX BY COMPANIES IN ALTERNATIVE MARKETS			
		Disclosure	
		Index	
1	Eaagads Ltd	73.02	
2	Williamson Tea Kenya Ltd.	71.19	
3	Kapchorua Tea Co. Ltd.	69.62	
4	Limuru Tea Ltd	71.08	
5	A. Baumann Ltd.	64.77	
6	Standard Newspapers	66.67	
7	Express (K) Ltd.	71.26	
8	City Trust	55.56	
9	Kenya Orchards	62.86	
	Mean Disclosure Index	**67.34**	

APPENDIX 19: DISCLOSURE INDEX BY LESS GEARED COMPANIES			
		Gearing Ratio	Disclsoure Index
1	City Trust	-	55.56
2	HFCK Co. Ltd	-	73.40
3	Standard Chartered Bank	-	79 27
4	Total (K) Ltd	-	71.88
5	Marshalls E.A. Ltd.	0 00	65 79
6	Barclays Bank of Kenya Ltd	0 00	71.25
7	Nation Media Group	0 00	76.84
8	ICDC Investment Ltd	0 02	78.13
9	Diamond Trust Bank	0 02	72 84
10	Kenya Commercial Bank	0 03	75.00
11	CFC Bank	0 03	81.72
12	BOC Kenya Ltd	0 04	80 46
13	Firestone (E.A.) Ltd.	0 06	71.91
14	Pan Africa Insurance Co. Ltd.	-0 06	66 30
15	E.A. Cables Ltd	0.07	65 82
16	Car & General Ltd.	0 07	71.43
17	Jubilee Insurance Ltd	0.08	64.84
18	Kenya Oil Ltd	0 09	69.57
19	National Bank of Kenya	0.09	75 53
20	Crown Berger (K) Ltd	0.09	71.84
21	Express (K) Ltd.	0.10	71 26
22	Unga Group Ltd	0.10	76.64
23	E.A Breweries Ltd	0.12	77.06
24	A. Baumann Ltd.	0 13	64.77
	Mean Disclosure Index		72 05
	Standard Deviation		6 05

APPENDIX 20: DISCLOSURE INDEX BY LESS GEARED COMPANIES			
		Gearing Ratio	Disclsoure Index
1	Olympia Capital Holdings	0 16	63 89
2	CMC Holdings	0 16	72.04
3	Sasini Tea Ltd.	0.19	70 53
4	Carbacid Investments	0.20	75.00
5	Eaagads Ltd	0.21	73 02
6	NIC Bank	0 23	78 26
7	Bamburi Cement Ltd	0 24	75.00
8	TPS (Serena)	0 30	75.00
9	Williamson Tea Kenya Ltd.	0 31	71.19
10	Athi River Mining	0.34	71.13
11	Rea Vipingo Ltd.	0 35	70.53
12	Limuru Tea Ltd	0 35	71.08
13	Mumias Sugar Co. Ltd.	0 36	79.41
14	Univer Tea Kenya Ltd.	0 36	72 73
15	K.P.L & Co. Ltd	0.36	77.66
16	Kapchorua Tea Co. Ltd.	0.37	69.62
17	Kakuzi Ltd	0.63	65 31
18	Standard Newspapers	0.75	66 67
19	British American Tobacco (K) Ltd	1.16	71.43
20	Kenya Airways	1 33	65.74
21	E.A. Portland Cement Co. Ltd	2.55	76 14
22	Uchumi Supermarkets Ltd.	3.79	78.16
23	Kenya Orchards	16.92	62 86
	Mean Disclosure Index		71.84
	Standard Deviation		4 69

APPENDIX 21: COMPANY DETAILS

		Year End	Auditor	Industry	Turnover 000'	Pretax Profit 000'	Shareholders Equity 000'	Profitability Index	Total long term debt	Gearing ratio
1	Unilever Tea Kenya Ltd.	31-Dec-04	PWC	Agricultural	4,903,740.00	555,056.00	3,118,786.00	0.18	1,109,835.00	0.36
2	Eaagads Ltd	31-Mar-04	D&T	Alternative Mkt	49,274.00	(2,760.00)	153,946.00	(0.02)	32,078.00	0.21
3	Williamson Tea Kenya Ltd.	31-Mar-04	D&T	Alternative Mkt	849,801.00	123,870.00	2,279,652.00	0.05	698,590.00	0.31
4	Kakuzi Ltd	31-Dec-04	PWC	Agricultural	1,517,617.00	92,996.00	1,090,350.00	0.09	683,200.00	0.63
5	Kapchorua Tea Co. Ltd.	31-Mar-04	D&T	Alternative Mkt	441,052.00	56,292.00	672,645.00	0.08	250,325.00	0.37
6	Limuru Tea Ltd	31-Dec-04	PWC	Alternative Mkt	59,021.00	13,898.00	45,937.00	0.30	16,302.00	0.35
7	Sasini Tea Ltd.	30-Sep-04	E&Y	Agricultural	2,005,137.00	1,104,137.00	3,138,077.00	0.35	590,503.00	0.19
8	Rea Vipingo Ltd.	30-Sep-04	D&T	Agricultural	891,710.00	177,941.00	575,807.00	0.31	202,180.00	0.35
9	A. Baumann Ltd.	31-Mar-04	KLSA Pannell Kerr Fo	Alternative Mkt	107,685.00	(11,228.00)	264,923.00	(0.04)	35,214.00	0.13
10	Car & General Ltd	30-Sep-04	D&T	Commercial	629,100.00	44,006.00	398,442.00	0.11	29,436.00	0.07
11	Hutchings Biemer			Commercial				-		-
12	CMC Holdings	30-Sep-04	PWC	Commercial	6,048,231.00	381,875.00	2,735,401.00	0.14	448,299.00	0.16
13	Kenya Airways	31-Mar-04	D&T	Commercial	29,451,000.00	2,142,000.00	8,420,000.00	0.25	11,223,000.00	1.33
14	Marshalls E.A. Ltd	31-Mar-04	PWC	Commercial	1,273,874.00	73,348.00	245,963.00	0.30	500.00	0.00
15	Nation Media Group	31-Dec-04	PWC	Commercial	4,866,200.00	894,700.00	2,900,200.00	0.31	10,600.00	0.00
16	TPS (Serena)	31-Dec-04	PWC	Commercial	1,672,490.00	197,540.00	1,091,639.00	0.18	328,514.00	0.30
17	Standard Newspapers	30-Sep-04	KPMG	Alternative Mkt	1,762,993.00	121,908.00	177,391.00	0.69	133,221.00	0.75
18	Express (K) Ltd.	31-Dec-04	KPMG	Alternative Mkt	1,762,203.00	10,237.00	199,079.00	0.05	19,030.00	0.10
19	Uchumi Supermarkets Ltd.	30-Jun-04	PWC	Commercial	7,962,986.00	(654,358.00)	109,965.00	(5.95)	416,308.00	3.79
20	City Trust	31-Jul-04	D&T	Alternative Mkt	13,523.50	11,911.20	203,587.00	0.06	-	-
21	Pan Africa Insurance Co. Ltd.	31-Dec-04	PWC	Finance	1,380,741.00	91,007.00	799,144.00	0.11	47,260.00	0.06
22	HFCK Co. Ltd	31-Dec-04	KPMG	Finance	1,370,260.00	87,856.00	1,119,926.00	0.08	-	-
23	Barclays Bank of Kenya Ltd	31-Dec-04	PWC	Finance	14,220,000.00	5,391,000.00	12,475,000.00	0.43	41,000.00	0.00
24	CFC Bank	31-Dec-04	D&T	Finance	3,877,383.00	880,896.00	2,522,611.00	0.35	74,382.00	0.03
25	Diamond Trust Bank	31-Dec-04	PWC	Finance	942,739.00	240,235.00	1,437,072.00	0.17	29,753.00	0.02
26	ICDC Investment Ltd	30-Jun-04	D&T	Finance	354,570.00	348,451.00	2,996,538.00	0.12	60,496.00	0.02
27	Jubilee Insurance Ltd	31-Dec-04	PWC	Finance	3,028,852.00	358,882.00	2,093,796.00	0.17	162,780.00	0.08
28	National Bank of Kenya	31-Dec-04	D&T	Finance	4,750,218.00	743,478.00	2,624,799.00	0.28	225,204.00	0.09
29	NIC Bank	31-Dec-04	D&T	Finance	1,361,756.00	372,556.00	2,643,967.00	0.14	608,861.00	0.23
30	Kenya Commercial Bank	31-Dec-04	E&Y	Finance	8,761,275.00	1,073,467.00	8,580,159.00	0.13	224,183.00	0.03
31	Standard Chartered Bank	31-Dec-04	KPMG	Finance	6,723,354.00	2,690,985.00	6,063,194.00	0.44	-	-
32	Athi River Mining	31-Dec-04	D&T	Industrial	1,639,508.00	172,368.00	986,188.00	0.17	332,147.00	0.34
33	BOC Kenya Ltd	30-Sep-04	PWC	Industrial	830,675.00	220,980.00	1,153,363.00	0.19	46,116.00	0.04
34	Bamburi Cement Ltd	31-Dec-04	D&T	Industrial	12,427,000.00	2,786,000.00	9,863,000.00	0.28	2,348,000.00	0.24

APPENDIX 21: COMPANY DETAILS										
		Year End	Auditor	Industry	Turnover	Pretax Profit	Shareholders Equity	Profitability Index	Total long term debt	Gearing ratio
35	British American Tobacco (K) Ltd	31-Dec-04	PWC	Industrial	5,466,326.00	1,750,602.00	3,761,025.00	0.47	4,368,513.00	1.16
36	Crown Berger (K) Ltd	31-Dec-04	E&Y	Industrial	1,225,506.00	73,639.00	612,251.00	0.12	53,472.00	0.09
37	Carbacid Investments	31-Jul-04	D&T	Industrial	213,104.00	124,168.00	753,493.00	0.16	151,679.00	0.20
38	Olympia Capital Holdings	31-Dec-04	Grant Thornton	Industrial	291,887.00	48,706.00	137,121.00	0.36	21,394.00	0.16
39	E.A Breweries Ltd	30-Jun-04	KPMG	Industrial	16,592,335.00	7,041,897.00	13,544,510.00	0.52	1,606,002.00	0.12
40	E.A. Cables Ltd	31-Dec-04	KPMG	Industrial	825,316.00	178,815.00	317,042.00	0.56	20,612.00	0.07
41	E.A. Portland Cement Co. Ltd	30-Jun-04	D&T	Industrial	4,166,289.00	(391,594.00)	1,802,463.00	(0.22)	4,589,480.00	2.55
42	Firestone (E.A.) Ltd.	31-Dec-04	PWC	Industrial	3,270,254.00	400,473.00	2,012,290.00	0.20	113,583.00	0.06
43	Kenya Orchards	31-Dec-04	Kassim Bharadia	Alternative Mkt	78,816.00	(15,920.00)	4,383.00	(3.63)	74,152.00	16.92
44	K.P.L & Co. Ltd	30-Jun-04	Auditor general	Industrial	23,865,914.00	873,684.00	17,491,219.00	0.05	6,259,702.00	0.36
45	Kenya Oil Ltd	30-Sep-04	PWC	Industrial	30,414,739.00	1,200,537.00	3,392,935.00	0.35	288,785.00	0.09
46	Total (K) Ltd	31-Dec-04	D&T	Industrial	31,757,358.00	931,638.00	4,522,751.00	0.21	-	-
47	Unga Group Ltd	30-Jun-04	D&T	Industrial	6,305,387.00	(95,505.00)	1,332,814.00	(0.07)	137,921.00	0.10
48	Mumias Sugar Co. Ltd.	30-Jun-04	D&T	Industrial	9,792,503.00	1,138,550.00	5,402,105.00	0.21	1,921,217.00	0.36
		KEY								
		PWC	PricewaterhouseCoopers							
		D&T	Deloitte & Touche							
		E&Y	Ernst & Young							
		KPMG	KPMG Peatmarwick							

APPENDIX 22 COMPUTATION OF OBSERVED CHI-SQUARE SCORE

	AGRICULTURAL	COMMERCIAL	FINANCE	INDUSTRIAL	ALTERNATIVE	TOTAL
X < 62	0 0.09	0 0.15	0 0.23	0 0.34	1 0.19	1
62≤ X < 69	1 0.9	2 1.5	2 2.3	2 3.4	3 1.9	10
69≤ X < 76	3 2.04	3 3.57	5 5.62	8 8.17	5 4.6	24
X > 76	0 1.02	2 1.79	4 2.81	6 4.08	0 2.3	12
Total	4	7	11	16	9	47

	Observed Frequency	Expected Frequency			
	x	y	x-y	(x-y)2	(x-y)2/y
	0	0.09	-0.09	0.01	0.09
	1	0.9	0.1	0.01	0.01
	3	2.04	0.96	0.92	0.45
	0	1.02	-1.02	1.04	1.02
	0	0.15	-0.15	0.02	0.15
	2	1.5	0.5	0.25	0.17
	3	3.57	-0.57	0.32	0.09
	2	1.79	0.21	0.04	0.02
	0	0.23	-0.23	0.05	0.23
	2	2.3	-0.3	0.09	0.04
	5	5.62	-0.62	0.38	0.07
	4	2.81	1.19	1.42	0.50
	0	0.34	-0.34	0.12	0.34
	2	3.4	-1.4	1.96	0.58
	8	8.17	-0.17	0.03	0.00
	6	4.08	1.92	3.69	0.90
	1	0.19	0.81	0.66	3.45
	3	1.9	1.1	1.21	0.64
	5	4.6	0.4	0.16	0.03
	0	2.3	-2.3	5.29	2.30
Total	47	47			11.09