

Relationship Between forward-looking information disclosure and Financial Performance of Non-Financial Firms Listed in Nairobi Securities Exchange, Kenya

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ABSTRACT

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

Keywords: Forward-Looking Information Disclosure, Tobin's Q, Non-Financial Firms

INTRODUCTION

Background of the Study

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

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

LITERATURE REVIEW

Theoretical Background

The agency relationship leads to the information asymmetry problem due to the fact that management can access information more than shareholders (Jensen & Meckling, 1976). Optimal contracts is one of the means of mitigating the agency problem as it helps in bringing shareholders' interests in line with management interests (Healy & Palepu, 2001). In addition, voluntary disclosure is another means of mitigating the agency problem, where management discloses more voluntary information reducing the agency costs (Barako et al., 2006). Oliveira

et al., (2013) used stakeholder theory to explore the voluntary disclosure of information regarding intellectual capital in the annual reports of listed companies. The observed level and pattern of voluntary disclosure is found to be consistent with the managerial branch of stakeholder theory and to be influenced strongly by the power of minority shareholders, creditors, consumer proximity, employees, the intensity of the holding of intangibles in the industry in which a company is located, and managerial board ownership. The understandings that emerge should inform regulatory efforts aimed at improving the level, quantity and scope of disclosures of intellectual capital items in financial reports. Decision Usefulness Theory that for decisions to be made by investors and other stakeholders, information need to be disclosed. This theory indicates that important information needs to be in the public domain so that the true worth of a business organization can be seen both from physical resources, financial resources and human resources. Legitimacy theory on the other hand has the role of explaining the behavior of organizations in implementing and developing voluntary social and environmental disclosure of information in order to fulfill their social contract that enables the recognition of their objectives and the survival in an anxious and turbulent environment. Voluntary disclosure is restrained by the extent and detail of discretionary accounting and non-accounting information that is contained in the annual report. (Haniffa and Cooke, 2002) have defined voluntary disclosure by disclosing discretionary accounting and non-accounting information. Theoretical and empirical studies in accounting focus on the informational role of voluntary disclosures for the capital markets (Healy and Palepu 2001).

Institutional theorists have emphasized the value of conformity with the institutional environment and adherence to external rules and norms (DiMaggio & Powell, 1988). According to Donaldson (1982), society contracts with companies to comply with institutional norms and requirements as a requisite for approval to operate in the public sphere. The advantages of that compliance include prestige, legitimacy, and social support (DiMaggio & Powell, 1983). Companies must disclose enough information about their policies and activities for institutions to determine if they are adhering to the social contract. Increased disclosure reflects a company's awareness of its responsibility to society and shows the extent to which the company has embraced the prevailing societal values. Institutional theory can be seen as supporting non-financial disclosures mainly general and strategic, forward looking and social and environmental (DiMaggio & Powell, 1988).

The capital need theory also helps to explain the reasons behind the disclosure of voluntary information made by companies. This theory implies that companies' managers have an incentive to disclose additional information that enables them to raise capital on the best available terms (Gray et al., 1995). As pointed out by Healy and Palepu (2001) firms' managers who intend to make capital market transactions have motivations to disclose information voluntarily to decrease the information asymmetry problem and thus decrease the external financing cost. The capital need theory predicts that increased voluntary disclosure of information by the company's managers will enable them to lower the company's cost of capital through reducing investor uncertainty (Schuster & O'Connell, 2006). Botosan (1997) added that additional information disclosure enhances stock market liquidity thereby decreasing costs of equity capital either through reduced transactions cost or increased

demand for a company's shares. In this regard, more voluntary information disclosure is preferable in order to decrease the uncertainty surrounding a company's future performance and to assist trading in shares (Hassan et al., 2011).

According to this theory, disclosing greater information in annual reports helps to attract new investors thereby helping to maintain a healthy demand for the company's shares and a share price in the market will accurately reflect its intrinsic value (Cooke, 1989). At the same time, companies with a higher level of disclosure should reasonably tend to gain higher stock prices over the long run (Stanga, 1976). Disclosing more meaningful financial and non-financial information by the company management on a voluntary basis will considerably improve its credibility among market participants (Schuster and O'Connell, 2006). The company's voluntary information disclosure can yield three types of capital market effects, which include improved liquidity for their shares in the stock market; decreases in their cost of capital and increases in financial analysts following the firm. Companies' information disclosures to capital markets will help stakeholders evaluate the companies more correctly and in turn can benefit managers learning of the capital market value, thereafter improving the company's strategic and operational decisions (Dye, 2001).

Empirical Literature Review

Forward-looking information refers to information that captures current plans and future forecasts to enable financial statement users assess the company's future performance (Hussainey, 2004). It consists of information which explains the company's current and future projections meant to enable financial statement users to assess a firm's future financial performance (Aljifri & Hussainey, 2007). FLDs also include non-financial information including any contingencies surrounding the firm. It contains any information about likely risks and uncertainties that could affect the actual results at the end of the period in the case of interim report. Conflict over whether forward looking information disclosures would be beneficial to users of financial statements is complicated because inadequate empirical evidence exists to support the position that forecasted management information would truly be beneficial to users in their decision making. Hendriksen (1982) commented on the situation offering that management forecasts would likely aid in the investment decision. Hendriksen also said that currently available information may help make markets efficient but that an alternative information set might provide an improvement in market efficiency.

Webster (1993), in a pilot study of prospective investors, found that respondents were interested in receiving company-generated financial forecasts as well as future cash flow projections. Walther (1993) contends that the future-oriented information included in the management's discussion and analysis section of the typical annual report is so limited that it impedes the information from being useful. On this same subject, Pava and Epstein (1993) found that while most firms did a good job of describing historical events, few firms provided useful and accurate forecasted information. Penman (1984) studies noted that financial forecasts by management would be beneficial to financial statement users, although the actual benefit is difficult to measure. This difficulty in benefit measurement is due to the disclosure

environment. The environment is one in which financial forecasts are voluntary and the vast majority of enterprises choose not to disclose financial forecasts.

Mathuva (2012) conducted a research study on the determinants of forward looking information disclosures in interim reports for non-financial firms listed in NSE, Kenya. Data was collected from 91 firm-year observations between 2009 and 2011. The research found that cross listed firms are associated with lower FLDs compared with non-cross listed firms. Compared to “historical accounting information”, “forward-looking information” refers to information that captures current plans and future forecasts to enable financial statement users assess the company’s future performance (Hussainey, 2004). It consists of information which explains the company’s current and future projections meant to enable financial statement users to assess a firm’s future financial performance (Aljifri & Hussainey, 2007). FLDs also include non-financial information including any contingencies surrounding the firm. It contains any information about likely risks and uncertainties that could affect the actual results at the end of the period in the case of interim report.

RESEARCH METHODOLOGY

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

ANALYSIS, FINDINGS AND DISCUSSIONS

A total number of 45 questionnaires were administered to the CEO of 45 listed non-financial companies in Kenya. According to table 4.8, a response rate of 44 was recorded. This constituted 97.78% response rate. Response rate refers to the extent to which the final data set includes all sample members and is calculated as the number of people with whom interviews are completed divided by the total number of people in the entire sample, including those who refused to participate and those who were unavailable,(Fowler, 2004).

Diagnostic Tests

Normality Test

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

H_0 : The data is normally distributed

H_1 : The data is not normally distributed

The rule is that if the p-value is greater than 0.05, H_0 is accepted and H_1 is rejected, if the p-value is less than 0.05, H_0 is rejected and H_1 is accepted.

Table 1: **One-Sample Kolmogorov-Smirnov Test**

		TOBIN'S Q RATIO
N		44
Normal Parameters ^{a,b}	Mean	1213.78
	Std. Deviation	2966.729
	Absolute	.341
Most Extreme Differences	Positive	.330
	Negative	-.341
Kolmogorov-Smirnov Z		22.264
Asymp. Sig. (2-tailed)		.065

a. Test distribution is Normal.

b. Calculated from data.

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

Homoscedastic Test for Firm Financial Performance

Homoscedasticity suggests that the dependent variable has an equal level of variability for each of the values of the independent variables (Garson, 2012). A test for homoscedasticity is made to test for variance in residuals in the regression model used. If there exists equal variance of the error term, we have a normal distribution. Lack of an equal level of variability for each value of the independent variables is known as heteroscedasticity, The Breusch-Pagan test developed by Breusch and Pagan (1979) was used to test for homogeneity in a linear regression mode. The null and alternative hypotheses are stated below.

H₀: The data is not heterogenous in variance

H₁: The data is heterogeneous in variance

The rule is that if the p-value is greater than 0.05, H₀ is accepted and H₁ is rejected, if the p - value is less than 0.05, H₀ is rejected and H₁ is accepted. The result of the test is shown in table 1, which indicate that the test statistic is 6.4321 (p-value = 0.453) with the degree of freedom. Since the test –Statistic is small with the p-value greater than 0.05, the null hypothesis was accepted and concluded that there was homoscedasticity in the data (that is, the data is not heterogeneous in variance), which satisfies the assumption of regression.

Table 2: Test for Homoscedasticity in the Response and Residuals

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

Test for serial Autocorrelation

The test for autocorrelation was performed to establish whether residuals are correlated across time. OLS assumptions require that residuals should not be correlated across time and thus the Breusch–Godfrey test which is also an LM test was adopted in this study. The null hypothesis is that no first order serial /auto correlation exists. The results of the Table 3 below indicated that the null hypothesis of no autocorrelation is rejected and that residuals are not auto correlated (p-value=0.0001).

Table 3: Breusch-Godfrey Serial Correlation LM Test

F-statistic	13.59370	Prob. F(2,38)	0.0000
Obs*R-squared	18.35087	Prob. Chi-Square(2)	0.0001

Descriptive Analysis

The study sought to establish whether non-financial firms listed in NSE disclosed their future prospects, short term targets, long term targets, profit warnings and forecasted financial statements.

Table 4: Descriptive Statistics for Forward-Looking Information Disclosure

	Strongly disagree	disagree	Neutral	agree	Strongly agree	Mean	Std Dev
The company disclosures its Forecasted financial statements to all stakeholders	18.2%	15.9%	22.7%	29.5%	13.6%	3.05	1.33
The company disclosures its short term targets to all stakeholders	18.2%	15.9%	38.6%	9.1%	18.2%	2.93	1.32
The company disclosures its long term targets to all stakeholders	31.8%	13.6%	22.7%	11.4%	20.5%	2.75	1.53
Our company issues profit warnings to all stakeholders	25.0%	18.2%	22.7%	11.4%	22.7%	2.89	1.50
Our company disclosures its future prospects to all stakeholders	25.0%	15.9%	25.0%	15.9%	18.2%	2.86	1.44
Forward-looking information disclosure have a significant effects on financial performance of non-financial firms listed	4.5%	4.5%	4.5%	45.5%	40.9%	4.14	1.03

The results showed that 29.5% and 13.6% of the respondents strongly agreed and agreed respectively that they disclosed forecasted financial statements to all their stakeholders. On the other hand, 18.2% and 15.9% of the respondents strongly disagreed and disagreed respectively that they disclosed forecasted financial statements to all their stakeholders while the remaining were neutral. The results further showed that 18.2% and 9.1% of the respondents strongly agreed and agreed respectively that they disclosed short term targets to all their stakeholders. On the other hand, 18.2% and 15.9% of the respondents strongly disagreed and disagreed respectively that they disclosed short term targets to all their stakeholders while 38.6% of the respondents were neutral. The finding also indicated that 31.8% and 13.6% of the respondents strongly disagreed and disagreed respectively that they disclosed long term targets to all their stakeholders while 20.5% and 11.4% of the respondents strongly agreed and agreed

respectively that they disclosed long term targets to all their stakeholders. The study also found out that 25% and 18.2% of the respondents strongly disagreed and disagreed respectively that they disclosed profit warnings to all their stakeholders while 22.7% and 11.4% of the respondents strongly agreed and agreed respectively that they disclosed profit warnings to all their stakeholders. The respondents who were neutral were 22.7%. This study finally established that 25% and 15.9% of the respondents strongly disagreed and disagreed respectively that they disclosed future prospects to all their stakeholders while 18.2% and 15.9% of the respondents strongly agreed and agreed respectively that they disclosed future prospects to all their stakeholders. The respondents who were neutral were 25%. These findings imply not all the non-financial firms listed in NSE disclosed their Forward-Looking Information. The respondents were further asked whether Forward-Looking Information Disclosure had a significant effect on the financial performance of non-financial firms listed in the NSE. The statement had a mean of 4.14 which indicated that majority of the respondents agreed and strongly agreed with the statement. The standard deviation further indicated that the responses varied slightly from the mean. The findings of this study concur with Penman (1984) who noted that financial forecasts by management would be beneficial to financial statement users, although the actual benefit is difficult to measure. McFie (2006) also studied the quality of reporting by 47 companies listed on the Nairobi Securities Exchange (NSE) and established that the level of compliance with IFRS by NSE companies was at an average of 96.74%.

Correlation Results for forward-looking information and Tobin’s Q

The correlation was conducted to test the strength of the association between forward-looking information disclosure and Tobin’s Q. The findings indicated their existed a strong and significant association between forward-looking information disclosure and Tobin’s Q (r=0.301, p=0.047).

Table 5: Correlation between forward-looking information disclosure and Tobin’s Q

		Forward Looking TOBIN’S Q RATIO Disclosure	
Forward Looking Disclosure	Pearson Correlation	1	.301*
	Sig. (2-tailed)		.047
	N	44	44
TOBIN’S Q RATIO	Pearson Correlation	.301*	1
	Sig. (2-tailed)	.047	
	N	44	44

*. Correlation is significant at the 0.05 level (2-tailed).

The finding concurs with Mathuva (2012) who conducted a research study on the determinants of forward looking information disclosures in interim reports for non-financial firms listed in NSE, Kenya. Data was collected from 91 firm-year observations between 2009 and 2011. The

research found that cross listed firms are associated with lower FLDs compared with non-cross listed firms. Compared to historical accounting information, “forward-looking information” refers to information that captures current plans and future forecasts to enable financial statement users assess the company’s future performance.

Univariate Regression Result for forward-looking information Disclosure and Tobin’s Q

This study aimed to test the relationship between forward looking information disclosure and financial performance of non-financial firms listed in NSE. The study employed both descriptive statistics and inferential statistics to ascertain this relationship. To test the nature of relationship between forward-looking information disclosure and Tobin’s Q, the study employed a linear regression analysis. The results showed a relationship $R = 0.301$, indicates a strong positive association between forward-looking information disclosure and Tobin’s Q. $R\text{-squared} = 0.091$ indicated that 9.1% of variation in the firm value can be explained by forward-looking information disclosure while the remaining percentage of 90.9% is explained by other variables not in the model.

Table 6: Model Summary

Model	1
R	.301a
R Square	0.091
Adjusted R Square	0.069
Std. Error of the Estimate	2862.641

a Predictors: (Constant), Forward Looking Disclosure

F-test was carried out to test the null hypothesis that there is no significant impact of forward-looking information disclosure and firm value (Tobin’s Q) of listed non-financial firms in Kenya. The results of ANOVA test show that the F value is 4.184 with a significance of $p\text{ value} = 0.047$ which is less than 0.05, meaning that null hypothesis is rejected and conclude that there is a relationship between forward-looking information disclosure and firm value (Tobin’s Q) of listed non-financial firms in Kenya.

Table 7: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1					
Regression	34288007.438	1	34288007.438	4.184	.047 ^b
Residual	344177942.812	42	8194712.924		
Total	378465950.250	43			

a. Dependent Variable: TOBIN’S Q RATIO

b. Predictors: (Constant), Forward Looking Disclosure

To test the significance of regression relationship between forward-looking information disclosure and Tobin’s Q, the regression coefficients (β), was subjected to the t-test to test the null hypothesis that the coefficient is zero. The null hypothesis state that, β (beta) = 0, meaning there is no significant relationship between forward-looking information disclosure and Tobin’s Q as the slope β (beta) = 0 (no relationship between the two variables).

Table 8: Coefficient for Forward-Looking Information Disclosure and Tobin’s Q

	B	Std. Error	Beta	t	Sig.
(Constant)	2069.8	1662.236		1.245	0.22
Forward Looking Disclosure	986.859	482.448	0.301	2.046	0.047

a Dependent Variable: TOBIN’S Q RATIO

The model $Y = \beta_0 + \beta_2 X_2 + \epsilon$ therefore became **TOBIN’S Q RATIO = 2069.8 + 986.859 (Forward Looking Disclosure) + ϵ** .

The coefficient $\beta = 986.859$ is also significantly different from 0 with a p-value=0.000 which is less than 0.047. The results imply that a unit change in forward-looking information disclosure will result in 986.859 units change in firm value. This confirms that there is a significant positive linear relationship between forward-looking information disclosure and firm value of listed non-financial firms in Kenya.

This study tested the following null hypothesis;

H0: There is no statistically significant relationship between forward-looking information disclosure in annual reports and financial performance of non- financial firms listed in NSE.

F-test was carried out to test the null hypothesis that there is no significant impact of forward-looking information disclosure and firm value (Tobin’s Q) of listed non-financial firms in Kenya.

The results of ANOVA test show that the F value is 4.184 with a significance of p value = 0.047 which is less than 0.05, meaning that null hypothesis is rejected and conclude that there is a relationship between forward-looking information disclosure and firm value (Tobin's Q) of listed non-financial firms in Kenya. The coefficient $\beta = 986.859$ is also significantly different from 0 with a p-value=0.000 which is less than 0.047. The results imply that a unit change in forward-looking information disclosure will result in 986.859 units change in firm value. This confirmed that there is a significant positive linear relationship between forward-looking information disclosure and firm value of listed non-financial firms in Kenya.

The findings of this study concur with Penman (1990) who noted that financial forecasts by management would be beneficial to financial statement users, although the actual benefit is difficult to measure. Similarly, Mathuva (2012) research found that across listed firms are associated with lower FLDs compared with non-cross listed firms. Compared to "historical accounting information", "forward-looking information" refers to information that captures current plans and future forecasts to enable financial statement users assess the company's future performance. Adams (1996) results indicated that the level of information voluntarily disclosed by life insurance companies in their annual reports was positively associated with; firm size, product diversity and reliance on independent sales agents. Similarly, Jullobol & Sartmool (2015) result revealed that information disclosure showed significant effects of firm performance on voluntary disclosure.

Moderating Effect of corporate governance attribute (Board Composition) on Relationship between Forward Looking Information Disclosure and Financial Performance

The interaction between Forward Looking Disclosure and corporate governance attribute (Board Composition) (Forward Looking Disclosure *Corporate Governance) was calculated and used in the regression model $Y = \beta_0 + \beta_1$ (Forward Looking Disclosure *Corporate Governance) + β_2 Forward Looking Disclosure + e. According to the results, the value of R square without consideration of the corporate governance attribute (Board Composition) was 0.091%. The R square improved to 0.297% when the corporate governance attribute (Board Composition) was considered. This implies that the R square changed by 0.206% which implied that a positive enhancement.

Table 9: Model Summary for Forward Looking Disclosure

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
without moderator	.301a	0.091	0.069	2862.641
with moderator	.545a	0.297	0.262	2547.775

a Predictors: (Constant), Forward Looking Disclosure

a Predictors: (Constant), Forward Looking Disclosure*Corporate Governance, Forward Looking Disclosure

The result of F-statistic with the moderator variable was 8.652, which was greater than the F-critical of 3.000. The ANOVA further showed that the F change with the moderator was

significant at the 0.05 level. This implied that the coefficients in the model were not equal to zero and exhibited a good fit.

Table 10: ANOVA Results for Forward Looking Disclosure

Model		Sum of Squares	df	Mean Square	F	Sig.
without moderator	Regression	34288007.44	1	34288007.44	4.184	.047b
	Residual	344177942.8	42	8194712.92		
	Total	378465950.3	43			
with moderator	Regression	112328576	2	56164288	8.652	.001b
	Residual	266137374.3	41	6491155.47		
	Total	378465950.3	43			

a Dependent Variable: TOBIN'S Q RATIO

b Predictors: (Constant), Forward Looking Disclosure

a Predictors: (Constant), Forward Looking Disclosure*Corporate Governance, Forward Looking Disclosure

The regression coefficient results showed that the coefficient on the moderating variable, Forward Looking Disclosure*Corporate Governance was 498.003. The coefficient on the interaction variable was also significant since its p-value was 0.001 which was less than 0.05. Since the coefficient of Forward Looking Disclosure*Corporate Governance was significant it further implied that the corporate governance attribute (Board composition) significantly moderated the relationship between financial performance (measured by Tobin's Q) and Forward Looking Disclosures.

Table 11: Regression Coefficient Results Forward Looking Disclosure

		B	Std. Error	Beta	t	Sig.
without moderato r	(Constant)	-2069.798	1662.236		-1.245	0.22
	Forward Looking Disclosure	986.859	482.448	0.301	2.046	0.047
with moderato r	(Constant)	-1260.049	1497.723		-0.841	0.405
	Forward Looking Disclosure	-825.354	676.411	-	0.252	-1.229
	Forward Looking Disclosure*Corporate Governance	498.003	143.626	0.715	3.467	0.001

a Dependent Variable: TOBIN'S Q RATIO

Conclusion

Given that investors respond strongly to forward-looking information. The results of this study should be of interest to managers and regulators. Managers must choose the information they disclose, and how they disclose it, while regulators must choose which aspects of financial reporting to encourage in order to enhance informational transparency between managers, investors, and other stakeholders.

Recommendations

The study recommended that forward-looking disclosures, whether quantitative earnings, forecasts or more general prospective statements, are most likely to be viewed as informative disclosures and hence influence stakeholders participation.

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