A project report on

The Effect of Voluntary Disclosures on Firm's Performance: A study on 5 Cement companies in Bangladesh.

UNITED INTERNATIONAL UNIVERSITY

SUBMITTED TO

ISHRAT JAHAN

Assistant Professor,

School of Business & Economics,

United International University

SUBMITTED BY

NAME- MOHD. SHANUR SHAWON

ID-111162141

Bachelor of Business Administration

United International University

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LETTER OF TRANSMITTAL

23/08/2021,

ISHRAT JAHAN

Assistant Professor,

School of Business & Economics,

United International University

Subject: **Submission of Project report regarding to effect of voluntary disclosure on firm's performance**.

Dear Madam,

I am pleased to present my Project report regarded as "effect of voluntary disclosure on firm's performance" to you, my supervisor for the Project as assigned by the university authority. I have the utmost endeavor this report which are required details and suggested to partake. In thisreport, I have followed the guiding principles which have been directed by you to me.I have used the relevant ideas that I have learned my under this stage. Moreover, I collected information from the selected organization to find a resemblance to theoretical learning. In spite of this, I have made every effort to complete the report on time, and I really hope that it will meet up to expectations. Making the report as simple as possible was the goal of my genuine efforts. If you have any trouble with understanding any portion of my report or if you need any clarification, you can reach through these contact address(Email: mshawon162141@bba.uiu.ac.bd, Cell no-01686870027).

Finally, I would like to convey once again my gratitude for your compassionate thoughts and kind consideration.

Sincerely Yours,

Name- MOHD SHANUR SHAWON,

ID-111162141

ACKNOWLEDGEMENT

To begin with, all of praises to the almighty who has bestowed his compassion for giving me chance, time, courage and strength to complete the task. Furthermore, I would like to thank who have contributed significantly. Especially, I owe a debt of gratitude to the instructor, **ISHRAT JAHAN,** Assistant Professor, School Of Business Economic, United International Universityfor her careful supervision and eccentric guidelines for the Project report throughout several consultations as my supervisor. The continuous discussion between me and my supervisor has let me put a pleasant effort to produce this report. I am gratified with her flawless advice and support. I am also glad to allow me to work on such an exceptional project from where I have learned abundant things. Her support, encouragement, and availability to discuss ideas and problems have contributed much to complete my report.

ABSTRACT

The report has been executed mainly regarding the effect of voluntary disclosure in annual report. There was an analysis pertaining to 5 reputed cements companies and two years of each company was analysed. Nowadays, cement has become the latest export commodities in Bangladesh. To become more sustainable in the market, the company needs to be transparent to stakeholders through their proper information disclosures. The information of annual report is not only significant tools for investors for decision making, but also it ensures the trustworthiness to stakeholders. This report also coveys about the consequence of voluntary disclosure in annual report. The company earned more earning per share which disclosed more information. However, there was some exception in EPS due to COVID 19 pandemic in 2020. Thus, this topic has become increasingly well-liked recently and companies cannot deny that the importance of voluntary disclosure information in annual report.

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INTRODUCTION

Voluntary disclosureplainly defines that how much and what information is disclosed voluntarily by the company in the financial statements. It has become increasingly popular topic for students and researchers. Voluntarily disclosure in annual report is not provisional requirement by generally accepted accounting principles and exchange commission rules.

Voluntary disclosed information is acceding basically the minimal requirement of the applicable capital market policy.Moreover; Voluntary disclosure is cooperative for investors, companies and the economy. My project has been completed regarding to 5 cement companies in Bangladesh and how the performance of company is influenced by Voluntary disclosure. The cement companies are such as, **CROWN CEMENT, KING BRAND CEMENT, HEIDELBERG CEMENT BANGLADESH, PREMIER CEMENT,HOLCIM CEMENT.** There was an analysis about their voluntary disclosures checklist and the performance of the company which has been disclosed more about company.

A BRIEF INTRODUCTION OF THE CEMENT INDUSTRY OF BANGLADESH

The history of Bangladesh's cement industry isn't as long as that of other countries with a long history of building materials. The first effort to make cement in Bangladesh was made in 1941 in SYLHET, the name of company was '**chattak cement factory ltd**' which was recognized Assam Bengal cement during the British India government. After Bangladesh independence, the second factory was established in 1973 in Chittagong, that was called Chittagong clinker and grinding factory ltd and at present it has been continued by the name of Heidelberg cement.

There were many manufacturers which came into the industry in nineties. These are mainly Confidence Cement Ltd, Hyundai Cement Bangladesh Ltd, Meghna Cement Mills Ltd of The Basundhara Group, Ahad Cement Factory Limited, Aramit Cement Limited, Mongla Cement Factory Ltd Of SenaKalyanSangstha, Diamond Cement Limited, Lafarge Surma Cement Ltd, And Eastern Cement Ltd. There are many quality of companies in twenties, such as Shah cement ltd, MI cement factory ltd (crown cement), Unique cement industries ltd of Meghna group of industry, Premier cement ltd, Seven circle (Bangladesh) ltd, Heidelberg cement Bangladesh ltd, Holcim (Bangladesh) ltd, Royal cement ltd, and Cemex.

At present, per capita cement usage is at 182 kg in Bangladesh. However, the increase rate was 8 % till 2019. Furthermore, there are a prediction thatit will augment at 10% rate over the 5 years. Population is anticipated to grow up between 1% and 1.2 percent. The expectation of per capita cement using is being anticipated to reach at 250 kg, in the near future.

Although, there are positive signs, Bangladesh's cement industry have certain challenges. Besides that the industry is now saturated, the large companies continue to expand with the execution of growth initiatives by big companies in the next 2/3 years, we expect existing overloading to worsen. However, in order to take advantage of this extraordinary opportunity, you must first learn how to use it.

RATIONALE OF THE STUDY

I am conducting this study because it is obligatory to submit an **Internship report** at the end of the trimester to my supervisor. Therefore, it is the last requirement to acquire an undergrad degree from my university. Moreover, I have been given an option to choosebetween Internship and Project. Subsequently, I have chosen Project as I wanted to obtain theoretical knowledge. As an accounting major student, my supervisor has instructed me to analysis of the financial report of 5 cement companies' **Voluntary disclosure checklist** and firm performance. I have found that **Voluntary disclosures** are advantageous investors, companies and the economy. Furthermore, this study will help to understand management and employees, the importance of the voluntary disclosure that plays substantial role in firm's overall performance.

BACKGROUND OF THE STUDY

The voluntarily disclosure of information has become mandatory for the organizations. The organization which will more crystal clear to their stakeholders, it will trustworthy to them. The success and failure depends on the disclosure of information. For instance, the large companies in the Europe and United States, as Thomas Cook, a British global travel group, that ended in 2019 due to not being transparent to the stakeholders. Besides that, in Bangladesh, many renowned companies have become failure because of not being clear and transparent to the users of the annual reports. Although, Voluntary disclosed information is beyond the minimal requirement of the applicable capital market policy, it helps to become more sustainable and reliable in the market.

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CHAPTER TWO: OBJECTIVE OF THE STUDY

- **STUDY OBJECTIVES**
- **SPECIFICOBJECTIVES:**

STUDY OBJECTIVES

A research is a detailed study about an issue in which a researcher aims to identify a solution. We realize that well specified objectives are crucial for a good research study and guide the researcher in the appropriate trail. Therefore,it is significantly important in achieving the exact solution. The research has been designed to address two types of objectives.These have been provided below.

- **Primary objectives**: As a BBA student, it is essential to submit one research paper or internship report at the end of their intended course. In order to achieve a Bachelor's degree, it is mandatory. To accomplish that requirement is the exclusive reason for this study.
- **Secondary objectives**: Secondary objectives can be explained in two ways. One is overall what I want to achieve from this study as a whole, and second is what is specifically desired. It generally presents a topic's detailed research which I have been discussing here. So this report's secondary objective is a review of Financial Statement Analysis of Voluntarily disclosed information of companies.

SPECIFIC OBJECTIVES:

It has been established by accomplishment of a specific goal. However, the common objectives can be attained and the specific objective obviously defines about what is the reason of researcher study, and position. There are some particularobjectives aboutthis research are as follows:

- Analyzingthe concept of voluntary disclosure and performance of the firms.
- Analyzing the corporate disclosure scenario in Bangladeshi Cement industry.
- Analyzing the influences of voluntary disclosures on 5 listed Bangladeshi Cement companies
- Recommending some suggestions based on the result.

CHAPTER THREE: METHODOLOGIES OF THE STUDY

- **METHODOLOGY OF REPORT**
- **RESEARCH TYPE**
- **DATA COLLECTION**
- **SAMPLING**
- **DATA ANALYSIS TOOLS**
- **DATA PRESENTATION**

METHODOLOGY OF REPORT

It is substantially crucial to evaluate the data and information so as to develop effectual research project. Therefore, I tried some consecutive technique and course of action for exercises to finish with this report effectively. Here, while doing the report I gather information from various sources.

Due to the pandemic, it was difficult to have primary data and an informal discussion with the customers of cement companies, collect different manuals or booklet.

The two manners by which I have gathered data given underneath

- **Secondary Data**: Secondary data were required. Namely-annual reports, different cement companies' website, journals, magazines, various links throughout the internet.
- **Mixed method**: These approaches combine qualitative and quantitative methodologies because this report is heavily weighted towards statistics as well as words.

RESEARCH TYPE

The six types of research might be used during creating a report. However, descriptive research was the major focus of this project.

- **Descriptive method-** In this method, data is accumulated without changing any variables. From annual reports, I have congregated the values of ratios and data without changing any numbers or attempt to manipulate any information about ratios.

DATA COLLECTION

The data has been collected from various ways, for instance, discussion, annual reports, websites, journals, and diverse links through the help of the internet.

SAMPLING

Sampling Size: Ten years of annual reports of 5 cement companies were studied to prepare the report. I researched 2 years of annual report of each company. The years were 2015 and 2020, respectively. The company names are provided below.

Serial no	**Company name**
1	Crown cement
2	king brand cement
3	Heidelberg cement Bangladesh
4	Premier cement
5	Holcim cement

DATA ANALYSIS TOOLS

Data has been analyzed using “Microsoft Office Word” for making the report paper and “Microsoft Office Excel” used for data accumulation and calculations.

DATA PRESENTATION

The report will be presented in soft copy through email.

CHAPTER FOUR-LITERATURE REVIEW

- **LITERATURE REVIEW**

Literature Review

There will be notified about the prior literature as regard the effect of voluntary disclosures in annual report. Several literatures and studies have been incurred pertaining to this issue which will be provided here. The voluntary disclosure in annual report has not been denied thoroughly by cement industry. However, all of cement companies are emphasizing about this issue the more or less, whereas there are some exceptions though.

By the study of **Miller and Piotroski (2000**), it has been found the company which includes the advanced information and quarterly earnings announcement in annual statement, the return of company is comparably higher.

Besides that, in the study of **Lundholm and Myers (2000)**, and **Gelb and Zarowin (2000)** have also established that the information disclosed firms get better revenue and future earnings news for the companies.

According to the researchers and practitioners, voluntary disclosure reduces the asymmetry of information within the insiders and outsiders **(Oluwegbemigai, 2014).**

In accounting perspective, information is significant part for communicating with stakeholders and it drives the company for enduring growth and sustainability. The article is by **(Abeysekera and Guthurie, 2005 ; Deegan 2002)**

It's possible that the interaction between external variables and an organization's features might provide privileges that lead to more transparency or, on the other hand, costs that impede effective outcomes (Abeysekera& Guthrie, 2005; Gray, Owen, & Adams, 1996).

Voluntary disclosure, according to **the Financial Accounting Standards Board (FASB) (2001),** is information that listed companies voluntarily provide, but not the basic information that's required to be disclosed by commonly accepted accounting standards and regulatory agencies

According to Barako (2007), voluntary exposes is defined as the unharnessed of economic and non-economic information through organization's annual reports above the essential demands either with International Accounting Standards (IAS) or the other relevant regulative requirements. Numerous shareholders of a company use voluntary disclosures in their decision-making processes, as well as to excuse difficulties that aren't covered by the mandatory disclosures, therefore creating a positive impression of the company's state. Investors are introduced to organizations through voluntary disclosures. This promotes a smoother capital market, easier capital allocation, lower capital costs as well as a more pleasant communication process with the investor.

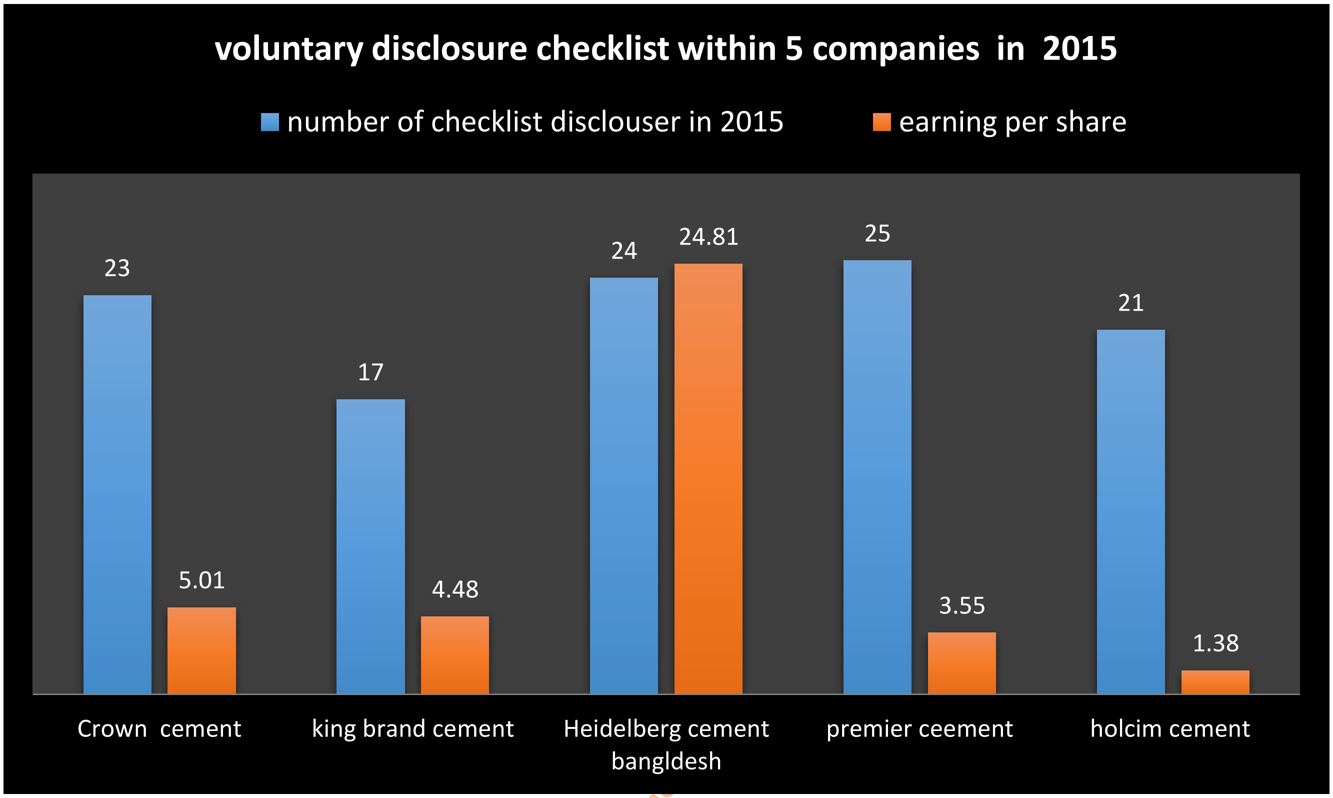
CHAPTER FIVE: FINDINGS AND ANALYSIS OF THE STUDY

The voluntary disclosure checklist is the table from where we will get the idea of company's information. The table has given below.

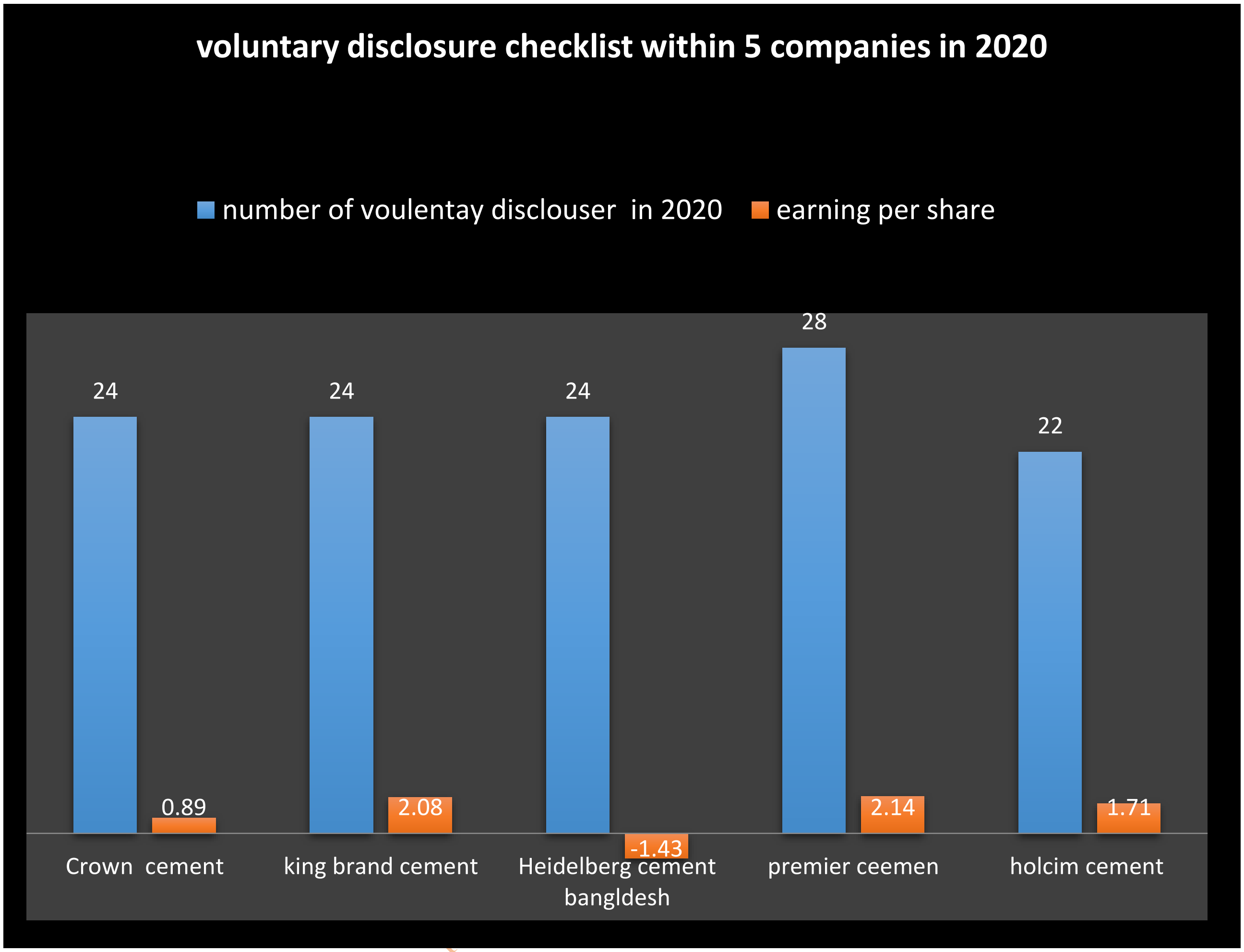
Background about the company		**Crown cement**		**king brand cement**		**Heidelberg cement Bangladesh**		**Premier cement**		**Holcim cement**	
		2015	2020	2015	2020	2015	2020	2015	2020	2015	2020
1	Brief history of the company	1	1	0	1	1	1	1	1	1	1
2	Description of corporate structure	1	1	0	1	1	1	1	1	1	
3	Description of major goods/services produced/provided	1	1		1	1	1	1	1	1	1
4	Official address/registered address/address for correspondence	1	1	1	1	1	1	1	1	1	1
5	Stock exchanges on which shares are held	1	1	0	1	1	1	1	1	1	1
6	Company's vision and mission statement	1	1	1	1	1	1	1	1	1	1
7	Statement of corporate strategy and objectives	1	1	1	1	1	1	1	1	1	1
Corporate governance											
8	List of board members	1	1	1	1	1	1	1	1	1	1
9	Disclosure of information of board members' qualification and experience	0	1	1	1	1	1	1	1	1	1
10	List of senior manager (Not in the board)	0	0	0	1	0	0	0	0	0	0
11	Pictures of all board members	1	1	0	1	1	1	1	1	1	1
12	Numbers of board meetings and attendance list	0	1	1	1	1	1	0		1	1

13	List of audit committee	1	1	1	1	1	1	1	1	1	1
Social responsibility information											
14	Sponsoring public health and sports	1	0	0	0	1	0	1	1	0	0
15	Information on donation and charitable activities	1	1	0	0	1	0	1	1	0	0
16	Involvement in environmental protection programs	1	0	0	0	1	0	1	1	0	0
Financial ratios and other Statistical Information											
17	Brief discussions of the company’s operating results	1	1	0	0	0	0	0	0	0	0
18	Five years performance at a glance	0	0	1	1	1	1	1	1	0	1
19	Graphical information of information	0	0	0	1	0	1	0	1	0	1
20	Return on assets	0	0	0	0	0	0	1	1	0	0
21	Return on equity	0	0	0	0	0	0	1	1	0	0
22	Liquidity ratio	0	0	0	0	0	1	1	1	0	0
23	Earnings per share	1	1	1	1	1	0	1	1	0	1
24	Capital adequacy ratio	0	0	0	0	0	0	1	0	0	0
25	Loan to deposit ratio	0	0	0	0	0	0	0	0	0	0
26	Total dividend	1	1	0	0	0	1	0	1	1	0
27	Dividend per share for the period	1	1	1	1	1	1	1	1	1	1
28	Comparative income statements for two years	1	1	1	1	1	1	1	1	1	1
29	Comparative balance sheet for two years	1	1	1	1	1	1	1	1	1	1
30	Comparative cash flow statements for two years	1	1	1	1	1	1	1	1	1	1
Accounting Policies											
31	Disclosure of accounting standards and its uses	1	1	1	1	1	1	1	1	0	1

32	Accounting valuation of fixed assets(Fair value or historical cost)	0	0	0	0	0	0	0	0	1	0
33	Foreign currency information	1	1	0	0	1	1	0	1	1	1
34	Events after the balance sheet date	1	1	1	1	1	1	0	1	1	1
35	Related party disclosure	0	1	1	1	0	1	0	0	1	1
36	Disclosure of interest rate risk	0	0	1	1	0	0	0	0	0	0
	Earnings per share (taka)	5.01	0.89	4.48	2.08	24.81	(1.43)	3.55	2.14	1.38	1.71
	total amount of disclosures	23	24	17	24	24	24	25	28	21	22



In 2015, we can observe from the analysis, the companies which disclosed the more data had higher Earnings per share. From the bar chart, we can see that the crown cement was disclosed higher number of data which was **23** taka, and their earning per share was **5.01**. Astoundingly, The Heidelberg cement Bangladesh achieved substantial amount earnings per share in 2015 which was **24.81** taka and the number of voluntary disclosure checklist was **24**. On the other hand, there were better earnings per share in premier cement company by proving the highest number of voluntary disclosure checklist. However, there was an exception in the king brand cement company.



In 2020, we can see that all of the cement company had a lower amount of earning per share. I think, this happened because of corona virus pandemic. Not only Bangladeshi companies, but also all over the world is suffering from this issue. Nevertheless, the premier cement company disclosed the highest number of information in 2020 which was **28**. Moreover, they acquired the utmost earning per share that was **2.14** taka. The rest of companies attained lower number of earning per share even if, they shared higher number info within the checklist. Surprisingly, the Heidelberg cement Bangladesh Company was in net loss in 2020 which was **(1.43)**

CHAPTER SIX: RECOMMENDATION AND CONCLUSION

- **RECOMMENDATIONS**
- **CONCLUSION**

RECOMMENDATIONS

Voluntary disclosure of information is basically beyond the applicable capital market regulations and minimum requirements. Even if, it is not essential to disclose the information, it creates image to stakeholders. Therefore, there are some recommendations that are provided below.

- By providing voluntary disclosures, the cement Companies can raise their market capital economically.As a result, the companies can dynamically retain the demands for their market share.
- All of the companies have dropped off their EPS due to COVID 19 pandemic which can influence negatively for the investor. Companies should disclose the information and transparent to shareholders, consequently, it will enhance the faith of stakeholders.
- If, cement Companies disclose the information, it will reflect company's real value and protects from undervaluation about the company. These will also reduce the doubt and speculation which will lead to increases investors.
- Lastly, the financial report of cement companies should be improving organization’s disclosure of socially responsible information and accounting valuation of fixed assets.

CONCLUSION

The project has been accomplishedas regards the significance of disclosing voluntary information in annual report. We can observe from the analysis, the company which was obvious to stakeholders, it achieved more returns. Disclosure is a vital part of financial reporting from a conceptual point of view, while disclosure is the final stage in the accounting process in the form of presentation from a technical perspective of information in the form of financial statements. The voluntary disclosures will help the authorities that are accountable for regulations to come up with rules & regulations. Moreover, the processes will be ensured the sharing of information is complete & fair. Besides that, investors, internal or external users, and managers would be benefitted from these disclosures in order to make more informed decisions in their business decisions. Therefore, greater voluntary exposes do not necessarily explain into greater openness.

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