

**UNIVERSITY OF KWAZULU-NATAL**

**RWANDAN CORPORATE REPORTING AND INTERNATIONAL  
REQUIREMENTS**

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**A dissertation submitted in partial fulfillment of the requirements for the degree  
of  
Master of Accountancy**

**School of Accounting  
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**2009**

**DECLARATION**

I .....declare that

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.
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## **ACKNOWLEDGEMENTS**

My grateful thanking goes to my Holy God who helped me on this seemingly endless academic journey. My sincere gratitude also goes to my lecturer and supervisor, Professor Lesley Stainbank, for her guidance, support, encouragement, expertise, and patience throughout the study period. I also wish to thank all the participants to this research. My thanks also go to Rwandan companies, the staff and student community in the School of Accounting of the University of KwaZulu-Natal.

I am also grateful to all my friends in Rwanda and South Africa for their support, kindness and love.

## **DEDICATION**

This work is dedicated to:

my parents,

my relatives, especially my brother Innocent Kabalisa and to

all friends.

## **ABSTRACT**

Literature suggests that countries should adopt the International Financial Reporting Standards and the worldwide recommended narrative reporting in annual reports. However, in developing countries, a range of prerequisites have to be put in place to ensure compliance therewith.

This study has two main aims: firstly, to identify the way Rwandan companies report and to compare their reporting system with international requirements, and secondly to establish how aware Rwandan companies are of narrative reporting.

This study uses a basic research and a mixed methods approach. A mixed method approach is used when the researcher supplements qualitative information with a quantitative approach to provide a more comprehensive analysis of the problem. A sample of 24 companies formed the subject of this study. Data were collected using a questionnaire which was supplemented in some cases with interviews.

This study revealed that although Rwandan companies report annually, they do not all comply with International Financial Reporting Standards. While Rwandan companies do not totally ignore narrative reporting and are aware of its importance, some preparers lack some knowledge towards the preparation and presentation of such reports. Some of the reasons for this were the lack of a properly constituted accounting board, the lack of sound regulation in the accounting profession and the absence of enough qualified accountants

Based on the current study's findings, it is recommended that the accounting profession in Rwanda should be strengthened. This can be achieved with the help of the government of Rwanda and the international community. The current study also revealed the necessity for Rwanda to adopt the International Financial Reporting Standards. To achieve this, an incremental adoption approach is recommended which could lead the way to the full adoption of the International Financial Reporting Standards.

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background to the study

In Rwanda, due to the 1994 events (war and genocide), the country was destroyed entirely. Almost all sectors were affected during that tragic period. The worst hit sectors include the following:

- economy: the economic sector was seriously affected as the former government officials fled the country with the whole reserves of the country;
- education: all schools and higher academic institutions were destroyed;
- politics: most of the high ranking politicians were killed and others ran away;
- social: most Rwandans were distressed and it was quite difficult to collaborate, and distrust was almost among all of them; and the
- business environment: the business sector was also affected as looting of property was the key element of the genocide.

Nationsonline (2007) comments that despite substantial international assistance and political reforms including Rwanda's first local elections in March 1999, the country continues to struggle to boost investment, agricultural output and to foster reconciliation". Indeed, even now the country is still trying to build up a safe and attractive business environment. The country is struggling to reconstruct its economy in general and the business environment in particular.

However, several problems still hinder strong economic development. For example, as shown in the 2005 Annual Report of the *Société Nouvelle d'Assurance du Rwanda (SONARWA)*, in Rwanda, the business environment is still very small compared to other emerging countries; the stock exchange, launched in 2008 is still not strong enough to establish its own accounting framework and companies are finding it difficult to comply with the International Financial Reporting Standards (IFRS) when reporting their financial positions.

In Rwanda, so many things still need to be improved, especially the functioning of companies. Their improvement, combined with other elements, could lead to the improvement of the whole country's economic standing. The prerequisite for the improvement of Rwandan companies includes, among others, good reporting. According to Peterson and Fabozzi (1999), the welfare of a company can be verified by analysing its system of reporting. Similarly, Standard&Poors argue that "a focus on annual reports facilitates the analysis and comparison of companies around the globe. Academic researchers have identified annual reports as the principal communication device available to companies" (Standard&Poors 2002: 6).

To analyse any reporting system in companies, it is necessary to evaluate annual reports. "An annual report is a document published annually by listed companies" (Stolowy & Lebas 2002: 106). Therefore, in this study, emphasis will be mainly an analysis of the way Rwandan companies report their financial and non-financial information within their annual reports. The Investment Dictionary (2007) defines an annual report as the "publication that public corporations must provide to shareholders to describe their operations and financial conditions". The King II Report states that traditionally, the major channel of communication with the broad stakeholder and investor community has been the annual report (Institute of Directors 2002: 141). In developed countries, an annual report is an important document. In the United Kingdom (UK) for instance, according to a survey by Deloitte & Touche, "the length and complexity of annual reporting should not be underestimated. Annual reports averaged 71 pages in 2005, an increase of 9% since 2003 and a massive increase of 59% since 1996" (Deloitte & Touche 2006: 5).

Indeed, for any given company, an annual report is viewed as the cornerstone by which a company convinces its stakeholders about its capacity of continuing as a strong entity.

For instance, in the chairman's review in Pick'n Pay's 2006 annual report, the company outlines its philosophy as follows: "the whole success of Pick'n Pay is built on the philosophy: the more you give the more you get back" (Pick'n Pay 2006: 77).

## 1.2 Statement of the problem

In a developing country like Rwanda, there is currently no efficient legislation on corporate annual reporting. Over the years, there have been several groups that have set accounting standards, including the Financial Accounting Standards Boards (FASB), the International Accounting Standards. For instance, in the United States of America (USA), there is the Financial Accounting Standards Boards (FASB), the Securities Exchange Commission (SEC) and the American Institute of Certified Public Accountants (AICPA). Internationally, there is the International Accounting Standards Board (IASB) and its Emerging Issues Task Force (EITF). In Rwanda, the Institute of Certified Public Accountants of Rwanda (ICPAR) was created in May 2008 but is not yet as strong as the South African Institute of Chartered Accountants (SAICA), the Association of Chartered Certified Accountants (ACCA) in the UK or the *Ordre des Experts Comptables Français* (OECF) in France. Such an organisation should set financial reporting standards in corporate reporting in Rwanda.

In addition, in the absence of an accountants' body, another related body such as a stock market could play an important role, but such an institution is also very new in Rwanda. According to the Capital Market Advisory Council (CMAC) (2008:4), the Rwandan capital market was established by this institution in the month of January 2008.

Worldwide, narrative reporting is growing. Also termed non-financial reporting, it can encompass the management commentary, corporate governance and the reporting of the triple bottom-line.

According to the Financial Reporting Council (FRC) (2007), narrative communication in annual reports is viewed as a crucial element in achieving the desired change in the quality of corporate reporting and regulators are focusing attention on the management discussion and analysis section in annual reports.

However, due to Rwanda's economic level, narrative reporting is not common. Given that financial information is a prerequisite for narrative reporting, requiring narrative reporting in a country where financial reporting is also problematic may be premature.

For instance, in Rwanda, inflation which was an average of 12% in 2004 fell to 9% in 2005 (RDB 2005: 9). It may be difficult for a country which is still facing the problem of inflation to also meet IFRS requirements.

In Rwanda, according to the Rwanda Development Bank (RDB) (2005) and Kigali Bank (2005) annual reports, financial statements are prepared in accordance with Rwandan National Accounting Guidelines in conjunction with conventional practice based on the historical cost and as modified by the revaluation of property and equipment. Given Rwanda's economic status and the fact that this country is in need of foreign investors, it is doubtful that financial statements prepared with only limited national guidelines will attract potential investors. However, Rwanda cannot be compared to the USA or Japan. This is because those countries' economies are very strong and investing in those countries is very attractive to investors.

For instance, Nobes (1998:29) commented that there are no standards on the treatment of government grants in the USA because such grants are not normal in that country. This is not the case in Rwanda. Therefore, in developing countries, the increase in transparency and improved information through the adoption of IFRS can encourage a more rigorous assessment and sound management of risk and make investor panic less likely. In addition, due to the level of economic development of Rwanda, narrative reporting seems to be less known in this central African country.

From the above, it is noted that Rwandan companies may report poorly when compared to the international standards. This needs to be probed so as to confirm or reject this situation. It is suggested that Rwanda could follow other leading African countries like South Africa. According to the survey of 'Excellence in corporate reporting' of the 100 top companies listed on the Johannesburg Stock Exchange (JSE) in 2007 by Ernst & Young, a number of companies had moved across to IFRS (Ernst & Young 2007: 3).

It is suggested therefore that Rwanda needs to adopt IFRS. The current study identifies some of the problems with corporate reporting in Rwanda and suggests solutions as well as further research.

Accordingly, the main research hypothesis of this study is:

- Rwanda companies report poorly when compared to the international standards.

They neither comply with IFRS nor follow the worldwide recommended guidelines for good narrative reporting. The following sub-hypotheses flow from this main hypothesis:

- the poor financial reporting of Rwandan companies is due to the failure to comply with IFRS, and
- Rwandan companies ignore recommended narrative reporting guidelines.

This hypothesis and sub-hypotheses lead to the objectives which are discussed next.

### **1.3 Research objectives and questions**

According to Smith (2003), good research generates the sound evidence needed to overturn or revise existing theories. Therefore, this research aims at generating sound evidence relating to financial reporting by Rwandan corporations. Good research delineates its objectives, purpose or aims. Therefore, objectives must be determined before the research is carried out. In that regard, the aims of this study are listed as follows:

- to identify the way Rwandan companies report,
- to compare the financial reporting of Rwanda companies with the IFRS, and
- to compare the narrative reporting of Rwandan corporations with good narrative reporting practices recommended worldwide.

The main research question which arises from these objectives is as follows:

- how do Rwandan companies report?

To answer this question; the following sub-questions are relevant:

- to what extent do Rwandan companies report their financial information using IFRS, and
- are Rwandan companies aware of the worldwide recommended narrative reporting requirements?



#### **1.4 Motivation and importance of the study**

The motivation for carrying out this study came out of the realization that there are many shortcomings in Rwandan corporate reporting for both financial and non-financial information. According to Peterson and Fabozzi (1999), poor corporate reporting can hinder potential investors. A study in corporate reporting could contribute to the improvement of corporate welfare in Rwanda and could be one of the leading efforts in the development of financial reporting in the country. Rwandan companies could learn through the findings of this research what is missing in their annual reports and implement the relevant improvements which would in turn attract potential investors. The present study is expected to identify some gaps in corporate reporting in Rwanda and stimulate relevant organisations to implement the IFRS.

#### **1.5 Organisation of the study**

This study is presented in six chapters:

- the first chapter identifies the problem, formulates the hypotheses, objectives, the research questions and the motivation of the study.
- the second chapter defines the key words of the study's topic, namely financial and non-financial reporting. It also briefly describes the published and unpublished materials available on key points of the current topic.
- the third chapter presents prior research in relation with this study, it further deals with the identification, explanation and relationship between variables of the study.
- the fourth chapter deals with the research methodology.
- chapter five presents and interprets the results of the study.
- chapter six contains the summary, the conclusion and recommendations

#### **1.6 Summary**

In this first chapter, the study's background and statement of the problem are presented. It also set out the research questions and objectives, the motivation and importance of the study as well as the organisation of the study.

## CHAPTER 2

### FINANCIAL AND NON-FINANCIAL (NARRATIVE) CORPORATE REPORTING

#### 2.1 Introduction

The main intention of annual reports of companies is to disclose quantitative and qualitative information to different stakeholders; namely shareholders, investors, customers, suppliers and lenders. The Investment Dictionary (2007) states that “it was not until legislation was enacted after the stock market crash in 1929 in the USA that the annual report became a regular component of corporate financial reporting”. According to the same source, an annual report contains the following sections:

- financial highlights,
- letter to the shareholders,
- narrative text, graphics and photos,
- management's discussion and analysis,
- financial statements,
- notes to the financial statements,
- auditor's report,
- summary financial data, and
- corporate information.

Therefore, annual reports are very useful tools used to evaluate features such as accountability, profitability, financial position and fairness. Everingham and Kana (2004) consider corporate reporting to be “the primary means by which corporate entities provide details of the corporate performance to their various stakeholders, including the investment community”. The information presented in annual reports not only satisfies financial analysts but also the social community. Analysts of annual reports split the annual report into two parts, firstly quantifiable information, and secondly are non-quantifiable information. Other ways of splitting the information in annual report are:

- statutory information versus non statutory information,
- financial information versus non-financial information, or
- after Audit report (i.e. information that is audited) versus Before Audit report (i.e.

information that is not audited), or narrative reporting information.

Both financial and non-financial information are widely recognised as being of crucial importance. While financial reporting is a statutory term, the term non-financial reporting is relatively new. Dipiazza, Samuel and Eccles (2002: 104) comment that “despite the fact that corporate commitment to transparency which is manifested through non financial reporting is still in its infancy, it is maturing rapidly”.

Nevertheless, in most cases companies are mainly interested in financial reporting. Dipiazza *et al.* (2002) note that the corporate reporting of few companies provide sufficient information to meet the three-tier model of corporate disclosure being the sustainability, financial review and corporate governance. The authors suggest that narrative reporting is an important tool in reporting management performance. The Financial Reporting Council (2007) suggests that there is a common understanding that the business reporting model has to expand to serve the changing information needs of the market and provide the information required for enhanced corporate transparency and accountability.

The scope of business has increased, and reporting entities must go beyond the only figures that were usually presented in financial reporting to satisfy the information needs of stakeholders. Figures without explanations are of little use. In the following sections, financial and non-financial information are discussed separately in terms of IFRS, followed by a discussion on corporate reporting in Rwanda.

## **2.2 International corporate reporting**

International corporate reporting can be split into two parts, financial reporting and non-financial or narrative reporting.

The most recent trend is narrative reporting. Steger (2004: 71) states that “the non-financial information disclosed by companies in the USA and Europe could be combined to meet the specific requirements of good narrative reporting”. This is because there are no international standards on non-financial reporting. Narrative reporting grew first in Europe and in the USA but it is now reaching the rest of the world. Hence, the USA and Europe are

seen as leaders in this area. The next study discusses what is meant by international financial reporting followed by international non-financial reporting.

### **2.2.1 International financial reporting**

According to the IASB (2006a: 51) in its discussion paper on management commentary, “financial statements are a structured representation of the financial position and financial performance of an entity. Financial statements should provide useful information to both investors and creditors in making, investment and other business decisions”.

Wells and Stainbank (2002:1) argue that financial reporting encompasses a wide range of communications by reporting entities to the users of that information. According to the same authors, financial reporting can encompass but is not limited to:

- annual financial statements,
- interim financial statements,
- provisional financial statements,
- prospectuses,
- information memorandums, and
- non-financial reporting.

In South Africa, “section 286 of the Companies Act 1973 as amended requires all companies to produce annual financial statements and to lay these before the annual general meeting each year” (Prinsloo 2006: 1). The conceptual framework states that “the objective of the financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions” (IASCF 1989: Para 12). Annual financial statements would also include an audit report and a directors’ report (Becker 1990: 2).

IAS 1 (IASB 2006b) “Presentation of financial statements” states that a complete set of financial statements consists of:

- a statement of financial position as at the end of the period,
- a statement of comprehensive income for the period,

- a statement of changes in equity for the period,
- a statement of cash flows for the period,
- notes, comprising a summary of significant accounting policies and other explanatory information, and
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.

Finally, the “CEO and CFO are required to sign off that the company financial reports present a true and fair view, in all material respects, according to the relevant accounting standards” (Linden & Zoltan 2004: 10).

#### **2.2.1.1 The statement of financial position**

The statement of financial position (previously the balance sheet) shows that the sources and uses of a firm’s financial resources. The Investment Dictionary (2007) defines a balance sheet as “a financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. These three balance sheet segments (assets, shareholders’ equity and liabilities) give investors an idea as to what the company owns and owes as well as the amount invested by the shareholders”.

IAS 1 (IASB 2006b: paragraph 54) lists the information to be presented in the statement of financial position. As a minimum, the statement of financial position shall include line items that present the following amounts:

- a) property, plant and equipment,
- b) investment property,
- c) intangible assets,
- d) financial assets (excluding amounts shown under (e), (h) and (i)),
- e) investments accounted for using the equity method,
- f) biological assets,
- g) inventories,

- h) trade and other receivables,
- i) cash and cash equivalents,
- j) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations),
- k) trade and other payables,
- l) provisions,
- m) financial liabilities (excluding amounts shown under (k) and (l)),
- n) liabilities and assets for current tax, as defined in IAS 12 Income Taxes,
- o) deferred tax liabilities and deferred tax assets, as defined in IAS 12,
- p) liabilities included in disposal groups classified as held for sale in accordance with IFRS 5,
- q) minority interest, presented within equity; and
- r) issued capital and reserves attributable to owners of the parent.

### **2.2.1.2 The statement of comprehensive income**

IASB (2006b) states that all items of income and expenses recognised in a period shall be included in profit or loss unless a Standard or an Interpretation requires otherwise.

Paragraph 82 of IAS 1 (IASB 2006b) outlines the minimum information that the statement of comprehensive income shall include. These are:

- (a) revenue,
- (b) finance costs,
- (c) share of the profit or loss of associates and joint ventures accounted for using the equity method,
- (d) tax expense,
- (e) a single amount comprising the total of:
  - (i) the post-tax profit or loss of discontinued operations and
  - (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation,

- (f) profit or loss,
- (g) each component of other comprehensive income classified by nature (excluding amounts in (h)),
- (h) share of the other comprehensive income of associates and joint ventures accounted for using the equity method and
- (i) total comprehensive income.

Paragraph 83 of IAS 1 (IASB 2006b) states that an entity shall disclose the comprehensive income as allocations of profit or loss for the period:

- (a) profit or loss for the period attributable to:
  - (i) minority interest, and
  - (ii) owners of the parent.
- (b) total comprehensive income for the period attributable to:
  - (i) minority interest, and
  - (ii) owners of the parent.

### **2.2.1.3 The statement of cash flows**

IAS 1 (IASB 2006b) requires an entity to prepare a cash flow statement in accordance with the requirements of this standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented. IASB (2006b) in IAS 1 paragraph 111 states that “the statement of cash flows provides users of financial statements with the basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilize those cash flows”.

According to Sowden (2006: 637) “the cash flow statement is essentially an analysis of the entity’s bank account (and any other account so closely aligned to cash that it meets the definition of a ‘cash equivalent) and the main objective of the statement of cash flows is achieved by disclosing three main areas of a business being”: operating activities, investing activities, and financing activities.

Stainbank and Oakes (2006:1) indicate that the usefulness of the statement of cash flows is

in five core elements:

- provide information on liquidity,
- provide information on working capital,
- indicate the entity's ability to optimise the cash resources and to respond to unexpected adversities and opportunities,
- to provide a comparison of cash generated by operations with reported income, and
- to assist users with projections of future cash flows”.

#### **2.2.1.4 The statement of changes in equity**

IASB (2006b: paragraph 106) requires an entity to present a statement of changes in equity as a separate component of the financial statements. The statement must show:

- (a) the total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to minority interest,
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8,
- (c) the amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners, and
- (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change.

IAS 1 in paragraph 107 further states that an entity shall present either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period and the related amount per share. IAS 1 paragraph 85 allows preparers of the above statements to present additional line items, headings and subtotals when such presentation is relevant to an understanding of the entity's financial statements.

#### **2.2.1.5 Notes to financial statements**

The notes present information about the basis of preparation of the financial statements, the specific accounting policies used and the measurement basis (or bases) used in preparing the financial statements (IASB 2006b para 112). Furthermore IAS 1 (IASB 2006b: para



112) states that the notes to financial statements shall disclose the information required by IFRS that is not presented elsewhere in the financial statements; and provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

In a survey of transparency disclosure by Standard&Poors (2002:4-10), it was found that the most uniform and extensive disclosure is in the area of financial information. However, they state that non-financial disclosures in annual reports need improvement. Although financial statements provide information useful to decision-makers, there is much relevant information that they omit. According to Ernst & Young (2007: 15) “the financial statements traditionally provided information on a quantitative basis about what had happened in the business in the periods disclosed”. Ernst & Young (2007:13) suggest that “companies, when preparing their financial statements, should rather start from scratch and not take their previous years’ financial statements and make changes”.

To achieve good reporting, financial reporting is supported by non-financial reporting. Everingham and Kana (2004) argue that traditional financial reporting is limited in its ability to portray a rounded picture of any company. This explains why the inclusion of additional reports in corporate reporting is important. Similarly, Ford (2001) is of the view that the accounting information needs of internal and external parties are satisfied through the preparation of different reports. This implies that there is a need for non-financial reporting.

### **2.2.2 International non-financial (narrative) reporting**

The terms ‘non-financial reporting’ and ‘narrative reporting’ are often used interchangeably. PricewaterhouseCoopers (2006) use the term ‘narrative reporting’ to include the contents of the sections usually referred to as the Management Discussion and Analysis (MD&A) or Operating and Financial Review (OFR) that are commonly located in the front sections of corporate annual reports.

Non-financial reporting is growing significantly important as corporations and their shareowners as well as other stakeholders recognize that the narrative report contains

information that may impact financial performance.

Historically, “whilst the focus on governing corporations has been financial, a balance sheet is a record of one moment in time of the financial affairs of a company. Investors now also want a forward-looking approach to reporting” (Institute of Directors 2002: 15). With mounting pressures to strengthen corporate accountability in all its dimensions, the cross-over and convergence of non-financial information such as that on sustainability and financial reporting looks increasingly likely (GRI 2002:72).

Non-financial reporting does not have any international requirements like those for financial reporting. Nevertheless, narrative reporting is gaining importance to different stakeholders. According to Arthur Levitt, the former Chairperson of U.S.A Securities and Exchange Commission, as quoted in the King Report II (Institute of Directors 2002:10):

*“If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises in that country-regardless of how steadfast a particular company’s practices may be –suffer the consequences. Markets must now honor what they perhaps, too often, have failed to recognise. Markets exist by the grace of investors. And it is today’s more empowered investors that will determine which companies and which markets will stand the test of time and endure the weight of greater competition. It serves us well to remember that no market has a divine right to investors’ capital”.*

Non-financial reporting may show what drives the underlying or future value creation of a company. “Just as financial reporting provides a record of where the company has been, many aspects of non-financial reporting provide an indication of where the enterprise can go and how it will get there” (Institute of Directors 2002: 95). The Organisation for Economic Co-operation and Development (OECD) (2000) as quoted in the King Report 11 states that “ineffective bank regulation and supervision and poor accounting disclosures diminish transparency. There is no doubt that these so called non-financial issues have significant financial implications for a company” (Institute of Directors 2002: 92). For

instance, in the attempt to improve narrative reporting, the UK Accounting Standards Board (ASB) published a report of its review of narrative reporting by UK listed companies in 2007 in order to keep the spotlight on the importance of encouraging continued improvement in that area (ASB:2007).

There are also no prescribed requirements in South Africa relating to the preparation, publication and assurance or verification of narrative reporting. This is even though, from narrative reports, stakeholders are able to appreciate and understand the impact of various issues rather than relying only on quantitative indicators (Ernst &Young 2007: 16). The difficulty with communicating the less defined sustainability or non-financial aspects is that no universal reporting standard or language has yet been developed. The King Report 11 (Institute of Directors 2002:16-38) suggests that the audit committee should consider whether or not non-financial reporting should be subject to an independent review by external assurance.

Regarding validation, the Social Reporting Guidelines (SRG) argues that it can be conducted by groups or individuals, external to the organization who are demonstrably competent in both the subject matter and assurance practices (SRG 2006: 38).

As an example, with regards to the external validation of non-financial reporting, the 2006 annual report of Pretoria Portland Cement Company (PPC) states that “PPC is audited annually to ensure that there is ongoing compliance with the ISO 14001:2004 management systems” (PPC 2006: 39).

Due to the fact that there are no international requirements in narrative reporting, it is difficult to comment whether a given company is reporting well in that area. For instance, Everingham and Kana (2004) used terms like commitment, openness, integrity and accountability when referring to narrative reporting.

However, by using the Global Reporting Initiative (GRI) (2002) and the recommendations of the King Report 11 (Institute of Directors 2002), good narrative reporting can be achieved and verified. Several features could be taken into consideration while analysing the narrative reporting of a given entity as is shown in the Table 2.1.

**Table 2.1: Elements of a narrative report**

<u>How does the company report its sustainable development?</u>	<u>The way corporate governance is reported by the concerned company</u>	<u>The company's social intervention</u>
<ul style="list-style-type: none"> <li>- Prosperity (ensuring long term profitable growth, listening to customers)</li> <li>- Technical innovations</li> <li>- Safety (number of accident, safety behaviour)</li> <li>- Engaging with stakeholders (open and constructive dialogue, transparency, fairness, responsibility, accountability, discipline and independence)</li> <li>- Developing workforce (Rewarding, training and courses of employees)</li> <li>- Planning (utilizing credible environment management system standards)</li> <li>- Managing its impact (natural resources)</li> </ul>	<ul style="list-style-type: none"> <li>- The directors report on corporate governance</li> <li>- Board of directors composition and its independence</li> <li>- How does the board of directors operate?</li> <li>- Relationship of the company with auditors</li> <li>- Relations with shareholders</li> <li>- Risk management</li> <li>- Internal control</li> <li>- Internal audit</li> </ul>	<ul style="list-style-type: none"> <li>- Respecting human rights</li> <li>- Encouraging diversity (global successes)</li> <li>- People (well being and safety, HIV/AIDS programme intervention)</li> <li>- Understanding its social and economic impact</li> <li>- Participating in communities</li> </ul>

Using the elements in Table 2.1, narrative reporting in annual reports can be summarised into three core components:

- the management commentary,
- the corporate governance, and
- the sustainability report.

### **2.2.2.1 Management commentary**

The Discussion Paper on Management Commentary by the IASB (2006a: 74) describes it as the information that companies disclose annually and forms part of an entity's annual reporting. The discussion paper states that, in the UK, "an Operating and Financial Review (OFR) is a narrative explanation provided in the annual report of the main trends and factors underlying the development, performance and position of an entity during the financial year covered by the financial statements and which are likely to affect the entity's future development performance and position". Other jurisdictions describe the operating and financial review as being the management commentary, although often no formal definition is given. For example, the International Organisation of Securities Commission (IOSCO) refers to a narrative explanation that accompanies financial statements in order to improve disclosure and transparency (IASB 2006a: 15).

The Management Commentary is a primary component of the information within the term 'other financial reporting' provided outside the financial statements. The Management Commentary is information that accompanies financial statements as part of an entity's financial reporting.

In a survey done by PricewaterhouseCoopers, as quoted in the Discussion Paper on Management commentary, the IASB asked respondents to rate a number of industry-specific measures, seventy five percent (75 %) of the respondents ranked management commentary as of crucial importance (IASB 2006a: 34).

The three core elements of a management commentary are:

- "to interpret and assess the related financial statements in the context of the environment in which the entity operates,

- to assess what management views as the most important issues facing the entity and how it intends to manage those issues,
- to assess the strategies adopted by the entity and the likelihood that those strategies will be successful” (IASB 2006a:19).

Ernst & Young (2007: 15) suggest that the management commentary should include:

- “nature of the business of the entity,
- objectives and strategies employed by the entity,
- key resources, risks and relationships of the entity, and
- results and prospects of the entity and significant performance measures and indicators of the entity”.

According to Garnett of the IASB, as quoted in Ernst & Young (2007: 15), “management comments are vital. They form the basis of explanations of changes as well as of risks faced and how they intend to respond to them”. The information in management commentary should be supplementary and complementary to financial statements provide management’s perspective and should be future oriented. The IASB (2006a:4) are of the opinion that an entity’s financial report should be viewed as a package comprising the primary financial statements, accompanying notes and management commentary.

The primary focus on Management Commentary is to meet the information requirements of investors (IASB 2006a: 5). The IASB believes that the quality of financial report can be improved by developing a standard on management commentary (IASB 2006a: 9).

In the UK, directors are required to prepare an OFR addressed to members. Directors may wish to include a statement explaining the uncertainties underpinning forward-looking information (Deloitte & Touche 2006: 14).

The discussion paper on Management Commentary by the IASB (2006a) assumes that if financial statements are not sufficient to meet the objectives of financial reporting, then the IASB should consider requiring the disclosure of other information to help the financial reports meet their objective. However, the IASB also acknowledges that this will be

achieved only if companies provide clear and meaningful information and avoid boilerplate disclosures. One of the objectives of Management Commentary is to help investors interpret and assess the related financial statements in the context of the environment in which it operates (IASB 2006a: 37).

The Management Commentary should provide the key measures and indicators that it uses to assess and manage performance against stated objective and strategies. Some jurisdictions require the auditors to read the Management Commentary to identify material misstatements of fact or inconsistencies with the financial statements. For instance, in the UK the ASB issued its first non-mandatory statement on the OFR in July 1993 and updated it in January 2003. However, despite its existence for over a decade, in 2002 only 61% of listed companies produced either a formal OFR or clearly adopted the broad recommendations on OFR statements (IASB 2006a: 64).

#### **2.2.2.2 Corporate governance**

According to the OECD, corporate governance should not be something handled by corporation as the name implies because corporate governance is not just a business matter rather a partnership question par excellence (Withrell 2000). In the 2006 survey of PricewaterhouseCoopers, Dr Li Lihui CEO of the Bank of China stated the objectives of corporate governance as:

- to clearly define and segregate the roles and responsibilities of management,
- to establish effective checks and balances over management functions,
- to promote a strategic focus on customers and markets, and
- to ensure that adequate processes both manual and automated are maintained to properly support and control the growth (PricewaterhouseCoopers 2006: 23).

The OECD (2008) define corporate governance as a way by which boards oversee the running of a company by its managers and how board members are in turn accountable to shareholders and the company. Weimer and Pape (1999: 153-154) divide corporate governance of developed countries in two groups:

- the market-oriented system (Anglo-Saxon and Germanic countries) where independent shareholders influence managerial decision making and network-

oriented system.

- Japan and Latin countries where oligarchic groups sway managerial decision-making via networks of relatively stable relationships.

There can be no single generally applicable corporate governance model or standards but there are some guidelines developed by some international organisation like the OECD , the International Corporate Governance Network (ICGN) and the Commonwealth Association for Corporate Governance (CACG) (Institute of Directors 2002: 15). In France for instance, one of the fundamental principles of corporate law is that directors can be removed by the shareholders at will “*revocabilité ad nutum*” (Weimer and Pape 1999: 159).

The board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the company. “The quality of a company’s board has now become an important evaluation factor for institutional investors. While it is difficult to prove a direct link between a board’s effectiveness and the company’s profits, a board that knows it will be regularly monitored is more likely to focus its attention on good corporate governance issues” (Institute of Directors 2002: 22-65).

The failures of companies such as Enron Corporation in the USA, One Tel and HIH in Australia, and the collapse of Arthur Andersen have created a worldwide debate on the importance of good corporate governance practice to protect shareholders from further detrimental collapses and to regain investors’ confidence in capital markets (Linden & Zoltan 2004: 1).

The OECD’s director of financial, fiscal and enterprise affairs summarizes the principles of corporate governance in terms of four core values: “equitable treatment, responsibility, transparency and accountability”. The OECD believes these values hold true in all countries and underpin the development of a strong governance framework which, in turn, supports the development of a sound capital market. However, a firm can have great corporate governance on paper, but have horrendous corporate governance in reality (Linden & Zoltan 2004: 3). This implies that there is a necessity for monitoring company’s good corporate governance by its stakeholders and particularly by its shareowners.



### **2.2.2.3 Triple bottom line or sustainability reporting**

The Global Reporting Initiative (GRI) defines sustainability reporting as a term used to describe reporting on economic, environmental and social responsibility (GRI 2006: 3). One critical reason for linking sustainability performance indicators with conventional financial reporting is to provide data in denominations and terms that are consistent with financial reporting (GRI 2002:65). Sustainability reporting can be seen therefore to focus on those non-financial aspects of corporate practice that in turn influence the enterprise's ability to survive and prosper in the communities within which it operates, and so ensure future value creation (Institute of Directors 2002: 91). According to Ernst & Young (2007: 15), internationally, incorporating narrative reporting on sustainability issues began in the 1960s. The GRI was convened in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP) (GRI 2002:65).

Sustainability is increasingly becoming the umbrella term under which all non-financial reports fall. The GRI recognises that developing a globally accepted reporting framework is a long-term endeavour. In comparison, financial reporting is well over half a century old and still evolving amidst increasing public attention and scrutiny (GRI 2002:1).

Major stock markets like the New York Stock Exchange in 1999, shortly followed by the London Stock Exchange and in 2003 by the Johannesburg Stock Exchange (JSE) incorporated sustainability evaluations in their various offerings. "The evaluation takes into account the companies' environmental, social, and economic characteristics which includes also measures of corporate governance" (Ernst & Young 2007: 15). Every company should report at least annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management and practices (Institute of Directors 2002: 34).

Sustainability reporting may present special challenges for smaller organisations whether for profit or not for profit, private or public. Such organisations may choose to adopt an incremental approach to implementing the Guidelines. This will assist smaller organisations to gradually move toward more comprehensive reporting (GRI 2002:10). Although the GRI

does not develop or prescribe practice standards for the provision of independent assurance, it offers what might be included in an independent assurance report (audit report for non-financial report), namely:

- a reference to the directors or management that the information in the sustainability report and its presentation is the responsibility of the directors or governing body and the management of the organisation,
- a statement that the content of the assurance provider's report and the opinion (s) it gives is the sole responsibility of the assurance provider,
- a statement affirming the assurance providers are independent and that there is freedom from bias and no conflict of interest,
- a statement of the scope and objective of the assurance engagement,
- the criteria used to reach the conclusion,
- professional standards used in the assurance,
- brief description of how the assurance provider obtained qualitative and quantitative evidence to provide the opinion, and
- a clear statement of the assurance provider's opinion, and
- the identity and location of the assurance provider.

In a survey done by Millennium (1999) as quoted in the King Report 11 (Institute of Directors 2002: 94), questions relating to corporate social responsibility were directed to citizens in over 20 countries, forty nine percent (49%) of the respondents indicated that corporate social responsibility was the item that most influenced their impressions of individual companies.

The range of users of a sustainability report is broader than that of a financial report. The GRI Guidelines organise "sustainability reporting" in terms of economic, environmental and social performance i.e. "triple bottom-line". This structure has been chosen because it reflects what is currently the most widely accepted approach to defining sustainability (GRI 2002:9-25). These three terminologies enhance the consistency of data. The JSE also states that a company must address each of the pillars of the triple bottom-lines being environment, society or social and economy to be able to state that it has integrated sustainability into its business practices (JSE 2005:2). The three pillars of sustainability

reporting are discussed in the following section.

### **(a) Economic reporting**

The economic reporting dimension of sustainability concerns an organisation's impact on the economic circumstances of its stakeholders and on economic systems at the local, national and global levels. Economic indicators focus more on the manner in which an organisation affects the stakeholders with whom it has direct and indirect economic intentions (GRI 2002:45-46).

Economic is often regarded as being merely a factor of financial performance while financial performance clearly has a role to play in economic sustainability. The key here is to determine whether a company has positioned itself for long-term growth rather than only chasing short-term performance (JSE 2005:1).

Broadly speaking, economic performance encompasses all aspects of the organisation's economic interactions including the traditional measures used in financial accounting as well as intangible assets that do not systematically appear in financial statements (GRI 2002:45).

### **(b) Environmental reporting**

The environmental dimension of sustainability concerns an organisation's impact on living and non-living natural systems, including the ecosystems of land, air and water (GRI 2002:48).

According to the Sustainable Reporting Guidelines (SRG) (SRG 2006: 27), a company disclosing environmental information might include the following aspects:

- materials,
- energy,
- water,
- biodiversity,
- emissions, effluents and waste,

- products and services,
- compliance,
- transport, and
- overall.

Companies need to develop strategies to measure and monitor their impact on the environment and implement systems to ensure that the resources they consume are used in a sustainable manner and that any negative impacts are reduced or minimised and continuous improvement achieved (JSE 2005:2). In general, stakeholders should be able to calculate normalised figures using data from report profiles (e.g. net sales) and absolute figures reported in the environmental performance section.

For instance, companies could report their pollution output in terms of ability of the environment (local, regional or global) to absorb the pollutants (GRI 2002:49).

### **(c) Social reporting**

The social dimension of sustainability is concerned with an organisation's impact on the social systems within which it operates. Social performance can be gauged through an analysis of the organisation's impact on stakeholders at the local, national and global levels (GRI 2002:51). A company is a key component of modern society, often representing a more immediate presence to many citizens than the government or civil society. Companies need to demonstrate the existence of implemented strategies to promote social upliftment, development and poverty reduction, while taking into account diversity, employment equity, empowerment, fair labour practices, health and safety (JSE 2005:2).

The social issues that are the subject of performance measurement are not easily quantifiable but are qualitative in nature and could include namely, the company's systems and operations including policies, procedures and management practices (GRI 2002:52). According to the SRG, the social aspect might include labour practices, human rights, society and product responsibility (SRG 2006: 39).

The principles of fairness, accountability, responsibility and transparency are common to

all the three pillars of the triple bottom-line. These principles are also the fundamental concepts that lie at the root of corporate governance. It can therefore be said that corporate governance is the foundation on which the triple bottom line is embedded (JSE 2005:3).

To conclude this section, financial reporting and non-financial reporting both form part of an annual report. These two types of reporting are not exclusive, rather they are complementary and coherent, both should be disclosed and be fairly presented. However, for developing countries, it may be difficult to meet the specific requirements of both pillars.

As far as this study is concerned, the main difficulty for companies in Rwanda could be their failure to follow IFRS and ignorance of what is really required to be included in annual reports with regards to non-financial reporting.

According to the Accounting Standards Board (ASB) (2007) in its first review of narrative reporting by UK listed companies, "...whilst companies are generally complying with the legal requirements, when measured against the best practice recommendations set out in the ASB's Reporting Statement, the greatest area of difficulty for companies when producing their narrative reports is the disclosure of forward-looking information...".

Are companies in the developing world at a level like the one mentioned above in UK? Following the overview of corporate international reporting, corporate reporting in Rwanda is reviewed next.

### **2.3 Rwandan corporate reporting**

Corporate reporting in Rwanda, is divided into two parts as is the case in other countries. The most common part is financial reporting, but some narrative reporting is also found in Rwandan companies. In the following section, financial and non-financial reporting in Rwanda is discussed.

## **2.3.1 Financial reporting in Rwanda**

### **2.3.1.1 Introduction**

Stolowy and Lebas (2002:14) suggest that the purpose of financial statements is to allow users to understand a company's situation. Kai and Anders (2004) comment that "sustainable business excellence, in the sense of achieving long term stable and excellent financial and non-financial performance is still rather an exception than a rule in the business community" This situation is more accentuated especially in developing countries.

In Rwanda, according to the RDB (2005) and Kigali Bank (2005) annual reports, financial statements are prepared in accordance with Rwandan National Accounting Guidelines in conjunction with conventional practice based on historical cost and as modified by the revaluation of property and equipment.

In Rwanda, the main financial statements found in annual reports are namely the balance sheet, the income statement and on rare occasions the cash flow statement; (see for instance SONARWA (2005), Kigali Bank (2005) and RDB (2005) annual reports). Although these financial statements are found in most annual reports of companies in Rwanda, they are insufficient in content and structure when compared to international standards. Indeed, apart from their structure, they have got noticeable gaps such as the statement of changes in equity and notes to the financial statements.

### **2.3.1.2 Balance sheet**

The OCAM plan (1999) from which the Rwandan accounting plan (*Plan Comptable National*) was adapted, recommends disclosing a balance sheet at the end of each reporting period, namely a year. Similarly, accounting regulations in Rwanda obliges Rwandan companies to disclose in their financial statements a balance sheet showing distinctly the total of each category in its right side (Assets) and left side (Liabilities).

#### 1. Assets

- The balance sheet should disclose the total of fixed assets; the reporting entity should distinguish tangible fixed assets from intangible fixed assets.

- The total of current assets should also be disclosed in the balance sheet.

## 2. Liabilities

The main components of the left side of liabilities should be:

the shareholder's equity,

the long term liabilities,

the current liabilities and the operating profit.

### 2.3.1.3 Income statement

The income statement which is also required by Rwandan companies is another important financial statement found in annual reports in Rwanda. The second edition of the OCAM plan stipulates that an income statement should disclose:

- the gross operating profit,
- the value added,
- the profit from operating activities,
- the profit from discontinuing operations,
- the profit before taxation, and
- profit for the year.

The balance sheet and the income statement are the two major financial statements in Rwandan accounting practice. Nevertheless, companies are shifting to a new and important statement, which is required by IFRS, the cash flow statement, this is discussed next.

### 2.3.1.4 Statement of cash flows

This statement is not common in Rwandan companies since it is not required by the OCAM plan which is the basic foundation of the reporting system in Rwanda.

However, some companies for instance, SONARWA's 2005 annual report, RDB's 2005 annual report, and BRALIRWA's 2006 annual report, do disclose this statement.

The content of this statement is not common in each and every Rwandan company since there is no requirement for it. The information disclosed is usually:

- cash flows from operating activities,

- cash flow from investing activities,
- cash flows from financing activities and
- cash and cash equivalents at the end of the year.

What about non financial reporting in Rwandan corporations? Non-financial reporting is a very new trend in Rwandan companies as is explained below.

### **2.3.2 Non-financial narrative) reporting in Rwanda**

This study highlights the shortcomings found in Rwandan corporate reporting. In Rwanda, there is no legislation or reports regarding corporate governance like that in South Africa with the King Report II (Institute of Directors 2002). A study as this one, may contribute to better practices by Rwandan companies in the future.

Even though no legislation exists, companies in Rwanda are improving their annual non-financial reporting but the information included is still insufficient. For instance, in SONARWA's annual report (2005), the company was certified ISO 9001:2000. The report states that the management system of SONARWA was audited and found to operate in accordance with the requirements of their management standards.

In RDB's (2005) annual report, the following features relating to non-statutory reporting were present.

#### **➤ The social-economic impact of the Bank's intervention**

Here, the bank tried to explain its contribution to social development and the direct impact of its intervention on the different levels of economic development.

#### **➤ Job creation**

In this area, the report indicated that in the year following the reporting period, 2026 permanent jobs were to be created and the bank would maintain existing jobs.

#### **➤ Human resource capacity building**

With regards to human resource capacity building, the report specified that the bank



continued its program of capacity building for its staff in 2005. Priority was given to training courses in specialised institutions like in South Africa, partially or entirely funded by organisers.

Therefore, the staff received professional and individual training courses. Further, the report stipulated that apart those professional training, academic training courses were also attended in evening programs or by correspondence in the areas of management and law.

Thus with regards to narrative reporting, while these companies are trying to develop a kind of social reporting, it is not at all well structured.

What can be said with regard to non financial reporting by Rwandan companies is the fact that even though companies try to disclose this information, the content and structure are still far from international levels. In most cases, the reports do not distinguish between the three pillars of non-financial reporting being; the operating and financial review, corporate governance and the triple bottom line.

#### **2.4 Summary**

This chapter described the contents of financial and narrative reporting in annual reports. The chapter highlighted the main components of financial reporting and narrative reporting. The way Rwandan companies disclose financial and non- financial information was also elucidated in this chapter.

The following chapter deals with the review of the literature in relation of the current study.

## **CHAPTER 3**

### **LITERATURE REVIEW**

#### **3.1 Introduction**

The application of IFRS in a developing country such as Rwanda is a complex and interesting study. The objective of this chapter is to identify relevant studies relating to the application of IFRS and the use of narrative reports to provide a sound basis for the empirical research which follows.

The importance of reviewing the previous research is highlighted by Ghauri, Gronhaug and Kristianslund (2002) who state that most qualified researches are built on prior knowledge. Sekaran (2003:64) too supports this viewpoint and agrees that a sound literature review helps to develop a good basic framework for the investigation of the research problem.

To achieve the objective of this chapter, the following section describes relevant studies. However, this is the first study of this nature in Rwanda.

#### **3.2 International classifications of financial reporting**

Corporate reporting encompasses the statutory part of an annual report and the narrative report. Although, Rwanda is a former Belgium colony, it is interesting to consider what factors may have influenced the development of its accounting system. Nobes (2004) and Gray (1988) both attempted to link or describe the development of financial reporting to external factors or cultural differences.

##### **3.2.1 The classification by Nobes (2004)**

Nobes (2004) argued that financial reporting might appear similar to users, but if a thorough analysis is carried out, it would be seen that financial reporting is different from country to country. Nobes argues that even if corporate reporting may appear similar from country to country, there are differences which have been probably caused by a variety of reasons namely culture, colonial inheritance, legal requirements and economic development. This view is shared by Roberts (1998) and Tsakumis (2007).

However, even though the quality and content of accounting standards might vary from country to country (Dipiazza *et al.* 2002), reducing international accounting divergences is of crucial importance.

According to Nobes (2004:54), it is possible to classify countries by their accounting similarities and differences. His classifications used both external factors and accounting practices. What is interesting in the current study is the classification based on accounting practices.

Nobes (2004:56) uses the term “accounting system” to mean the financial reporting practices. He argues that using a classification can help to chart the progress of a country as it moves one system to another. Nobes classifies accounting systems into two main groups using the extrinsic and intrinsic classification. Extrinsic classifications are based on characteristics other than accounting practices. Intrinsic classifications are based on the rules of reporting rather than on the practices. They are influenced by economic factors and operate within regulatory systems.

The extrinsic classification encompasses:

- Mueller’s classifications,
- morphologies,
- spheres of influence,
- cultural classification,
- classification of accounting by regulatory style, and
- competencies of auditors.

For the intrinsic classification, this can encompass:

- early classification and recent description,
- classification using clustering, and
- classification using a model and new data.

Al Najjar (1986), as quoted in Nobes (2004:68), is of the opinion that it is possible to propose a further classification such as one based on the degree of standardisation of

accounting in a country.

Nobes (2004:69) classified accounting systems in two main classes; the strong equity or class A (standard Dutch, UK GAAP, IAS GAAP, US GAAP) and weak equity or class B (standard Belgian, standard French, standard German, standard Italian and standard Japanese).

Therefore, when considering the case of Rwanda in these classifications, although it is not possible to state that it meets all the features of class B, the influence of its former ruling country (Belgium) would probably include Rwanda in class B.

### **3.2.2 Gray's classification**

Gray (1988) examined the link between culture and the development of accounting systems internationally. Gray (1988:1) argues that differences in accounting, especially corporate financial reporting systems can be explained by differences in cultural factors.

According to Gray (1988) the issue of cultural influence in social systems is well established but its impact on accounting as a social system is more recent. Gray identified four accounting value dimensions that can be used to define a country's accounting system. These are professionalism versus statutory control; uniformity versus conformity; conservatism versus optimism, and secrecy versus transparency.

#### **➤ Professionalism versus statutory control**

This dimension is linked to the societal values such as individualism and independent judgements. It deals with the maintenance of professional self-regulation as opposed to compliance with prescriptive legal requirements and statutory control.

#### **➤ Uniformity versus flexibility**

This is manifested mainly in the enforcement of uniform accounting practices between companies as opposed to flexibility in accordance with the perceived circumstances of individual companies. Gray (1998: 9) cites the example of France where a uniform accounting plan has long been in operation. He argues that uniformity can be linked with

societal values such as uncertainty avoidance and individualism.

➤ **Conservatism versus optimism**

This dimension (conservatism) is referred to as a cautious approach to measurement so as to cope with the uncertainty of future events as opposed to optimism. According to Gray (1998:10), conservatism or prudence in asset measurement and the reporting of profit is perceived as a fundamental attitude of accountants worldwide. It is argued here that conservatism can be linked to some societal values such as uncertainty and avoidance.

➤ **Secrecy versus transparency**

Secrecy relates to confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open approach. This dimension is related to uncertainty avoidance, power distance and the individualism dimension. It is also argued that secrecy is closely related to conservatism.

Ultimately, the issue to note here is the fact that Gray is of the opinion that all the dimensions cited above will influence accounting systems in different ways and thus a country's accounting information level. Therefore, accounting systems or the use of IFRS in Africa may appear different when compared to elsewhere.

➤ **The case of Rwanda**

Taking into account the factors of economic level, level of education and history, Rwanda is seen to be more linked with the following dimensions:

- secrecy versus transparency and
- uniformity versus flexibility.

### **3.3 IFRS in Africa**

The IFRS were developed first in Europe by the International Accounting Standards Committee (IASC) (and thereafter the IASB). Although, IFRS in Africa may appear to be new in some African countries, in South Africa, it has been present since the early 1990s.

Deloitte (2007) note that until 2007, IFRS were accepted in about 75 jurisdictions worldwide. In Africa, of the 48 African countries listed by Deloitte, only six countries were requiring IFRS compliance for all domestic listed companies. In 2009, according to Deloitte (2009:1-20) there are now only 15 countries using IFRS in Africa. These are Botswana, Ghana, Kenya, Madagascar, Malawi, Morocco, Mozambique, Namibia, South Africa, Tanzania, Uganda, Zambia, Zimbabwe, Lesotho and Egypt.

Rwanda is among the countries that Deloitte (2009) does not have information on the use or not of IFRS. Indeed, in Rwanda, there is no provision requiring companies to comply with IFRS. However, the results of this study show that some companies do use IFRS when reporting.

Globalisation is currently influencing decision making in almost every country. However, there may be different levels of influence in developing countries as well as in developed countries.

### **3.4 The impact of globalization on companies**

Nowadays, globalisation appears to be the main driver of many things happening around the world and its impact on companies can not be doubted.

In a survey by PricewaterhouseCoopers in 2006, Dr Li Lihui the Chief Executive Officer (CEO) of the Bank of China asserts “like our peers in Europe and much of the rest of the world, IFRS will give banks the transparency and comparability that have been demanded increasingly by a range of sophisticated global constituents”. He comments that globalisation not only creates a larger market but also introduces international standards to many domestic economic sectors. B. Ramalinga Raju, the Chairman of Satyan Computers

Services Ltd in India, states that the impact of globalisation would be a reduction in the number of players for any kind of value-creation activity. “This would happen as economies of scale become imperative for organisations operating in a global arena. Only companies providing the best value to customers will survive” (PricewaterhouseCoopers 2006: 23-27).

According to this PricewaterhouseCoopers (2006) report, most CEOs perceive globalisation as a positive endeavour and are actively engaged in global expansion.

Similarly, respondents in this 9<sup>th</sup> Annual Global CEO survey by PricewaterhouseCoopers in 2006 asserted that corporate governance, accounting and stakeholder reporting are leading areas in which convergence will be affected by globalisation. The CEOs surveyed were in agreement that globalisation will have an impact on their organizations (PricewaterhouseCoopers 2006: 9). Their answers on the impact of globalisation on companies are summarised in Table 3.1.

**Table 3.2: The impact of globalisation on companies**

<u>Area</u>	<u>Not at all</u>	<u>To some extent</u>	<u>To a large extent</u>	<u>To a very large extent</u>	<u>Number</u>
Corporate governance standards	6%	29%	42%	21%	63
Accounting standards	7%	21%	41%	29%	70
Stakeholder reporting standards	8%	25%	41%	23%	64
Environmental standards	9%	35%	34%	16%	50
Stock market listing standards	11%	32%	36%	17%	53
Tax codes	17%	43%	27%	9%	36

Source: PricewaterhouseCoopers 2006: 9.

Table 3.1 shows that most respondents are of the view that globalisation firstly will lead to convergence with accounting standards, followed by stakeholder reporting standards then corporate governance standards. Globalisation requirements imply the reduction of accounting divergences. One of the objectives of the IASB is to narrow down international accounting differences so as to harmonise accounting practice (IASB 2005: 34).

The IASB does not impose its rules on all entities, it merely makes them available to companies or regulators. Some regulators impose IFRS on some or most enterprises in their countries. For instance, the World Bank usually requires its borrowers to use IFRS.

According to Mans, Stegman, Wesson and Grobbelaar (1999), the IASCF developed its framework for the preparation and presentation of financial statements to enhance the harmonisation of accounting.

Ernst & Young (2007) note that “the International Interpretation Committee deals with global interpretations with the aim of achieving a global consistency rather than consistency in a particular country”. The King Report II also states that “as members of this global club, every one lives in a borderless world, not one like that envisaged by the World Trade Organisation with no geographic trading borders but one where information crosses borders with the ‘click of a mouse’” (Institute of Directors 2002: 14).

### **3.5 The introduction of IFRS in developing countries**

The introduction of IFRS in developing countries can be justified by the following reasons:

- to attract foreign investments,
- to be at an international acceptable level as far as financial reporting is concerned, and
- to get more credibility by international organisations such as the World Bank and the United Nations.

Even though the introduction of IFRS in developing countries is of crucial importance this is as a difficult step. Companies in a country adopting IFRS for the very first time will be referred to as a first-time adopter. “A first-time adopter is an entity that, for the first time,



makes an explicit and unreserved statement that its general purpose financial statements comply with IFRS” (Deloitte 2009:1).

Deloitte (2009:1) provides a comprehensive array of services related to IFRS. As a multidisciplinary organisation, Deloitte helps companies or first-time adopters to address a wide range of IFRS issues. For instance, it offers companies assistance with:

- evaluating the potential impact of IFRS,
- assessing readiness for IFRS conversions,
- implementing IFRS conversions, providing support with technical research, project, management, and training,
- addressing the implications of IFRS in such areas as tax, finance operations, technology, and valuations.

Rwanda is a country that needs to adopt IFRS. Although there is no prior research in this area in Rwanda, some relevant studies to this current research are discussed next.

Zeghal and Mhedhbi (2006:4) attempted to identify the factors that could be used to explain why a developing country adopts IFRS. Their study identified the following factors: economic growth, the education level, the degree of external economic openness, cultural membership in a group of countries, and the existence of a capital market.

A study which attempted to identify the main problems facing an in-transition country was undertaken in Bosnia and Hersegovina by Malinovic, Bašić, and Alagic in 2007. This study argued that there are some specific conditions necessary in each country before IFRS adoption can take place. The most important are political, organizational and historical conditions, as well as the level of economic development and the development of the accounting profession. These are in addition to any other internal conditions which may affect a country in transition. This study argued that IFRS is very useful in achieving the desired changes especially for developing countries where foreign investors are still a very crucial element. The main steps for the process of introducing IFRS in Bosnia and Herzegovina since 1992 as identified by Malinovic *et al.* (2007:2) were as follows:

- shift from majority state-owned companies to private owned entities,

- legislation on all administration levels and in all sectors,
- the development of the financial infrastructure, and
- finance and accounting reform on all levels.

These elements are also important in developing countries like Rwanda. An analysis of these elements in Rwanda shows that most of the state owned companies have now been privatized, reforms in all levels of administration are also taking place and improvement in accounting practices are being initiated.

In this regard, the government of Rwanda created the Rwandan Capital market in January 2008, and late in May 2008, the Institute of Certified Public Accountants of Rwanda (ICPAR) was also created.

Zeghal and Mhedhbi (2006:4) state that the main reasons behind the adoption of IFRS by different countries are the following:

- “it enhances the quality of financial information,
- it improves the comparability of accounting information in the international milieu,
- it facilitates financial operations on an international scale, and thus contributes to a better globalization of capital markets and
- it contributes considerably, especially for developing countries, to strengthening the integration and competitiveness in financial markets”.

Support for this effort to adopt IFRS is of crucial importance. In Bosnia and Helzegovina, the introduction of IFRS was phased in with the help of the European Union. Similar support is required in Rwanda. Even though, research provides some insights into the adoption of IFRS by developing countries, Rwanda may have some more specific issues to take into account, such as its geographic location, economic and education levels as well as its political climate.

### 3.6 Theoretical framework

#### 3.6.1 Definition

A theoretical framework allows the reader of a report to identify and understand its variables. It shows how variables are correlated. This current study's theoretical framework was established by combining the three components or tiers of a narrative report, i.e. corporate governance, sustainability reporting, and the financial review (Dipiazza *et al.* 2002; IASB 2005; Everingham & Kana 2004). Thereafter, it was adapted to fit the specific objectives of this study. Sekaran (2003: 98) defines a theoretical framework as “the foundation on which the research project is based”.

A good theoretical framework identifies and labels the important variables in the situation that are relevant to the problem defined. A framework logically sets out and explains the relationship between those variables. Ryan (2002) states that a variable is anything that can take on varying values. “Variables are properties or events or phenomena through a defined measurement system. The variables considered in empirical work may be dichotomized as dependent or independent variables” (Ryan 2002: 118).

#### 3.6.2 Identification and interconnection of variables

In this study, dependent and independent variables are used. The study's variables relate mainly to its problem statement. As stated by Everingham and Kana (2004: 1), “a gap often exists between stakeholders' information requirements and the information that is actually made available to them by companies”. This situation is worse in developing countries such as Rwanda, where companies are not supported by strong relevant boards like capital markets or accounting boards. The current study is based on the following variables:

**Poor reporting:** This is the dependent variable of this study. Using the arguments found in Everingham and Kana (2004) and IASB (2005), any company seeking investors should meet international financial reporting requirements. Developing countries are more concerned with attracting potential investors. Although, the preparers of financial statements may seek to meet stakeholders' needs this is not possible without regulations or

being aware of the relevant rules and guidelines. Poor corporate reporting is correlated with not following IFRS and ignorance of narrative reporting as follows.

**Not complying with IFRS:** If companies are not required to follow IFRS, preparers of financial statements may not be too concerned with the quality and content of their reports. In addition, one wonders how a company can seek international investors and not follow international requirements.

This first independent variable is negatively correlated with poor financial reporting. The formulation of independent variables also take into account the argument of Kai and Anders (2004) who argue that one of the threats of sustainable and excellent financial and non-financial reporting is ignorance. This variable is also used as another cause of poor reporting, especially non-financial reporting.

**Ignorance:** Ignorance of worldwide recommended narrative reporting is a predictor of poor reporting of non-financial information. As highlighted by Everingham and Kana (2004) and Ford (2001), narrative reporting is still in its infancy. However, ignorance of recommended narrative reporting may result in poor quality reporting especially in developing countries.

The higher the level of ignorance of good narrative reporting, the worse will be the quality of non-financial reporting. Likewise, as long as there is a lack of following IFRS in corporate reporting, the poorer will be the quality of the financial report. In addition, not following IFRS is associated with ignorance.

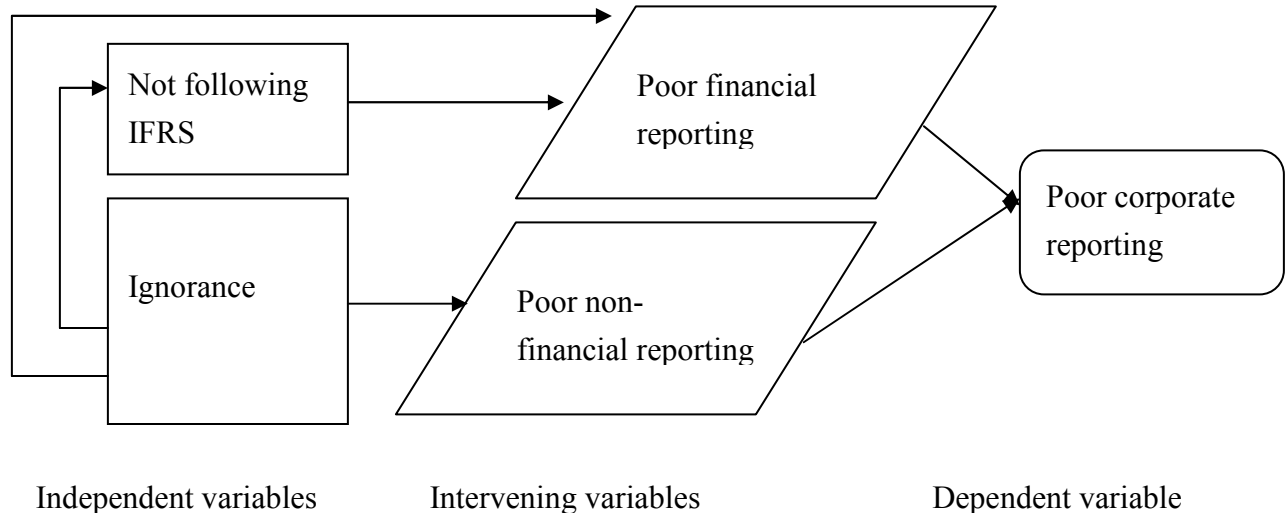
If companies are not required to comply with IFRS, preparers will not know what they are supposed to include in their reports nor will they be aware of changes as far as IFRS are concerned. The result of this will be poor reporting. Not complying with IFRS and ignorance are therefore negatively associated with poor reporting. The negative correlation is also applied for ignorance and not complying with IFRS.

The relationship between variables can be summarised as follows: Not complying with IFRS is negatively correlated with poor financial reporting. In addition, ignorance of worldwide recommended narrative reporting is negatively associated with poorly reported

non-financial information. Ignorance is also negatively associated with poor reported financial information. Ultimately, poor reporting of financial and non-financial information are the intervening variables of poor corporate reporting.

These relationships can be depicted graphically as follows.

**Chart 3.1: Label of variables**



### 3.7 Summary

IFRS has spread around the world including Africa. However, some countries are still struggling to cope with their implementation and amongst these countries is Rwanda. Indeed, in Rwanda, the effort to adopt the IFRS is still in its infancy.

This chapter also explained the theoretical framework of this study by providing the variables that make up the foundation of the research.

The chapter that follows explain the research methodology used in this study.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

The previous chapters discussed the identification of the problem, the definition of the key concepts and, the literature review.

This chapter deals with two components; the research methods used by the study and the development of the questionnaire to achieve the objectives of the study as stated in chapter one.

For this research, both primary and secondary data were collected. Sekaran (2003:219) defines primary data as “the information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study”. Secondary data is defined as “information gathered from sources already existing”. In this study, secondary data was obtained by using existing information relating to this study such as books, internet, annual reports, government publications and journals. However, primary data was gathered by analyzing collected empirical data.

#### **4.2 Research objectives**

The objectives of this study are as follows:

- to identify the way Rwandan companies report,
- to compare the financial reporting of Rwanda companies with the IFRS, and
- to compare the narrative reporting of Rwandan corporations with good narrative reporting practices recommended worldwide.

#### **4.3 Research method**

##### **4.3.1 Study design**

Burns and Grove (2005) argue that a study design is an outline that guides a researcher in the planning and implementation of a study in a manner that provides more chances of achieving the intended goals by providing research findings that are a true reflection of the

reality. Sekaran (2003:7) defines a basic study as the one which generates a body of knowledge by trying to comprehend how certain problems that occur in organizations can be solved.

The current study uses a mixed methods approach. According to Maxwell and Loomis (2003: 243), a mixed method approach is used when the researcher needs to supplement qualitative with quantitative approaches to provide a more comprehensive analysis of the problem.

### **4.3.2 Research process**

#### **4.3.2.1 Population and sampling design**

The objective in quantitative research is to collect data using reliable and valid measures from a representative sample of respondents. Partington (2002) asserts that simple random sampling is the best way of sampling when generalizability matters. Based on this, the current study uses stratified simple random sampling. Strata are built on different kinds of Rwandan companies such as financial institutions, manufacturing, trade, or mining companies. The aggregation of all strata will form the population of the study. A population study is a complete set of human individuals or subjects that possess common features which are of interest to the researcher.

Sekaran (2003:265) defines a population “as the entire group of people, events, or things of interest that the researcher wishes to investigate”. For instance, if a banker is interested in investigating the savings habits of his customers, then all the enrolled customers will form the population. A study’s population frame is therefore a listing of all elements in the population from which the sample is drawn.

The current study’s population is Rwandan companies since this research is on companies. In order to ascertain this population, some Rwandan institutions were of crucial importance, namely; the Private Sector Federation of Rwanda (PSF), the Rwanda Revenue Authority (RRA) and the Rwanda Investment and Export Promotion Agency (RIEPA). Companies are obliged to register with the PSF and RRA and thus the current study’s population frame

was obtained from these sources.

This study's population frame is therefore a list of Rwandan companies obtained from the RRA and the PSFR. "The sampling process is the selection of units such as individuals, events, settings, artefacts or subgroups in a way that maximizes the chances of answering the investigator's research questions" (Tashakkori & Teddlie 2003: 3).

#### 4.3.2.2 The population frame

The population frame as defined above is drawn from a listing of all companies registered in 2008 by the RRA along with that from the PSFR. According to the data collected from both institutions, 286 companies were registered in 2008 in the whole country (see appendix 2).

For this study, the population frame's structure is summarised in the tables 4.1 and 4.2 below:

**Table 4.1: Location of the companies**

Kigali City	Southern Province	Northern Province	Eastern Province	Western Province	Total
273	7	0	6	0	286
95.5%	2.4%	0	2.1%	0	100%

Source: RRA, 2008

Rwanda is divided into four provinces plus the capital city. Table 4.1 indicates that 95, 5% of Rwandan companies are located in the capital city, 2.4% in the Southern Province, and 2, 1% in the Western province. The remaining provinces do not have any companies.

Table 4.2 indicates the ownership of the companies.

**Table 4.2: Ownership of the companies**

Self owned	Entirely State owned	Not entirely for profit	Private companies	Total
237	10	13	26	286
82,9%	3.5%	4.5%	9.1%	100%

Source: RRA, 2008



Table 4.2 indicates that 237 companies (82,9%) are owned by only one person, 26 companies (9,1%) are private companies, 13 companies (4,5%) are not entirely for profit companies and 10 companies (3,5%) are owned by the state.

#### 4.3.2.3 The sampling process

The sampling process is the process of choosing among a number of subjects those that are supposed to take part in the process of data collection. The key point in the sampling process is to determine the sample size. Sekaran (2003:266-267) explains that the process of sampling is the “selection of a sufficient number of elements from the population. This enhances the study of the sample and its properties and would make it possible for the researcher to generalize such properties to the total population”.

In this study, the target group are companies that are:

- purely corporate,
- where ownership is represented by shares,
- companies not self owned, and
- not entirely owned by the state.

These are the features identified by Nobes (2004) as those of a pure corporate company. The categorisation of companies might vary from country to country depending on several reasons. In a country like Rwanda where the adoption of IFRS is still in transition, the reasons behind the selection above is the fact that at the first sight these companies are the ones supposed to cope with international requirements in as far as reporting is concerned. This was also driven by the fact that for several reasons such as the magnitude of the study and its scope; the researcher was obliged to narrow down the population (Javeau, 1998: 16).

In addition, companies in Rwanda are characterised by their denominations (*denomination social*). Therefore, companies always end with the abbreviation (SA) meaning (*Societe Anonyme*) which simply means that the ownership in these companies is represented by shares (*actions*) and not the “restricted” shares (*parts sociaux*) which would be similar to the shares in a private company in South Africa.

Among others, the prominent difference between these is the fact that *actions* are marketable while *parts sociaux* are not. Using this, from the listing of all the companies in appendix 1, it is easy to identify companies.

Taking into account all the elements mentioned above, 26 companies matched these characteristics. These companies are purely corporate and thus form the target group of this research. From these, 24 companies participated in this research and are shown in table 4.3. (Two companies were unwilling to participate in the study.)

**Table 4.3: Companies forming the sample of the study**

NO	COMPANY TYPE	NAME	DISTRICT	PROVINCE
1	NON INDIVIDUAL	SORWAL SA	BUTARE CITY	SOUTH PROVINCE
2	NON INDIVIDUAL	COGEAR SA	NYARUGENGE	KIGALI CITY
3	NON INDIVIDUAL	SONARWA SA	NYARUGENGE	KIGALI CITY
4	NON INDIVIDUAL	SORAS SA	NYARUGENGE	KIGALI CITY
5	NON INDIVIDUAL	CORAR SA	NYARUGENGE	KIGALI CITY
6	NON INDIVIDUAL	RWANDATEL SA	KACYIRU	KIGALI CITY
7	NON INDIVIDUAL	SOCOGEDE SA	NYARUGENGE	KIGALI CITY
8	NON INDIVIDUAL	SOGERRWA IMC SA	GIKONDO	KIGALI CITY
9	NON INDIVIDUAL	UTEXRWA SA	GISOZI	KIGALI CITY
10	NON INDIVIDUAL	BRALIRWA SA	KICUKIRO	KIGALI CITY
11	NON INDIVIDUAL	FINA BANK S.A	NYARUGENGE	KIGALI CITY
12	NON INDIVIDUAL	BRD SA	NYARUGENGE	KIGALI CITY
13	NON INDIVIDUAL	ECOBANK RWANDA SA	NYARUGENGE	KIGALI CITY
14	NON INDIVIDUAL	COGEBANQUE SA	NYARUGENGE	KIGALI CITY
15	NON INDIVIDUAL	BANCOR SA	NYARUGENGE	KIGALI CITY
16	NON INDIVIDUAL	BCR SA	NYARUGENGE	KIGALI CITY
17	NON INDIVIDUAL	UNION DES BANQUES POPULAIRES DU RWANDA SA	NYARUGENGE	KIGALI CITY
18	NON INDIVIDUAL	BANDAG SA	GIKONDO	KIGALI CITY
19	NON INDIVIDUAL	PREMIER TOBACCO COMPANY SA	GIKONDO	KIGALI CITY
20	NON INDIVIDUAL	RWANDA MOTOR PARTS SA	NYARUGENGE	KIGALI CITY
21	NON INDIVIDUAL	BRIQUETERIE RWANDAISE RULIBA SA	BUTAMWA	KIGALI CITY
22	NON INDIVIDUAL	SIMTEL SA	KACYIRU	KIGALI CITY
23	NON INDIVIDUAL	TOLIRWA SA	GIKONDO	KIGALI CITY
24	NON INDIVIDUAL	AKAGERA GAME LODGE SA	RUKARA	EASTERN PROVINCE

Table 4.3 shows that 22 (91,6%) companies are situated in the capital city while one (4,2%) company is situated in the Eastern Province and one (4,2%) company is located in the Southern Province.

#### **4.3.2.4 Data collection methods**

In this study, secondary data was obtained with the analysis of existing relevant publications as explained by Ghauri *et al.* (2002:92). Ryan (2002) argues that one way of getting accurate data is to combine more than one method when collecting data. Ghauri *et al.* (2002: 93) supports the view of Ryan (2002) arguing that the combination of different methods can improve the accuracy of judgements and results.

Based on the discussion above, this study combines or triangulates three methods to enhance the data's quality. These are:

##### **(a) Questionnaire**

The choice of a questionnaire was motivated by several reasons:

- it allows the respondents to think about their answer before they write anything,
- it is less expensive and less time consuming, and
- it also allows the researcher to think and take time to analyse all the answers provided.

Questionnaires were distributed to each company in the sample and answered by one of the following relevant departments namely, Accounting, Finance, Public Relations or Audit.

##### **(b) Interviews**

The interviews conducted were unstructured as the aim of the interviews was only to obtain more detail to some of the answers to the questions. These answers are reflected in the qualitative comments to the questions.

The interviews were conducted face to face with some financial managers and focused on the research's aims. In addition, in two companies the interviews were conducted with more than one person

### **(c) Obtrusive measures**

This method was helpful especially with regard to the analysis of the annual reports of the sampled companies. Relevant government publications and journals were also consulted.

#### **4.4 The survey questionnaire**

This section discusses the covering letter and the layout of the questions. The pre-testing of the questionnaire and its distribution are also covered. For this, an ethical clearance letter was obtained from the University of KwaZulu-Natal.

##### **4.4.1 The covering letter**

The first page of the questionnaire contained a short letter which was signed by both parties. The aim of this letter was to obtain the consent of the respondents and request them to provide correct answers. The researcher promised to keep the information provided confidential and anonymous. It also assured the respondents that the research was for a master's dissertation.

##### **4.4.2 The layout of the questions**

The questionnaire was divided into five main sections. Section one was designed as an introductory part with the aim of finding out background information on each respondent. The second section aimed to find out if Rwandan companies do prepare annual reports and which are the main parts they disclose. For section three, the aim was to find out for those companies disclosing financial statements, its components as compared to IFRS. Section four was designed to ascertain what Rwandan companies disclose in narrative reports with a comparison to worldwide recommended narrative reports. The last section contained general questions on the content of an annual report and asked for any recommendations by the respondents on how to improve the quality of Rwandan corporate reporting.

The section that follows describes in detail the relevance of each question to the study's objectives.

#### 4.4.2.1 Questions dealing with the identification of the responding company

The questions asked in this part were to determine the features and the size of the company, and the background as well as the position of the respondent.

These questions are relevant to this study as that they enable the researcher to identify the respondent and his/her company and enable the researcher to ascertain the experience of the respondent. The questions asked in this section are as follows:

**Name of company (optional)** \_\_\_\_\_

The reason for this question was to know the name of the company participating in this study. To identify the activities of the company the following question was also asked.

**Into which category below, does your company fall?**

<b>A</b>	<b>Financial</b>
<b>B</b>	<b>Manufacturing</b>
<b>C</b>	<b>Mining</b>
<b>D</b>	<b>Wholesale trading</b>
<b>E</b>	<b>Other (please specify).....</b> .....

After the activities of the company were identified, it was important to know when the company began its operations. This question provides information on the reporting experience of the company. The Rwandan genocide is always used in this country as an element in splitting its history into two parts.

**When was your company incorporated?**

<b>A</b>	<b>Before Genocide (1994)</b>
<b>B</b>	<b>After Genocide (1994)</b>

The next question was designed to determine the location of the company.

**Where is the head office of your company located?**

<b>A</b>	<b>Kigali</b>
<b>B</b>	<b>Outside Kigali</b>

The number of employees in a company helps to establish the company's size and importance.

**In which category, relating to the number of employees, does your company belong?**

<b>A</b>	<b>1 to 49</b>
<b>B</b>	<b>50 to 199</b>
<b>C</b>	<b>200 or more</b>

From prior research, the following quantitative criteria were identified as a means to categorise companies. The following two questions were designed to actually ensure that the company responding is in fact in the category of companies.

**The Rwanda Development Bank (RDB) provides the following ranges for Rwandan companies' categorisation. Please indicate into which category your company falls?**

<b>A</b>	<b>Turnover ( Rwf million)</b>			
	<b>Micro-Enterprise</b>	<b>Small Enterprise</b>	<b>Medium Enterprise</b>	<b>Corporate Enterprise</b>
	<b>Below 0,9</b>	<b>Between 0.9 and 36</b>	<b>Between 36 and 150</b>	<b>Above 150</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>B</b>	<b>Total assets (Rwf million)</b>			
	<b>Micro-Enterprise</b>	<b>Small Enterprise</b>	<b>Medium Enterprise</b>	<b>Corporate Enterprise</b>
	<b>Below 1.5</b>	<b>Between 1.5 and 45</b>	<b>Between 45 and 225</b>	<b>Above 225</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

The questions that follow were designed to identify background information on the

preparers of the annual reports. The preparers of annual reports have a direct impact on their content and quality.

**Which of the departments listed below is responsible for the preparation of the annual financial reports of your company?**

<b>A</b>	<b>Accounting department</b>
<b>B</b>	<b>Finance department</b>
<b>C</b>	<b>Public relations department</b>
<b>D</b>	<b>Other (please specify).....</b> .....

**What is your current position in your company?.....**

**What is your professional qualification?.....**

**For how many years have you been in the current position?**

<b>A</b>	<b>1 to 4 years</b>
<b>B</b>	<b>5 to 9 years</b>
<b>C</b>	<b>10 years or more</b>

This information, like experience, the respondents' qualifications and the department preparing the annual report provides useful information on the quality of annual reports in the sense that these reports are official, and thus prepared on a regular basis by experienced preparers.

#### **4.4.2.2 Questions dealing with Rwandan corporate reporting**

In this part, the questions were aimed at finding out if Rwandan companies are reporting annually. If the answer was yes to the first question, then which standards are used when reporting and what are the contents of the annual report? On the other hand, if the answer is negative to the first question, then what other kind of report is used to show the company's annual position and performance.

**Does your company prepare an annual report?**

<b>A</b>	<b>Yes</b>	
<b>B</b>	<b>No</b>	

The question below was the follow on question to the first one. The aim of the question was to find out which standards are used. The answers to this question indicate the level of IFRS application. If all companies use IFRS then the issue would be to know the level of compliance, and if not, possible suggest its adoption.

**If your answer to 2.1 is “no”, proceed to question 2.4**

**If your answer to 2.1 is “yes”, which standards are used?**

<b>A</b>	<b>Rwandan National Accounting Plan</b>	
<b>B</b>	<b>Organisation Commune des Etats Africains, Malgache et Mauriciens (OCAM) Plan</b>	
<b>C</b>	<b>International Financial Reporting Standards (IFRS)</b>	
<b>D</b>	<b>French Accounting Plan</b>	
<b>E</b>	<b>Other (please specify).....</b> .....	

The next question was designed to ascertain whether the companies subject to this study do really know what to include in an annual report.

**Does your company’s annual report include the following?**

<b>A</b>	<b>Auditor’s report</b>	
<b>B</b>	<b>Directors’ report</b>	
<b>C</b>	<b>A balance sheet</b>	
<b>D</b>	<b>An income statement</b>	
<b>E</b>	<b>A cash flow statement</b>	
<b>F</b>	<b>A statement of changes in equity</b>	
<b>G</b>	<b>Notes to the financial statements</b>	
<b>H</b>	<b>Financial highlights</b>	
<b>I</b>	<b>Narrative report</b>	



Respondents replying ‘No’ to question 2.1, were asked the following question:

**If your company does not prepare an annual report, which other kind of report do you prepare vis-à-vis stakeholders? .....**

#### **4.4.2.3 Questions dealing with annual financial reports of Rwandan companies**

Since the essence of this study was to carry out research on the reporting status of Rwandan companies, the questions asked at this point related to the quality of corporate reporting in Rwanda.

The answers provided would enable the researcher to know if Rwandan companies are reporting annually and the consistency of the reports provided.

**The following questions require you to provide your opinion or a number of issues relating to corporate financial reporting.**

**Our current financial statement presentation is suitable.**

<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

To determine respondents’ knowledge on the content of financial statements and to verify if the answer provided to the question above matched the international provisions, the following question was asked. The content of this question was obtained from the IFRS and other secondary sources.

Following are some assertions from International Accounting Standard (IAS) 1.  
Please indicate your agreement or disagreement with the following statements:

		Strongly disagree	Dis-agree	Neu-tral	Agree	Strongly agree
a	Financial statements, except for the statement of cash flow, are prepared on the accrual basis.	1	2	3	4	5
b	Financial statements are prepared on a going concern basis and this is disclosed.	1	2	3	4	5
c	A complete set of annual financial statements contains a statement of financial position as at the end of the period.	1	2	3	4	5
d	A complete set of annual financial statements contains a statement of comprehensive income for the period.	1	2	3	4	5
e	A complete set of annual financial statements contains a statement of cash flows for the period.	1	2	3	4	5
f	A complete set of annual financial statements contains a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.	1	2	3	4	5
g	A complete set of annual financial statements contains a statement of changes in equity for the period.	1	2	3	4	5
h	A complete set of annual financial statements contains notes, comprising a summary of significant accounting policies and other explanatory information.	1	2	3	4	5

To expand on the answers provided to the question above, the following question was asked. The aim of this question was to find out if respondents do really know what information that they are supposed to include in their financial reports especially in the balance sheet in compliance with the IFRS provisions.

**IAS 1 paragraph 81 and 68A outlines the minimum information that is presented in a balance sheet; kindly indicate if your annual report discloses each of those elements below.**

**Paragraph 68**

<b>A</b>	<b>Property, plant and equipment</b>	
<b>B</b>	<b>Investment property</b>	
<b>C</b>	<b>Intangible assets</b>	
<b>D</b>	<b>Financial assets (excluding amounts shown under (e), (h) and (i))</b>	
<b>E</b>	<b>Investments accounted for using the equity method</b>	
<b>F</b>	<b>Biological assets</b>	
<b>G</b>	<b>Inventories</b>	
<b>H</b>	<b>Trade and other receivables</b>	
<b>I</b>	<b>Cash and cash equivalents</b>	
<b>J</b>	<b>Trade and other payables</b>	
<b>K</b>	<b>Provisions</b>	
<b>L</b>	<b>Financial liabilities (excluding amounts shown under (j) and (k))</b>	
<b>M</b>	<b>Liabilities and assets for current tax, as defined in IAS 12 Income Taxes</b>	
<b>N</b>	<b>Deferred tax liabilities and deferred tax assets, as defined in IAS 12</b>	
<b>O</b>	<b>Minority interest, presented within equity</b>	
<b>P</b>	<b>Issued capital and reserves attributable to equity holders of the parent</b>	

**Paragraph 68A**

<b>A</b>	<b>The total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5</b>	
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	<b>Non-current Assets Held for Sale and Discontinued Operations</b>	
<b>B</b>	<b>Liabilities included in disposal groups classified as held for sale in accordance with IFRS 5</b>	

The income statement and the balance sheet being the main financial statements, the aim of the next question was to identify the level of compliance in the income statement with IFRS.

**IAS 1 paragraph 81 and 82 state the minimum information that should be presented in an income statement; kindly state if your annual report discloses these elements below.**

	<b>Paragraph 81</b>	
<b>A</b>	<b>Revenue</b>	
<b>B</b>	<b>Finance costs</b>	
<b>C</b>	<b>Share of the profit or loss of associates and joint ventures accounted for using the equity method</b>	
<b>D</b>	<b>Tax expense</b>	
<b>E</b>	<b>A single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation</b>	
<b>F</b>	<b>Profit or loss</b>	
	<b>Paragraph 82</b>	
<b>A</b>	<b>Profit or loss attributable to minority interest</b>	
<b>B</b>	<b>Profit or loss attributable to equity holders of the parent</b>	

#### **4.4.2.4 Questions dealing with Rwandan corporate narrative reporting**

The overall objective of this study is an analysis of corporate financial reporting and also the narrative reporting of Rwandan companies.

Therefore, the questions asked in this next section aimed to investigate if Rwandan companies prepare narrative disclosures and the contents of these narrative disclosures.

The questions in this section are as follows.

**PricewaterhouseCoopers (2006) defines ‘narrative reporting’ as the contents of the sections usually referred to as Management Discussion and Analysis (MD&A) or Operating and Financial Review (OFR) that are commonly located in the front sections of corporate annual reports.**

**Does your company prepare narrative disclosures within its annual report?**

<b>A</b>	<b>Yes</b>	
<b>B</b>	<b>No</b>	

If companies do provide narrative disclosures, the following question aimed to find out to what extent respondents think these reports are useful.

**Do you think these narrative disclosures are useful to the users of annual reports?**

<b>A</b>	<b>Yes</b>	
<b>B</b>	<b>No</b>	
<b>C</b>	<b>Provide reasons for your answer.....</b> .....	

Respondents were also asked to provide their reasons why they think these reports are useful to users. The questions below were designed to ascertain the respondents’ level of knowledge towards narrative reports with regards to worldwide recommendations.

If “yes”, please indicate if you provide the following disclosures in your annual report? If your answer is “no”, please proceed to question 4.3

<b>A</b>	<b>Sustainability report</b>
<b>B</b>	<b>Corporate governance report</b>
<b>C</b>	<b>Management discussion and analysis/Operating and financial review</b>
<b>D</b>	<b>Directors’ report</b>
<b>E</b>	<b>Other (please specify).....</b>

What would you describe as being narrative reporting in an annual report?

<b>A</b>	<b>Sustainability report</b>
<b>B</b>	<b>Corporate governance report</b>
<b>C</b>	<b>Management discussion and analysis/Operating and Financial review</b>
<b>D</b>	<b>Directors’ report</b>
<b>E</b>	<b>Other (please specify).....</b>

The next question was designed to find out how suitable Rwandan companies find their narrative reports.

How suitable do you perceive narrative reporting in Rwandan companies?

<b>Very Unsuitable</b>	<b>Unsuitable</b>	<b>Indifferent</b>	<b>Suitable</b>	<b>Very Suitable</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

The question below allowed the researcher to identify if the two main parts of an annual report are well known by respondents.

What would be your opinion about the following assertion? “An annual report is made of two main parts: financial statements and narrative reporting”.

<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

#### 4.4.2.5 General questions

This part of the questionnaire enables the researcher to draw some conclusions from all the questions asked. These questions focused more on the perceptions of the respondents towards the similarity of Rwandan corporate reporting to IFRS and the quality of Rwandan narrative reporting.

**According to your experience, how similar do you consider Rwandan corporate reporting to IFRS?**

Totally different	Not similar	Do not know	Similar	Identical
1	2	3	4	5

Based on the answer provided to the above question, respondents were then asked to give their opinions with regard to annual reports' quality and the adoption of IFRS.

**Do you think it is necessary to improve the quality of corporate reporting in Rwanda? (Provide a reason for your answer)**

Yes
No

.....  
 .....

The next questions were designed to get respondents' thoughts towards the adoption of IFRS by Rwanda. Furthermore, respondents were asked to provide their suggestions to improve the quality of Rwandan corporate reporting.

**If your answer is "yes" to this previous question, do you think Rwanda should really adopt IFRS?**

Yes
No

**If your answer is “yes” to question 5.2:**

**What do you think could be done to improve the quality of Rwandan corporate financial reporting?**

.....  
.....

**What do you think should be necessary to improve the quality of narrative reporting in Rwandan companies?**

.....  
.....

**4.4.3 Pre-testing the questionnaire**

To make sure the questionnaire was easy to understand and to fill in, questionnaires were distributed to five assistant lecturers in the Faculty of Management at the Adventist Institute of Kigali (UNILAK). The outcome was positive and some of the useful recommendations suggested were taken into account before distributing questionnaires to the real respondents.

**4.4.4 Distribution of the questionnaires**

The method used in the survey with regard to the distribution of questions was personal administration since the respondents were not so many and not too dispersed. In most cases the respondents were in the Department of Finance and were Chief Accountants or Directors of Finance. After the respondent had filled in the questionnaire he or she was advised to leave it at the reception desk where it was collected by the researcher or his envoy.

**4.4.5 Response rate**

From the population frame of 286 companies (appendix 1), 26 companies matched the study’s limitations and 24 participated in this survey (Two companies declined to participate.) All questionnaires were filled in. However, in two cases where all the



questions were not answered, a meeting with the respondents was organised and the necessary clarifications were provided to the researcher.

#### **4.4.6 Data preparation and processing**

In this study, 24 questionnaires were distributed and none of them was discarded. The few questions not answered in each questionnaire were carefully edited to make the results more accurate. The analysis of data was done using SPSS software student version 11.0.

#### **4.5 The statistical presentation of data**

To get a feel for the data, central tendencies were used. Quantitative and qualitative data were analyzed on a parallel basis to enhance the better interpretation and understanding of tables and graphics.

#### **4.6 The limitations of the study**

Following the arguments of Partington (2002), a study deals with the production of knowledge in the concerned field associated with the relevant scope. The comparison of Rwandan corporate reporting with IFRS and worldwide recommended narrative reports focused on financial statements disclosed in annual reports only. In addition, the following features determined which companies were included in this study and which were not. The companies which formed part of the population under this study were characterized by:

- a corporate company which aims at profit,
- a corporate company which is not self owned, and
- a company which is not entirely owned by the government.

This limitation is because these are the features of a pure corporate company. This limitation was also due to the presence of certain constraints such as scope, budget, content and time.

Firstly, due to the magnitude of this study and the geographical location of companies within Rwanda, it was not possible to carry out an exhaustive study of all Rwandan

companies. Secondly, a study of such scope could not include all the reporting problems of Rwandan corporations. Indeed, this study was not concerned in delineating the symptoms of poor reporting, but rather it was limited to identifying if poor reporting is really the case in Rwanda and illustrate some of the relevant antecedents.

The elements mentioned above are some of the limitations of the current study. This allows further studies to identify those variables that have been researched and those which were not.

#### **4.7 Summary**

The current chapter outlined the methods used in conducting the entire study including the methods used in determining the sample size and population frame. It also elucidates the methodology used in questionnaire design, its administration, layout and collection. The relevance of each question to the study's objectives and hypotheses was explained. The limitations of the study were also disclosed.

The following chapter presents and discusses the analysis of the collected data.

## CHAPTER 5

### PRESENTATION AND INTERPRETATION OF RESULTS

#### 5.1 Introduction

Chapter four described the research method used for the collection of the data. Chapter five presents the analysis of the collected data. All the data presented in this part were analyzed using, the student version 11.0 of SPSS software. The results of the analysis are presented in the same order as the questions in the questionnaire. At the end of the chapter, a summary of the actual findings is presented.

To provide a better understanding of the findings, the discussion is split into three sections:

- the identification of companies subject to the study; here, the aim is to provide demographic information on the respondents.
- Rwandan corporate reporting; this section covers the financial reporting of Rwandan companies and narrative reporting, and
- the last part deals with the general understanding of the respondents towards Rwandan corporate reporting.

#### 5.2 Demographic information on responding companies

Table 5.1 shows the categories into which the companies were classified.

**Table 5.1: Companies' classification**

Category	Financial	Manufacturing	Mining	Wholesale trading	Other	Total
Number	12	7	0	3	2	24
%	50%	29.17%	0	12.5%	8.33%	100%

Table 5.1 shows that two companies do not belong to any of the categories. However, one is a company of telecommunication and the other company owns a hotel. The highest number of companies in this study are companies belonging to financial sector (50%) followed by manufacturing companies (29.17%).

Table 5.2 shows whether the companies were incorporated prior to or after the 1994 genocide.

**Table 5.2: Companies' date of incorporation**

Before 1994	After 1994	Total
13	11	24
54.17%	45.83%	100

Table 5.2 indicates that 11 (45.83%) of the sampled companies were incorporated after 1994, i.e after the genocide, while 13 (54.17%) companies were incorporated before 1994.

These results indicate that Rwanda has taken a step forward towards development since only 14 years after the genocide, a large number of companies were formed. It also shows that Rwanda is making progress in all the categories including the financial category.

Table 5.3 shows the location of the head office of the companies.

**Table 5.3: Location of head office**

Location	Capital city	Country side	Total
Number	22	2	24
Percent	91.7%	8.3%	100

Table 5.3 shows that 22 (91.7%) companies are located in the capital city and only two (8.3%) companies are situated in the country side. This situation may show that there are inequalities with regards to the economic development of the entire country.

Table 5.4 shows the number of employees (in a range) employed by the various companies.

**Table 5.4: Number of employees**

Range	1-49	50-199	200 and more	Total
Number	1	5	18	24
%	4.2%	20.8%	75%	100%

Table 5.4 shows that most companies are in the third range representing 200 and more employees. This can be explained by the fact that a large number of companies in this study are financial institutions followed by manufacturing companies both of which usually employ a large number of workers.

The next two tables use the Rwanda Development Bank's (1994) ranges for Rwandan companies' categorisation.

The amount of the companies' turnover is shown in table 5.5 and the amount of the companies' total assets is shown in table 5.6.

**Table 5.5: Companies turnover (Rwf millions)**

<b>Range</b>	Below 0,9	Between 0.9 and 36	Between 36 and 150	Above 150	Total
<b>Number</b>	0	0	0	24	24
<b>%</b>	0	0	0	100%	100%

Table 5.5 indicates that all the companies have an annual turnover beyond Rwf 150 millions. This indicates all the companies studied are large companies.

**Table 5.6: Total Assets (Rwf millions)**

<b>Range</b>	Below 1.5	Between 1.5 and 45	Between 45 and 225	Above 225	Total
<b>Number</b>	0	0	0	24	24
<b>%</b>	0	0	0	100%	100%

Table 5.6 indicates that all the companies have total assets exceeding Rwf 225 million; this is another characteristic of companies as defined by the Rwanda Development Bank.

Table 5.7 indicates which departments are responsible for the preparation and presentation of the annual reports of the companies subject to this study.

**Table 5.7: Preparation of annual reports**

<b>Range</b>	Accounting department	Finance department	Public relations department	Other	Total
<b>Number</b>	16	6	2	0	24
<b>%</b>	66.67%	25%	8.33%	0	100%

Table 5.7 indicates that in 16 (66.67%) companies the annual reports are prepared by the accounting department. This was expected since accountants are the ones supposed to be most knowledgeable of the provisions under IFRS. This was followed by the finance department (25%) and the public relations department (8.33%). The preparation of annual reports by the public relations department may reflect some misunderstanding by the respondents as it is likely that the public relations department prepared the annual report for printing and were not involved in the measurement and presentation of the financial data.

The current position of the respondent, the respondents' qualifications and years of experience are shown in the following tables.

**Table 5.8: Position of the respondent in the company**

<b>Position</b>	Head of Finance and Administration	Chief Accountant	Managers	Other	Total
<b>Number</b>	2	15	3	4	24
<b>%</b>	8.3%	62.5%	12.5%	16.7%	100%

Table 5.8 summarises the answers to the question which asked for the position of the respondent. The findings indicates that 15 respondents (62.5%) are chief accountants, three (12.5%) are managers and two (8.3%) are the head of Finance and Administration. Respondents not belonging to any of the positions stated above were accountants or internal auditors.

**Table 5.9: Professional qualification of respondents**

<b>Position</b>	Honour's degree in accounting	Honour's degree in management	Honour's degree in economics	Total
<b>Number</b>	12	7	5	24
<b>%</b>	50%	29.2%	20.8%	100%

Table 5.9 indicates that 12 (50%) respondents hold an honour's degree in accounting, seven (29.2%) respondents have an honour's degree in management while five (20.8%) respondents have an honour's degree in economics.

At this point a link was established between the qualification and the position in the company; it was found that most respondents who graduated in management are head of finance whereas those who did accounting are chief accountants. It was also revealed that those with greater experience are in the higher positions.

A subsequent question was asked to find out the experience of the respondents in their current positions. These findings are summarised in the table below.

**Table 5.10: Experience in current position**

<b>Range</b>	1 to 4 years	5 to 9 years	10 years or more	Total
<b>Number</b>	11	9	4	24
<b>%</b>	45.83%	37.5%	16.67%	100%

Table 5.10 indicates that a large number of respondents have not many years of experience in their current positions. Experienced people often move from one company to another in Rwanda. Therefore, it is difficult to find experienced people in various positions. This is important since experienced people play a big role in the preparation of annual reports.

### 5.3 Rwandan corporate reporting

In this section, the following two areas are discussed:

- corporate financial reporting, and
- narrative reporting.

The first question inquired if companies do prepare annual reports.

**Chart 5.1: Annual report preparation**

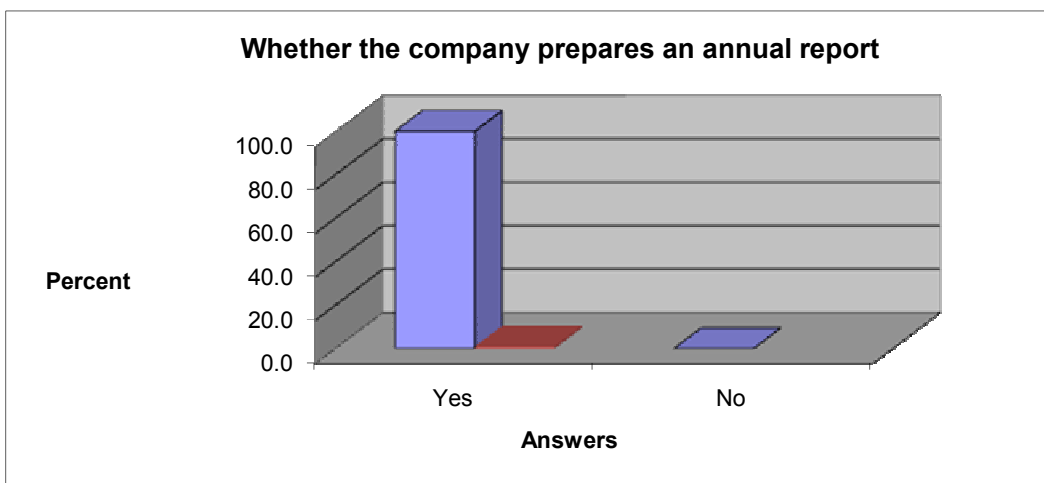
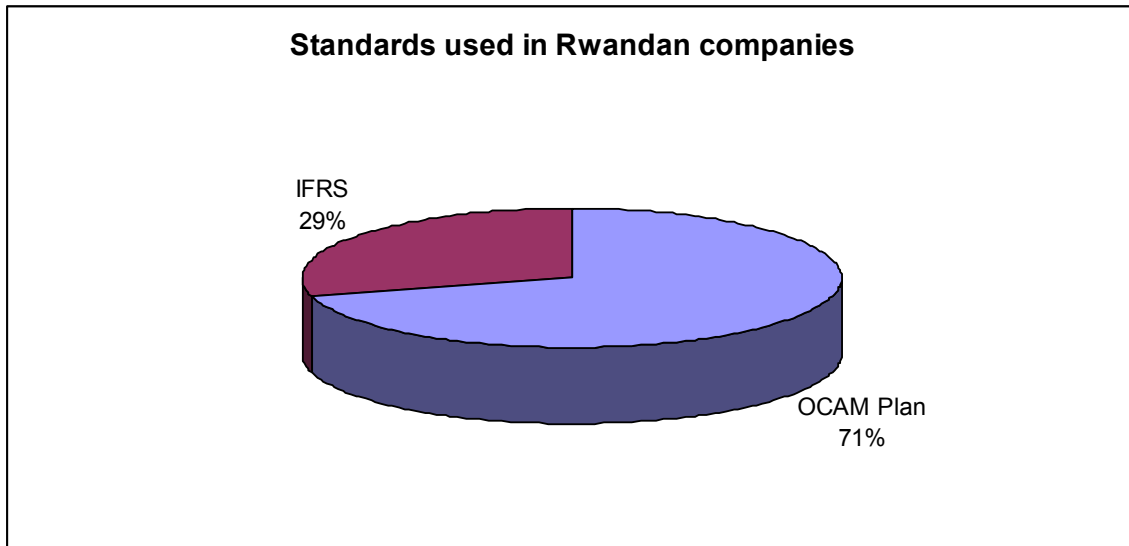


Chart 5.1 indicates that all the companies surveyed do prepare an annual report at the end of each year.

The following question asked the respondents to indicate which standards are used to prepare the annual report. The results with regards to the standards used in preparing the annual reports are summarised in chart 5.2.



Chart 5.2: Standards used to prepare financial statements



According to chart 5.2, 17 (71%) companies use OCAM as opposed to seven (29%) companies which use IFRS. From the interviews conducted, companies using IFRS do it by choice. However, these companies are mostly financial institutions that are usually obliged to work with foreign companies and now use IFRS. Therefore, the seven companies using IFRS are either Banks or Insurance companies, while all the remaining companies use the OCAM Plan.

Table 5.11 indicates what information companies disclose in their annual reports. The answers are summarised in three groups.

**Table 5.11: Parts of an annual report**

Parts of annual report	<ul style="list-style-type: none"> <li>- Auditor's report</li> <li>- Directors' report</li> <li>- A balance sheet</li> <li>- An income statement</li> <li>- A cash flow statement</li> <li>- A statement of changes in equity</li> <li>-Notes to the Financial statements</li> <li>- Financial highlights</li> <li>- Narrative report</li> </ul>	<ul style="list-style-type: none"> <li>- Auditor's report</li> <li>- Directors' report</li> <li>- A balance sheet</li> <li>- An income statement</li> <li>- A cash flow statement</li> <li>- Notes to the Financial statements</li> <li>- Financial highlights</li> <li>- Narrative report</li> </ul>	<ul style="list-style-type: none"> <li>- Auditor's report</li> <li>- Directors' report</li> <li>- A balance sheet</li> <li>- An income statement</li> <li>- A cash flow statement</li> <li>-Notes to the Financial statements</li> </ul>
Companies	4	12	8
Percent	16.7%	50%	33.3%

Table 5.11 indicates that four (16.7%) respondents think that an annual report is made of the elements in the first column, 12 (50%) respondents think that an annual report is composed of the parts in the second column, while 8 (33.3%) respondents are of the opinion that a well prepared annual report is made of the parts in the third column. From table 5.11 it can be seen that only four (16.7%) companies disclose a statement of changes in equity, and 16 (66.7%) companies include narrative reports and financial highlights in their annual reports. The most common elements are as follows:

- auditor's report,
- directors' report,
- a balance sheet,
- an income statement,
- a cash flow statement, and
- notes to the financial statements.

This emphasises that companies' annual reports still need some improvements and preparer's more knowledge with regards to annual report preparation. This is because the table 5.11 shows that not all the main parts of annual report are included in annual reports, despite the respondents being of the opinion that their financial reports are suitable. This is explored in greater detail below.

### **5.3.1 Financial reports of Rwandan companies**

The next question asked the respondents for their opinion on whether their current financial statement preparation was considered suitable. The answers to this question are shown in chart 5.3.

Chart 5.3: How suitable financial report presentation is in Rwanda

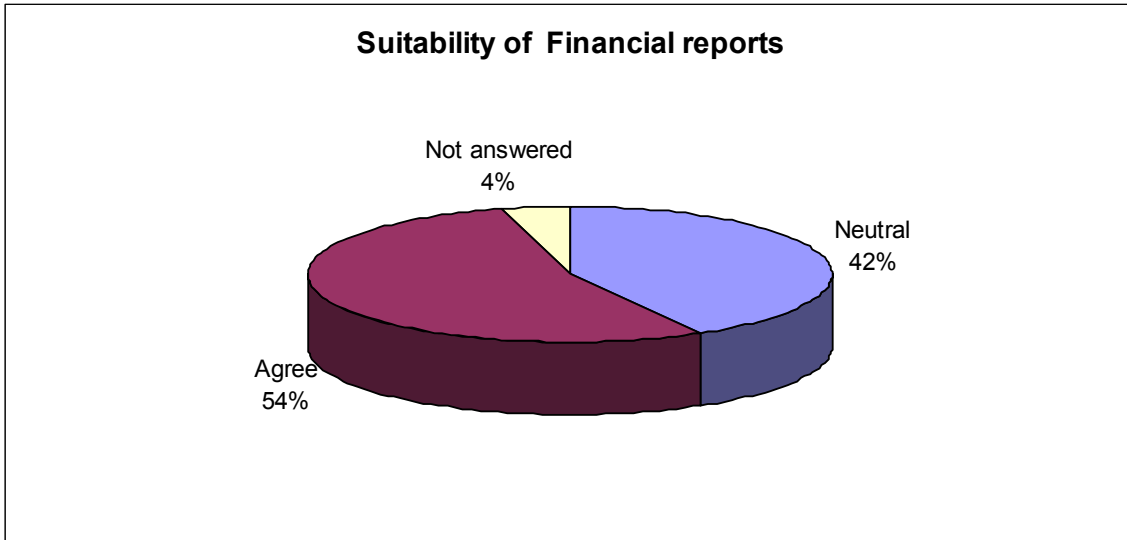


Chart 5.3 indicates that 13 (54%) respondents are of the opinion that their annual report presentation is suitable to users, 10 (42%) respondents neither agree nor disagree regarding the suitability of their annual report while one respondent did not answer this question. No respondent strongly agreed with regard to the suitability of their annual report presentation.

In order to determine respondents' knowledge of the content of financial statements, a number of assertions from IAS were made, ranging from 1 (strongly agree) to 5 (strongly disagree). The results of this question are shown in table 5.12.

**Table 5.12: Features of financial statements preparation**

	Features	Agree	Strongly agree	No of companies
		4	5	24
a	Financial statements, except for the statement of cash flows, are prepared on accrual basis	7	17	24
b	Financial statements are prepared on a going concern basis and this is disclosed	5	19	24
c	A complete set of annual financial statements contains a statement of financial position as at the end of the period.	10	14	24
d	A complete set of annual financial statements contains a statement of comprehensive income for the period.	9	15	24
e	A complete set of annual financial statements contains a statement of cash flows for the period.	4	20	24
f	A complete set of annual financial statements contains a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.	7	17	24
g	A complete set of annual financial statements contains a statement of changes in equity for the period.	6	18	24
h	A complete set of annual financial statements contains notes, comprising a summary of significant accounting policies and other explanatory information.	8	16	24
%		29.2%	70.8%	100%

Table 5.12 indicates that for all the questions, if each response is counted and then

averaged, then 70.8% (i.e. 136/192) of the respondents strongly agreed to all the assertions above while 29.2% (i.e. 56/192) the respondents agreed to all the assertions.

To determine whether answers shown in table 5.12 do have support, it was necessary to ascertain what is disclosed in the main financial statements.

Table 5.13 shows the elements which are reported by Rwandan companies in their balance sheets.

**Table 5.13: Contents of a balance sheet**

	A	B	C
Elements of a balance sheet	- Property, plant and Equipment	- Property, plant and equipment	- Property, plant and equipment
	- Investment property	- Investment property	- Investment property
	- Intangible assets	- Intangible assets	- Intangible assets
	- Financial assets (excluding amounts shown under (e), (h) and (i))	- Financial assets (excluding amounts shown under (e), (h) and (i))	- Financial assets (excluding amounts shown under (e), (h) and (i))
	- Investments accounted for using the equity method	- Investments accounted for using the equity method	- Investments accounted for using the equity method
	- Inventories	- Inventories	- Inventories
	- Trade and other receivables	- Trade and other receivables	- Trade and other receivables
	- Cash and cash equivalents	- Cash and cash equivalents	- Cash and cash equivalents
	Provisions	- Provisions	- Provisions
	- Financial liabilities (excluding amounts shown under (j) and (k))	- Financial liabilities (excluding amounts shown under (j) and (k))	- Financial liabilities (excluding amounts shown under (j) and (k))
	- Liabilities and assets for current tax, as defined in IAS 12 <i>Income Taxes</i>	- Liabilities and assets for current tax, as defined in IAS 12 <i>Income Taxes</i>	- Liabilities and assets for current tax, as defined in IAS 12 <i>Income Taxes</i>
	Minority interest, presented within equity	- Minority interest, presented within equity	- Minority interest, presented within equity
	- Issued capital and reserves attributable to equity holders of the parent	- Issued capital and reserves attributable to equity holders of the parent	- Issued capital and reserves attributable to equity holders of the parent
	- The total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	-	-
	- Liabilities included in disposal groups classified as held for sale in accordance with IFRS 5	-	-
-	- Deferred tax liabilities and deferred tax assets, as defined in IAS 12	-	
- Trade and other payables	- Trade and other payables	- Trade and other payables	
Companies	6	11	7
Percent	25%	45.8%	29.2%

Table 5.13 indicates that “biological assets” are not shown by any of the respondents. Other elements are found in one side but not in the other:

- column A and column C do not show the deferred tax liabilities and deferred tax assets, as defined in IAS 12, and
- columns B and C do not show the liabilities included in disposal groups classified as held for sale in accordance with IFRS 5 as well as the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This may be because Rwandan companies do not have discontinued operations.
- The second important statement is the income statement. According to the respondents, its contents are as shown in table 5.14.

**Table 5.14: Contents of an income statement**

	A	B
Elements of an income statement	- Revenue	- Revenue
	- Finance costs	- Finance costs
	- Tax expense	- Tax expense
	- Profit or loss	- Profit or loss
	- Profit or loss attributable to minority interest	- Profit or loss attributable to minority interest
	- Profit or loss attributable to equity holders of the parent	- Profit or loss attributable to equity holders of the parent
	- Share of the profit or loss of associates and joint ventures accounted for using the equity method	-
Companies	13	11
Percent	54.2%	45.8%

No respondents recognised the element of the income statement as stated in IAS 1 paragraph 81 as “the single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.”

Furthermore, column B shows that 11 (45.8%) respondents do not recognise “the share of the profit or loss of associates and joint ventures accounted for using the equity method” as an element of the income statement. A reason for both of the omissions may be that Rwandan companies do not have associates or joint ventures, nor do they have discontinued operations.

The responses with regards to narrative reporting are discussed next.

### 5.3.2 Narrative reporting in Rwandan companies

According to the respondents in this survey, all the companies subject to this study disclosed a narrative report in their annual report.

All (100%) respondents believe that narrative reports are useful to the users of the annual report. Their reasons are represented in the chart below.

**Chart 5.4: Reasons for narrative report preparation**

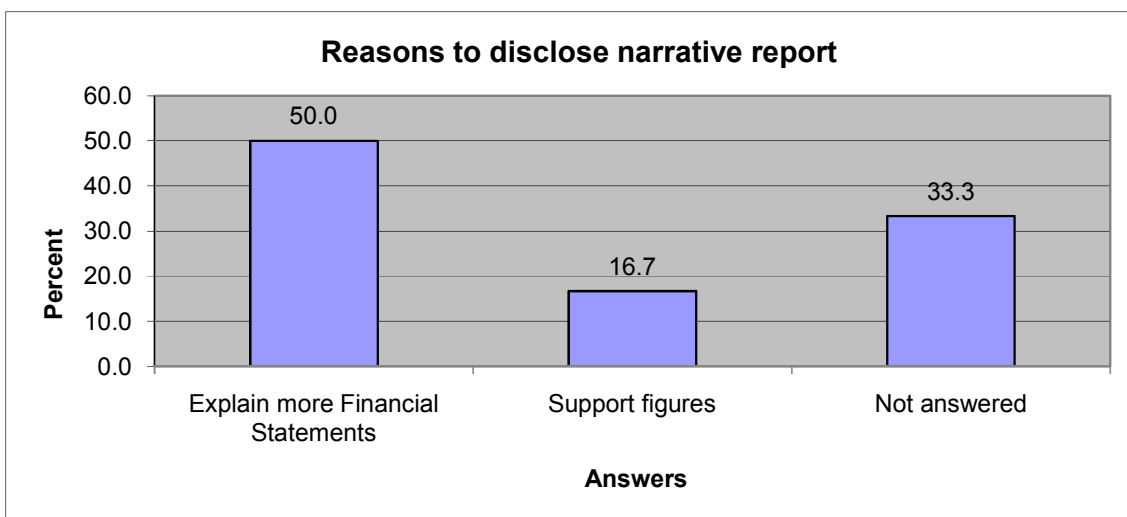


Chart 5.4 indicates that 12 (50%) respondents think narrative reports provide more explanations than the financial statements, eight (33.3%) respondents did not answer this question and four (16.7%) respondents think that narrative reports are useful to support figures shown elsewhere in the financial statements. This is interesting since taking into account the country's background, one might think that narrative disclosures are not prepared in Rwanda.

In order to determine respondents' knowledge of the composition of narrative reporting, two questions were asked. These answers are summarised below.

**Table 5.15: Elements of a narrative report (disclosed in the respondents' annual reports)**

	A	B
Elements of a narrative report	- Corporate governance report	- Corporate governance report
	- Management discussion and analysis or financial and operating review	- Management discussion and analysis or financial and operating review
	- Directors' report	- Directors' report
	-	- Sustainability report
Companies	7	17
Percent	29.2%	70.8%

From the table 5.15 it can be seen that seven (29.2%) respondents do not disclose a sustainability report in their annual report. Given the fact that this kind of report is relatively new, this is understandable in a country where even IFRS are still a controversial issue.

When respondents were asked to describe what they consider as being narrative reporting in an annual report, all (24) respondents recognised the following elements as being parts of a narrative report.



**Table 5.16: Description of elements of a narrative report (in an annual report)**

Elements of a narrative report	- Corporate governance report
	- Management discussion and analysis or financial and operating review
	- Directors' report
	- Sustainability report
Companies	24
Percent	100%

No respondents described any other elements of a narrative report.

The questionnaire then attempted to find out how suitable the respondents perceived narrative reporting in Rwandan companies to be.

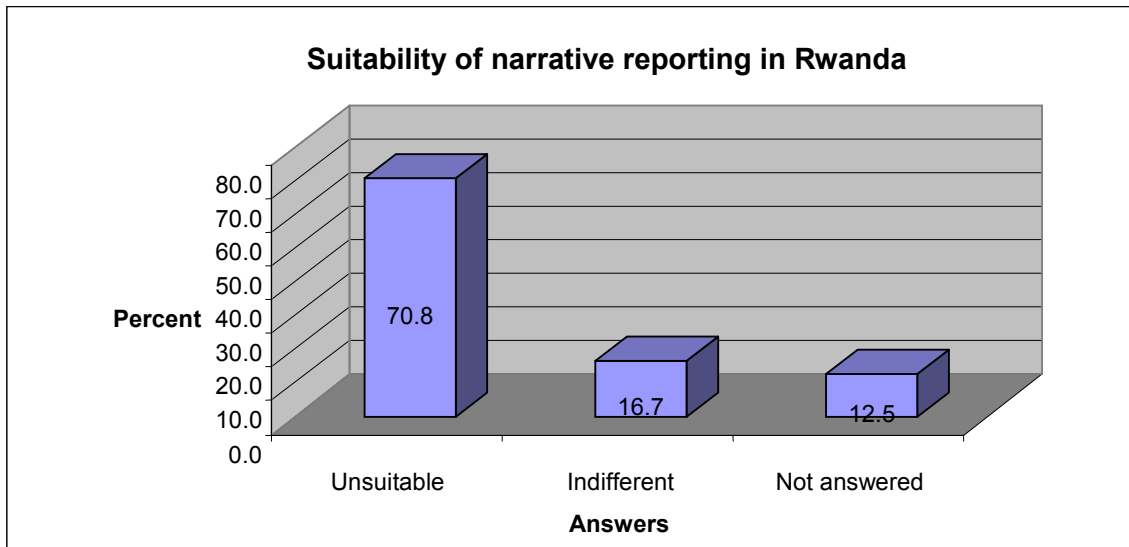
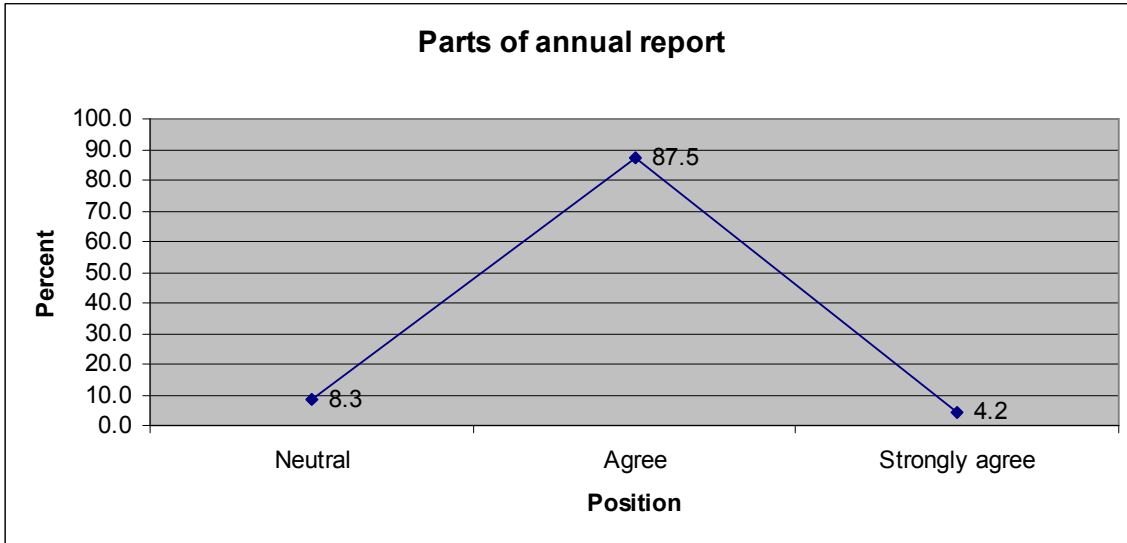
**Chart 5.5: Suitability of narrative reports in Rwanda**

Chart 5.5 shows that 17 (70.8%) respondents think that the narrative reports disclosed in Rwanda are unsuitable while seven (16.7%) respondents were indifferent on this issue. Three (12.5%) respondents did not answer this question.

Chart 5.6 summarises the answers to the assertion that the annual report is made of two main parts, financial statements and narrative reporting.

**Chart 5.6: Annual report formulation**



From chart 5.6, it can be seen that 21 (87.5%) respondents agreed to the assertion above, two (8.3%) respondents were neutral on this issue while one respondent (4.2%) strongly agreed. This reveals that the respondents are of the opinion that there are two main parts to the annual report.

The final section in this chapter ascertained the general understanding of respondents towards corporate reporting.

#### **5.4 General**

The results of the question probing the perceptions of the respondents towards the similarity of Rwandan corporate reporting to IFRS are as follows.

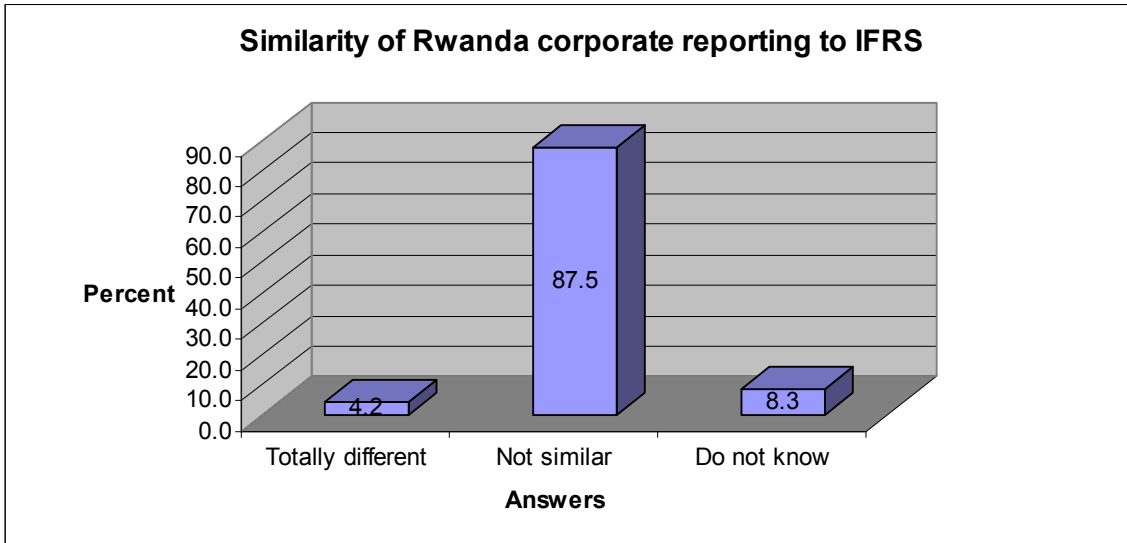
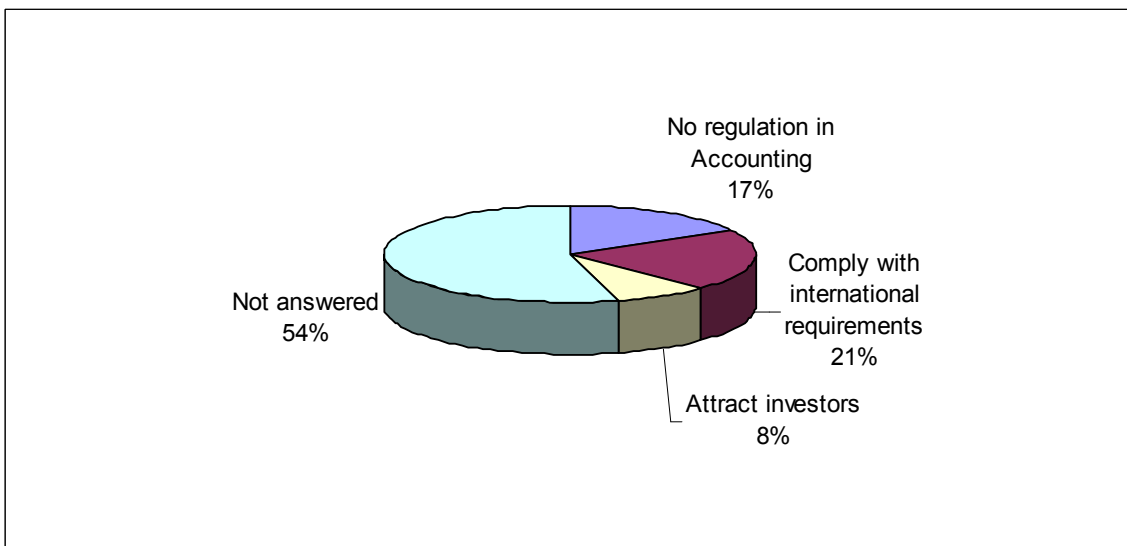
**Chart 5.7: Similarity of Rwandan corporate financial reporting to IFRS**

Chart 5.7 indicates that most (87.5%) respondents think Rwandan corporate reporting is not similar to the requirements of IFRS. As can be seen, not one respondent was of the opinion that Rwandan corporate reporting is similar to IFRS.

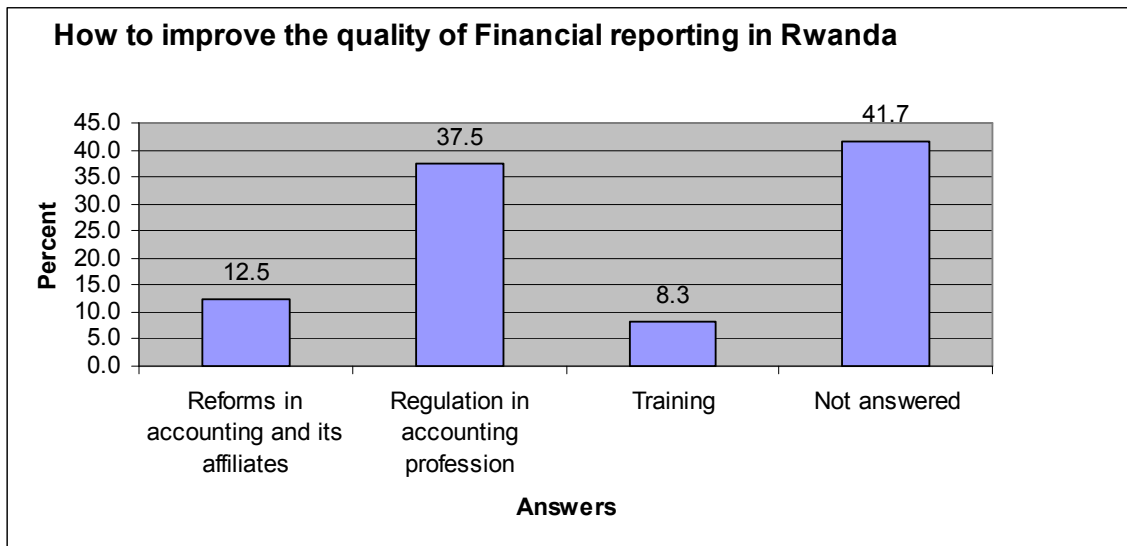
All respondents thought it is necessary to improve the quality of corporate reporting in Rwanda. Their reasons for this are summarised in chart 5.8.

**Chart 5.8: Reasons to improve corporate reporting in Rwanda**

From chart 5.8, five (21%) respondents think this improvement is necessary to comply with international requirements, four (17%) respondents think it is necessary to improve the quality of corporate reporting in Rwanda since there is little accounting regulation while two (8%) respondents think that well established financial reporting should attract more investors. Thirteen respondents did not answer this question. All (100%) respondents thought that Rwanda should adopt IFRS and thus improve the quality of Rwandan corporate financial reporting.

The respondents were then asked what could be done to improve the quality of Rwandan corporate reporting. These answers are summarised below.

**Chart 5.9: The way financial reporting could be improved**



Surprisingly, ten (41.7%) respondents did not provide any suggestions. However, nine (37.5%) respondents thought regulation in the accounting profession can improve the quality of corporate reporting in Rwanda followed by reforms in accounting by three (12.5%) respondents and then training by two (8.3%) respondents.

The final question asked what Rwandan companies think should be done to improve the quality of narrative reporting. The answers are summarised in chart 5.10.

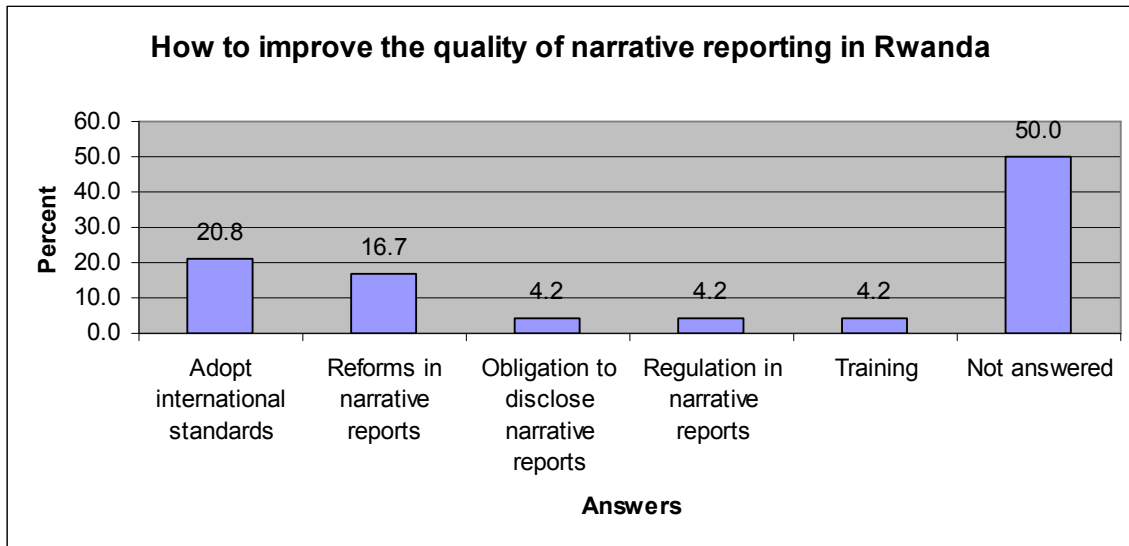
**Chart 5.10: The way narrative reporting could be improved**

Chart 5.10 indicates that five (20.8%) respondents thought narrative reporting can be improved by adopting international standards, four (16.7%) respondents thought reforms in narrative reporting can greatly contribute to its improvement, one (4.2%) respondent suggested training, another respondent (4.2%) thought narrative reporting should be the obligation of all companies and one (4.2%) respondent thought narrative reporting should be regulated in Rwanda.

## 5.5 Summary

This chapter identified the main components of annual reports in Rwandan companies. From this, the chapter also elucidated the elements of each part of an annual report. It compared the financial reporting of Rwandan companies to IFRS and narrative reporting to the worldwide recommended ones. Some of the findings were that Rwandan companies do not use IFRS but are aware of its importance. Similarly, Rwandan companies do not all disclose narrative reports but its importance is not ignored. The chapter also indicated some general perceptions of Rwandan companies towards the improvement of their annual reports.

## CHAPTER 6: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 6.1 Summary

The use of IFRS and narrative reports in annual reports are key factors in the statements presented annually to stakeholders. However, the level of implementation may depend on a country's background and economic development. The aim of this study was to identify the way Rwandan companies' report, to compare this with international requirements, and to investigate narrative reporting in Rwanda.

The methodology used in this study is a mixed methods approach using both a literature review and empirical research. A sample of 24 companies was used. The data were collected using a questionnaire. The data, was then presented in an orderly manner and analyzed using the student version of SPSS software 11.0.

The main finding of this study are as follows:

- the results of this study proved that companies in Rwanda report annually like elsewhere in other countries,
- even though Rwandan companies do report annually, it was identified that they do not all comply with IFRS,
- although Rwandan companies do not ignore the importance of non-financial reporting, preparers lack sufficient knowledge towards its preparation and presentation,
- Rwandan companies are willing to adopt international standards in as far as reporting is concerned,
- support is needed to help move Rwanda from its current system to international standards, and
- the respondents were of the opinion that the main threats that Rwandan companies are facing are namely the absence of enough qualified accountants, the lack of a properly constituted accounting board and the lack of sound regulation in the accounting profession.

This study has thus addressed the main research hypothesis in chapter 1 that Rwandan

companies report poorly when compared to the international standards.

## **6.2 Conclusion**

In Rwanda, the requirements of the second edition of the OCAM plan which regulates accounting practice and several reports of Rwandan companies, for example, see RDB (2005), SONARWA (2006) and Kigali Bank (2006). Companies do not have to comply with IFRS. Nobes (1998) argues that despite the difficulties that developing/emerging countries might have with the adoption of IFRS, international differences should be avoided.

The unanswered question is whether developing countries are able to meet the requirements of the IASB as far as harmonisation is concerned. The harmonisation of accounting practice could be one of the ways to cope with globalisation. It would be better for the world to move together. However, it may be difficult for some countries to move as quickly as globalisation requires as some prior elements have to be in place, one of which is a strong corporate reporting environment. One of the leading efforts could be the adoption of IFRS. Currently the use of IFRS is already influencing the investment decisions round the world.

Rwanda, like many other developing countries, is facing several difficulties with globalisation requirements. Lamdin (1999) argues that African empowerment is possible through the establishment of viable national accountancy bodies and the adoption of IFRS.

According to Lamdin (1999), “a widely held perception in the developed world when considering the development needs of Africa is that there is a need for doctors, nurses, engineers, agricultural experts and the like”. However, Lamdin asserts (1999) that locally qualified accountants are one of the greatest skilled manpower shortages in Africa.

This study revealed that some steps are still needed to achieve the required accounting level in Rwanda.

The results of this study show that there is a difference between the provisions of the IFRS and the system used to disclose financial information in Rwanda. It also showed that narrative reports in Rwanda need to be improved to meet the international recommendations in this area.

However, the improvement referred to in this section should be interpreted cautiously. For instance, Deloitte (2006) states that a negative side to a holistic report is that unless a report is very lengthy (and then becomes unreadable), it can be superficial. A problem is “that there are so many issues to cover in varying degrees of detail...we can achieve a ‘sustainable balance sheet’ over a few pages, then there should be no major objections to producing holistic reports” (Deloitte 2006: 14).

### **6.3 Recommendations**

The recommendations and suggestions raised in this section are based on the country’s background and economic level. Given the economic level of Rwanda, it will not be easy to fully adopt the IFRS to be in line with the worldwide recommendations in the area of IFRS and narrative reporting in a short time.

In a developing country such as Rwanda, an approach may be to use an incremental reporting approach. For instance, in the UK, the ASB produced a Financial Reporting Standard for Small Enterprises, which abbreviates the rules and resulting disclosures (Nobes 1998:28). Using this example of the UK, before embarking on the full adoption of IFRS, Rwanda should think of adopting part of the IFRS or develop an incremental reporting system and in that way move to the adoption of full IFRS and narrative reporting.

The main recommendation based on the current study’s findings is to empower the accounting profession in Rwanda. This can be achieved with the help of the government of Rwanda and the international community.



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06 DECEMBER 2007

MR. T NTUKABUMWE (207522046)  
SCHOOL OF ACCOUNTING

Dear Mr. Ntukabumwe

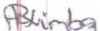
**ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0735/07M**

I wish to confirm that ethical clearance has been granted for the following project:

“Rwanda corporate reporting and international requirements”

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years

Yours faithfully

  
MS. PHUMELELE XIMBA  
RESEARCH OFFICE

cc. Post-Graduate Office (Andile Ndawo)  
cc. Supervisor (Prof. L Stainbank)

**List of Rwandan companies**

<b>ORDER</b>	<b>TAXPAYER TYPE</b>	<b>NAME</b>	<b>ACTIVITY</b>	<b>District</b>	<b>Province</b>
1	NON INDIVIDUAL	ALPHA PALACE SARL	HOTEL	KICUKIRO	KIGALI CITY
2	NON INDIVIDUAL	HOTEL DES MILLES COLLINES	HOTEL	NYARUGENGE	KIGALI CITY
3	NON INDIVIDUAL	SOPROTEL/HOTEL UMUBANO	HOTEL	KACYIRU	KIGALI CITY
4	NON INDIVIDUAL	KARISIMBI RESTAURANTS	HOTEL	NYARUGENGE	KIGALI CITY
5	NON INDIVIDUAL	CLUB HOUSE LA PALISSE SARL	HOTEL	KANOMBE	KIGALI CITY
6	NON INDIVIDUAL	IMOREX SARL	HOTEL	NYARUGENGE	KIGALI CITY
7	NON INDIVIDUAL	PRIME HOLDINGS SARL	HOTEL	NYARUGENGE	KIGALI CITY
8	NON INDIVIDUAL	TOURISM PROMOTION SERVICES(RWANDA) LIMITED	HOTEL	NYARUGENGE	KIGALI CITY
9	NON INDIVIDUAL	SOMECA-RWANDA SARL	PUBLISHING	NYARUGENGE	KIGALI CITY
10	NON INDIVIDUAL	THE NEW TIMES PUBLICATIONS SARL	PUBLISHING	KACYIRU	KIGALI CITY
11	NON INDIVIDUAL	MAGERWA SARL	CARGO HANDLING	GIKONDO	KIGALI CITY
12	NON INDIVIDUAL	COGEAR SA	LIFE INSURANCE	NYARUGENGE	KIGALI CITY
13	NON INDIVIDUAL	SONARWA SA	LIFE INSURANCE	NYARUGENGE	KIGALI CITY
14	NON INDIVIDUAL	SORAS S.A.	LIFE INSURANCE	NYARUGENGE	KIGALI CITY
15	NON INDIVIDUAL	RAMA	LIFE INSURANCE	KACYIRU	KIGALI CITY
16	NON INDIVIDUAL	CAISSE SOCIALE DU RWANDA	PENSION FUNDING	KACYIRU	KIGALI CITY
17	NON INDIVIDUAL	KIST	HIGHER EDUCATION	NYARUGENGE	KIGALI CITY
18	NON INDIVIDUAL	UNIVERSITE LIBRE DE KIGALI (ULK)	HIGHER EDUCATION	KACYIRU	KIGALI CITY
19	NON INDIVIDUAL	KHI	HIGHER EDUCATION	NYARUGENGE	KIGALI CITY
20	NON INDIVIDUAL	UNIVERSITE NATIONALE DU RWANDA (UNR)	HIGHER EDUCATION	HUYE	SOUTH
21	NON INDIVIDUAL	KIE	HIGHER EDUCATION	KACYIRU	KIGALI CITY
22	NON INDIVIDUAL	SCHOOL OF FINANCE AND BANKING (SFB)	HIGHER EDUCATION	KICUKIRO	KIGALI CITY
23	NON INDIVIDUAL	OFFICE NATIONAL DES POSTES	COURIER ACTIVITIES	KACYIRU	KIGALI CITY
24	NON INDIVIDUAL	CORAR SA	NON-LIFE INSURANCE	NYARUGENGE	KIGALI CITY
25	NON INDIVIDUAL	MTN RWANDACELL SARL	TELECOMMUNICATIONS	KACYIRU	KIGALI CITY
26	NON INDIVIDUAL	RWANDATEL SA	TELECOMMUNICATIONS	KACYIRU	KIGALI CITY
27	NON INDIVIDUAL	TELEDISTRIBUTION "TELE 10"	TELECOMMUNICATIONS	KACYIRU	KIGALI CITY
28	NON INDIVIDUAL	BUSINESS COMMUNICATION SOLUTIONS (BCS) SARL	TELECOMMUNICATIONS	KACYIRU	KIGALI CITY
29	NON INDIVIDUAL	TERRACOM SARL	TELECOMMUNICATIONS	NYARUGENGE	KIGALI CITY
30	NON INDIVIDUAL	RWANDATEL SP SARL	TELECOMMUNICATIONS	NYARUGENGE	KIGALI CITY
31	NON INDIVIDUAL	KING FAYCAL HOSPITAL	HOSPITAL ACTIVITIES	KACYIRU	KIGALI CITY
32	NON INDIVIDUAL	AUTOREC MOTORS SARL	HARDWARE CONSULTANCY	NYARUGENGE	KIGALI CITY
33	NON INDIVIDUAL	AUTO CHOICE COMPANY SARL	HARDWARE CONSULTANCY	NYARUGENGE	KIGALI CITY
34	NON INDIVIDUAL	ENTREGELE SARL	BUILDING INSTALLATION	GIKONDO	KIGALI CITY
35	NON INDIVIDUAL	SNATCO	BUILDING INSTALLATION	NYARUGENGE	KIGALI CITY
36	NON INDIVIDUAL	RWANDAMOTOR SA	SALE OF MOTOR VEHICLES	GIKONDO	KIGALI CITY
37	NON INDIVIDUAL	SOGERRWA IMC SA	SALE OF MOTOR VEHICLES	GIKONDO	KIGALI CITY
38	NON INDIVIDUAL	SORWATRACO SARL	SALE OF MOTOR VEHICLES	NYARUGENGE	KIGALI CITY

39	NON INDIVIDUAL	RURAL SECTOR SUPPORT PROJECT -IDA 34830-RW	SOCIAL WORK ACTIVITIES	KACYIRU	KIGALI CITY
40	NON INDIVIDUAL	SOCIETE RWANDAISE DE CHAUSSURES (SRC)	MANUFACTURE OF FOOTWEAR	GISOZI	KIGALI CITY
41	NON INDIVIDUAL	UTEXRWA SA	MANUFACTURE OF TEXTILES	GISOZI	KIGALI CITY
42	NON INDIVIDUAL	RWANDAIR EXPRESS SARL	SCHEDULED AIR TRANSPORT	NYARUGENGE	KIGALI CITY
43	NON INDIVIDUAL	BRALIRWA SA	MANUFACTURE OF BEVERAGES	KICUKIRO	KIGALI CITY
44	NON INDIVIDUAL	COVIBAR SARL	MANUFACTURE OF BEVERAGES	KICUKIRO	KIGALI CITY
45	NON INDIVIDUAL	MANUMETAL SARL	MANUFACTURE OF FURNITURE	NYARUGENGE	KIGALI CITY
46	NON INDIVIDUAL	MUTARA ENTERPRISES	MANUFACTURE OF FURNITURE	NYARUGENGE	KIGALI CITY
47	NON INDIVIDUAL	KK SECURITY (RWANDA) SARL	OTHER SERVICE ACTIVITIES	KACYIRU	KIGALI CITY
48	NON INDIVIDUAL	CREATIVE COMMUNICATIONS SARL	OTHER SERVICE ACTIVITIES	KACYIRU	KIGALI CITY
49	NON INDIVIDUAL	BOND TRADING SARL	OTHER SERVICE ACTIVITIES	GIKONDO	KIGALI CITY
50	NON INDIVIDUAL	AGENCE DE REGULATION	OTHER SERVICE ACTIVITIES	KACYIRU	KIGALI CITY
51	NON INDIVIDUAL	TRI-STAR	OTHER SERVICE ACTIVITIES	NYARUGENGE	KIGALI CITY
52	NON INDIVIDUAL	RWANDA INVESTMENT GROUP"RIG"SA	OTHER SERVICE ACTIVITIES	NYARUGENGE	KIGALI CITY
53	NON INDIVIDUAL	INDIAN KHAZANA LIMITED	RESTAURANTS AND CANTEENS	NYARUGENGE	KIGALI CITY
54	NON INDIVIDUAL	SDV RWANDA SARL	FREIGHT TRANSPORT BY ROAD	NYARUGENGE	KIGALI CITY
55	NON INDIVIDUAL	SORWATHE SARL	GROWING OF COFFEE AND TEA	NYARUGENGE	KIGALI CITY
56	NON INDIVIDUAL	PFUNDA TEA	GROWING OF COFFEE AND TEA	RUBAVU	WEST
57	NON INDIVIDUAL	RWANDA MOUNTAIN TEA SARL	GROWING OF COFFEE AND TEA	NGORORERO	WEST
58	NON INDIVIDUAL	RWANDEX SA	WHOLESALE OF COFFEE AND TEA	GIKONDO	KIGALI CITY
59	NON INDIVIDUAL	OCIR THE	WHOLESALE OF COFFEE AND TEA	GIKONDO	KIGALI CITY
60	NON INDIVIDUAL	AGROCOFFEE INDUSTRIES LTD	WHOLESALE OF COFFEE AND TEA	KICUKIRO	KIGALI CITY
61	NON INDIVIDUAL	PROJET SAN FRANCISCO	INTERNATIONAL PROJECT N.E.C.	NYARUGENGE	KIGALI CITY
62	NON INDIVIDUAL	AFRICHEM RWANDA SARL	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
63	NON INDIVIDUAL	MAGASIN MOTOS-VELOS SARL	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
64	NON INDIVIDUAL	STAR GENERALSUPPLIERS	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
65	NON INDIVIDUAL	KAMO AND SONS SARL	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
66	NON INDIVIDUAL	REGENT INVESTMENTS LIMITED	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
67	NON INDIVIDUAL	RWACOF EXPORTS(2006) SARL	WHOLESALE OF OTHERS PRODUCTS	GIKONDO	KIGALI CITY
68	NON INDIVIDUAL	CAMERWA ASBL	WHOLESALE OF OTHERS PRODUCTS	KACYIRU	KIGALI CITY
69	NON INDIVIDUAL	LAITERIE INYANGE- DAIRY SARL	MANUFACTURE OF DAIRY PRODUCTS	GIKONDO	KIGALI CITY
70	NON INDIVIDUAL	KIPHARMA	OTHER HUMAN HEALTH ACTIVITIES	NYARUGENGE	KIGALI CITY
71	NON INDIVIDUAL	FHI/RWANDA	OTHER HUMAN HEALTH ACTIVITIES	NYARUGENGE	KIGALI CITY
72	NON INDIVIDUAL	CENTRE HOSPITAIRE DE BUTARE (CHUB)	OTHER HUMAN HEALTH ACTIVITIES	BUTARE CITY	BUTARE
73	NON INDIVIDUAL	AAR HEALTH SERVICES RWANDA LIMITED	OTHER HUMAN HEALTH ACTIVITIES	KACYIRU	KIGALI CITY
74	NON INDIVIDUAL	FINA BANK S.A.	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
75	NON INDIVIDUAL	BANQUE DE KIGALI SARL	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
76	NON INDIVIDUAL	B.R.D., S.A	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
77	NON INDIVIDUAL	ECOBANK RWANDA S.A	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
78	NON INDIVIDUAL	COGEBANQUE SA	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
79	NON INDIVIDUAL	BANCOR SA	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
80	NON INDIVIDUAL	BCR, SA	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY

81	NON INDIVIDUAL	UNION DES BANQUES POPULAIRES DU RWANDA	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
82	NON INDIVIDUAL	B.H.R.	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
83	NON INDIVIDUAL	ZIGAMA CREDIT AND SAVINGS SOCIETY	OTHER MONETARY INTERMEDIATION	NYARUGENGE	KIGALI CITY
84	NON INDIVIDUAL	EPR	RESTAURANTS,BARS AND CANTEENS	NYARUGENGE	KIGALI CITY
85	NON INDIVIDUAL	HOTEL GORILLAS SARL	RESTAURANTS,BARS AND CANTEENS	NYARUGENGE	KIGALI CITY
86	NON INDIVIDUAL	LEGENDS AFRICA SARL	RESTAURANTS,BARS AND CANTEENS	NYARUGENGE	KIGALI CITY
87	NON INDIVIDUAL	SAKIRWA SARL	MANUFACTURE OF BASIC CHEMICALS	KICUKIRO	KIGALI CITY
88	NON INDIVIDUAL	BANDAG SA	MANUFACTURE OF RUBBER PRODUCTS	GIKONDO	KIGALI CITY
89	NON INDIVIDUAL	DALLAS INVESTMENT SARL	RETAIL SALE OF AUTOMOTIVE FUEL	NYARUGENGE	KIGALI CITY
90	NON INDIVIDUAL	DISCENTRE	RETAIL SALE OF AUTOMOTIVE FUEL	KICUKIRO	KIGALI CITY
91	NON INDIVIDUAL	GAPCO RWANDA SARL	RETAIL SALE OF AUTOMOTIVE FUEL	NYARUGENGE	KIGALI CITY
92	NON INDIVIDUAL	GEMECA RWANDA SARL	RETAIL SALE OF AUTOMOTIVE FUEL	NYARUGENGE	KIGALI CITY
93	NON INDIVIDUAL	STIPPAG RWANDA SARL	RETAIL SALE OF AUTOMOTIVE FUEL	KACYIRU	KIGALI CITY
94	NON INDIVIDUAL	SOPETRAD SARL	RETAIL SALE OF AUTOMOTIVE FUEL	NYARUGENGE	KIGALI CITY
95	NON INDIVIDUAL	KOBIL RWANDA SARL	RETAIL SALE OF AUTOMOTIVE FUEL	GISOZI	KIGALI CITY
96	NON INDIVIDUAL	DELTA PETROLEUM SARL	RETAIL SALE OF AUTOMOTIVE FUEL	NYARUGENGE	KIGALI CITY
97	NON INDIVIDUAL	CONFIANCE PETROLEUM SARL	RETAIL SALE OF AUTOMOTIVE FUEL	KICUKIRO	KIGALI CITY
98	NON INDIVIDUAL	SORWAL SA	MANUFACTURE OF PRODUCTS OF WOOD	BUTARE CITY	BUTARE
99	NON INDIVIDUAL	TABARWANDA SARL	MANUFACTURE OF TOBACCO PRODUCTS	KICUKIRO	KIGALI CITY
100	NON INDIVIDUAL	PREMIER TOBACCO COMPANY SA	MANUFACTURE OF TOBACCO PRODUCTS	GIKONDO	KIGALI CITY
101	NON INDIVIDUAL	RWACOM INDUSTRIES SARL	MANUFACTURE OF PLASTICS PRODUCTS	GISOZI	KIGALI CITY
102	NON INDIVIDUAL	COPIMAR	MINING OF NON-FERROUS METAL ORES	NYARUGENGE	KIGALI CITY
103	NON INDIVIDUAL	REDEMI	MINING OF NON-FERROUS METAL ORES	BULIZA	KIGALI-NGALI
104	NON INDIVIDUAL	PHOENIX METAL SARL	MINING OF NON-FERROUS METAL ORES	BULIZA	KIGALI-NGALI
105	NON INDIVIDUAL	IMPERIAL TRADING COMPANY SARL	MINING OF NON-FERROUS METAL ORES	GIKONDO	KIGALI CITY
106	NON INDIVIDUAL	METAL PROCESSING ASSOCIATION	MINING OF NON-FERROUS METAL ORES	RUBAVU	WEST
107	NON INDIVIDUAL	AFRICA PRIMARY TUNGSTEN SARL	OTHER MINING AND QUARRYING N.E.C.	KICUKIRO	KIGALI CITY
108	NON INDIVIDUAL	EMUGEKO SARL	BUILDING OF COMPLETE CONSTRUCTION	GIKONDO	KIGALI CITY
109	NON INDIVIDUAL	ENTREPRISES PIRARD SARL	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
110	NON INDIVIDUAL	FAIR CONSTRUCTION SARL	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
111	NON INDIVIDUAL	NPD - COTRACO SARL	BUILDING OF COMPLETE CONSTRUCTION	KICUKIRO	KIGALI CITY
112	NON INDIVIDUAL	SOBETRA SARL	BUILDING OF COMPLETE CONSTRUCTION	KANOMBE	KIGALI CITY
113	NON INDIVIDUAL	HYGEBAT SARL	BUILDING OF COMPLETE CONSTRUCTION	KACYIRU	KIGALI CITY
114	NON INDIVIDUAL	ECOGER SARL	BUILDING OF COMPLETE CONSTRUCTION	GIKONDO	KIGALI CITY
115	NON INDIVIDUAL	SNCTPC SARL	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
116	NON INDIVIDUAL	ENTREPRISE HYDROBATEL SARL	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
117	NON INDIVIDUAL	ROKO-RWANDA SARL	BUILDING OF COMPLETE CONSTRUCTION	GIKONDO	KIGALI CITY
118	NON INDIVIDUAL	GRINAKER LTA FAIR CONSTUCTION	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
119	NON INDIVIDUAL	CHINA CIVIL ENGINEERING CONSTRUCTION CORP	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
120	NON INDIVIDUAL	REAL CONTRACTORS SARL	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
121	NON INDIVIDUAL	BL HARBERT RWANDA LIMITED	BUILDING OF COMPLETE CONSTRUCTION	GASABO	KIGALI CITY
122	NON INDIVIDUAL	KABUYE SUGAR WORKS SARL	MANUFACTURE OF OTHER FOOD PRODU	BULIZA	KIGALI-NGALI



123	NON INDIVIDUAL	OCIR CAFE	MANUFACTURE OF OTHER FOOD PRODU	GIKONDO	KIGALI CITY
124	NON INDIVIDUAL	ADMA INTERNATIONAL LIMITED	MANUFACTURE OF OTHER FOOD PRODU	KACYIRU	KIGALI CITY
125	NON INDIVIDUAL	CAFERWA SARL	MANUFACTURE OF OTHER FOOD PRODU	NYARUGENGE	KIGALI CITY
126	NON INDIVIDUAL	BOULANGERIE INDUSTRIELLE DU RWANDA	MANUFACTURE OF OTHER FOOD PRODU	GIKONDO	KIGALI CITY
127	NON INDIVIDUAL	ONATRACOM	SCHEDULED PASSENGER LAND TRANSPC	NYARUGENGE	KIGALI CITY
128	NON INDIVIDUAL	ATRACO	SCHEDULED PASSENGER LAND TRANSPC	NYAMIRAMBO	KIGALI CITY
129	NON INDIVIDUAL	SOCOBICO SARL	MANUFACTURE OF OTHER PAPER PRODU	NYARUGENGE	KIGALI CITY
130	NON INDIVIDUAL	(CRS)	FOREIGN NON GOVERNMENTAL ORGANI	GASABO	KIGALI CITY
131	NON INDIVIDUAL	CARE INTERNATIONAL	FOREIGN NON GOVERNMENTAL ORGANI	KACYIRU	KIGALI CITY
132	NON INDIVIDUAL	SOS VILLAGES D'ENFANTS RWANDA-DIRECTION NATIONA	FOREIGN NON GOVERNMENTAL ORGANI	KACYIRU	KIGALI CITY
133	NON INDIVIDUAL	KOBIL PETROLEUM RWANDA SARL	OTHER SUPPORTING TRANSPORT ACTIVI	NYARUGENGE	KIGALI CITY
134	NON INDIVIDUAL	CIVIL AVIATION AUTHORITY	OTHER SUPPORTING TRANSPORT ACTIVI	KANOMBE	KIGALI CITY
135	NON INDIVIDUAL	ITEX SARL	RETAIL SALE IN NON-SPECIALIZED STOR	NYARUGENGE	KIGALI CITY
136	NON INDIVIDUAL	SOCIT SARL	RETAIL SALE IN NON-SPECIALIZED STOR	NYARUGENGE	KIGALI CITY
137	NON INDIVIDUAL	VENUS RWANDA SARL	RETAIL SALE IN NON-SPECIALIZED STOR	NYARUGENGE	KIGALI CITY
138	NON INDIVIDUAL	GECO SARL	RETAIL SALE IN NON-SPECIALIZED STOR	NYARUGENGE	KIGALI CITY
139	NON INDIVIDUAL	ETELEC SARL	ACTIVITIES OF OTHER TRANSPORT AGEN	KICUKIRO	KIGALI CITY
140	NON INDIVIDUAL	RWANDA FOAM SARL	MANUFACTURE OF OTHER CHEMICAL PR	KACYIRU	KIGALI CITY
141	NON INDIVIDUAL	SULFO RWANDA INDUSTRIES	MANUFACTURE OF OTHER CHEMICAL PR	NYARUGENGE	KIGALI CITY
142	NON INDIVIDUAL	SADOLIN PAINTS (RWANDA) SARL	MANUFACTURE OF OTHER CHEMICAL PR	NYARUGENGE	KIGALI CITY
143	NON INDIVIDUAL	CIMERWA LTD	MANUFACTURE OF OTHER CHEMICAL PR	RUSIZI	WEST
144	NON INDIVIDUAL	U.H.C.	MEDICAL AND DENTAL PRACTICE ACTIV	NYARUGENGE	KIGALI CITY
145	NON INDIVIDUAL	MFI OFFICE SOLUTIONS SARL	OTHER RETAIL SALE IN SPECIALIZED ST	KACYIRU	KIGALI CITY
146	NON INDIVIDUAL	GILL TRADING SARL	OTHER RETAIL SALE IN SPECIALIZED ST	NYARUGENGE	KIGALI CITY
147	NON INDIVIDUAL	AZ IMPEX SARL	MAINTENANCE AND REPAIR OF MOTOR	GIKONDO	KIGALI CITY
148	NON INDIVIDUAL	SAR MOTORS	MAINTENANCE AND REPAIR OF MOTOR	KACYIRU	KIGALI CITY
149	NON INDIVIDUAL	AUTO TRANSPORT COMPANY	MAINTENANCE AND REPAIR OF MOTOR	KICUKIRO	KIGALI CITY
150	NON INDIVIDUAL	RWANDA FOURNITURE WORKS SARL	MANUFACTURE OF OTHER TRANSPORT I	KICUKIRO	KIGALI CITY
151	NON INDIVIDUAL	BENALCO	WHOLESALE OF FOOD, BEVERAGES AND	NYARUGENGE	KIGALI CITY
152	NON INDIVIDUAL	EXPRESS ENTERPRISES	WHOLESALE OF FOOD, BEVERAGES AND	NYARUGENGE	KIGALI CITY
153	NON INDIVIDUAL	M & BICO S.A.R.L	WHOLESALE OF FOOD, BEVERAGES AND	NYARUGENGE	KIGALI CITY
154	NON INDIVIDUAL	SOCOEDI S.A	WHOLESALE OF FOOD, BEVERAGES AND	NYARUGENGE	KIGALI CITY
155	NON INDIVIDUAL	HASSAN PETROLEUM RWANDA SARL	MANUFACTURE OF REFINED PETROLEUM	NYARUGENGE	KIGALI CITY
156	NON INDIVIDUAL	BRICOTECH SARL	RETAIL SALE OF HARDWARE, PAINTS AN	NYARUGENGE	KIGALI CITY
157	NON INDIVIDUAL	SECAM SARL	MAINTENANCE AND REPAIR OF OFFICE C	NYARUGENGE	KIGALI CITY
158	NON INDIVIDUAL	COMPULEC RWANDA SARL	MAINTENANCE AND REPAIR OF OFFICE C	NYARUGENGE	KIGALI CITY
159	NON INDIVIDUAL	RWANDA NETWORK COMPUTER SARL	MAINTENANCE AND REPAIR OF OFFICE C	KICUKIRO	KIGALI CITY
160	NON INDIVIDUAL	BAMBINO SUPER CITY	SPORTING AND OTHER RECREATIONAL A	NYARUGENGE	KIGALI CITY
161	NON INDIVIDUAL	NATIONAL SECURITY SERVICE/IMMIGRATION ET EMIGRA	GENERAL (OVERALL) PUBLIC SERVICE A	GASABO	KIGALI CITY
162	NON INDIVIDUAL	MIFOTRA	GENERAL (OVERALL) PUBLIC SERVICE A	KACYIRU	KIGALI CITY
163	NON INDIVIDUAL	MINISTRY OF FINANCE AND ECONOMIC PLANNING	GENERAL (OVERALL) PUBLIC SERVICE A	NYARUGENGE	KIGALI CITY
164	NON INDIVIDUAL	SCIEX SARL	RETAIL SALE OF TEXTILES, CLOTHING, F	NYARUGENGE	KIGALI CITY

165	NON INDIVIDUAL	AKAGERA MOTORS SARL	SALE OF MOTOR VEHICLE PARTS AND AC	NYARUGENGE	KIGALI CITY
166	NON INDIVIDUAL	INTERTRADE F&C SARL	SALE OF MOTOR VEHICLE PARTS AND AC	NYARUGENGE	KIGALI CITY
167	NON INDIVIDUAL	RWANDA MOTOR PARTS SA	SALE OF MOTOR VEHICLE PARTS AND AC	NYARUGENGE	KIGALI CITY
168	NON INDIVIDUAL	BRIQUETERIE RWANDAISE RULIBA SA	MANUFACTURE OF NON-METALLIC MIN	BUTAMWA	KIGALI CITY
169	NON INDIVIDUAL	IMPRIMERIE DE KIGALI	MANUFACTURE OF NON-METALLIC MIN	KACYIRU	KIGALI CITY
170	NON INDIVIDUAL	RWANDA PLASTIC INDUSTRIES SARL	MANUFACTURE OF NON-METALLIC MIN	GIKONDO	KIGALI CITY
171	NON INDIVIDUAL	SOCIETE RWANDAISE DE BATTERIES SRB	MANUFACTURE OF NON-METALLIC MIN	GIKONDO	KIGALI CITY
172	NON INDIVIDUAL	CIMERWA	MANUFACTURE OF NON-METALLIC MIN	BUGARAMA	CYANGUGU
173	NON INDIVIDUAL	AFRITEX SARL	WHOLESALE OF TEXTILES, CLOTHING AN	NYARUGENGE	KIGALI CITY
174	NON INDIVIDUAL	SORECO SARL	WHOLESALE OF TEXTILES, CLOTHING AN	NYARUGENGE	KIGALI CITY
175	NON INDIVIDUAL	KENLI SARL	WHOLESALE OF TEXTILES, CLOTHING AN	NYARUGENGE	KIGALI CITY
176	NON INDIVIDUAL	KPS ASSOCIATES	BUSINESS AND MANAGEMENT CONSULT	NYARUGENGE	KIGALI CITY
177	NON INDIVIDUAL	ABACUS PHARMA SARL	RETAIL SALE OF PHARMACEUTICAL ANI	NYARUGENGE	KIGALI CITY
178	NON INDIVIDUAL	INTERSEC SECURITY COMPANY	ACTIVITIES AUXILIARY TO FINANCIAL I	NYARUGENGE	KIGALI CITY
179	NON INDIVIDUAL	OFFICE DE L'AUDITEUR GENERAL	ACTIVITIES AUXILIARY TO FINANCIAL I	KICUKIRO	KIGALI CITY
180	NON INDIVIDUAL	SIMTEL SA	ACTIVITIES AUXILIARY TO FINANCIAL I	KACYIRU	KIGALI CITY
181	NON INDIVIDUAL	AKAGERA GAME LODGE S.A	ACTIVITIES OF TRAVEL AGENCIES AND T	TRUKARA	UMUTARA
182	NON INDIVIDUAL	ORTPN	ACTIVITIES OF TRAVEL AGENCIES AND T	NYARUGENGE	KIGALI CITY
183	NON INDIVIDUAL	COMMISSION NATIONALE ELECTORALE	SUPPORTING SERVICE ACTIVITIES FOR T	NYARUGENGE	KIGALI CITY
184	NON INDIVIDUAL	RWANDA REVENUE AUTHORITY	SUPPORTING SERVICE ACTIVITIES FOR T	NYARUGENGE	KIGALI CITY
185	NON INDIVIDUAL	PSI-RWANDA	PROVISION OF SERVICES TO THE COMMU	KACYIRU	KIGALI CITY
186	NON INDIVIDUAL	B.N.R.	PROVISION OF SERVICES TO THE COMMU	NYARUGENGE	KIGALI CITY
187	NON INDIVIDUAL	FORAKY AFRICA RWANDA SARL	COLLECTION, PURIFICATION AND DISTR	GIKONDO	KIGALI CITY
188	NON INDIVIDUAL	SOCIETE GRANDS LACS-CONSTRUCTION-GLC SARL	REAL ESTATE ACTIVITIES WITH OWN OR	NYARUGENGE	KIGALI CITY
189	NON INDIVIDUAL	UNION TRADE CENTER SA (UTC)	REAL ESTATE ACTIVITIES WITH OWN OR	NYARUGENGE	KIGALI CITY
190	NON INDIVIDUAL	I.N.R. SARL	PRINTING AND SERVICE ACTIVITIES REL	NYARUGENGE	KIGALI CITY
191	NON INDIVIDUAL	IMPRIMERIE DE KABGAYI	PRINTING AND SERVICE ACTIVITIES REL	GITARAMA CITY	GITARAMA
192	NON INDIVIDUAL	PRINTER SET SARL	PRINTING AND SERVICE ACTIVITIES REL	NYARUGENGE	KIGALI CITY
193	NON INDIVIDUAL	COFICO SARL	PRINTING AND SERVICE ACTIVITIES REL	KACYIRU	KIGALI CITY
194	NON INDIVIDUAL	AGROTECH	AGRICULTURAL AND ANIMAL HUSBAND	NYARUGENGE	KIGALI CITY
195	NON INDIVIDUAL	ELECTROGAZ	PRODUCTION, TRANSMISSION AND DIST	NYARUGENGE	KIGALI CITY
196	NON INDIVIDUAL	MURENZI SUPPLY COMPANY	WHOLESALE OF AGRICULTURAL RAW M	NYARUGENGE	KIGALI CITY
197	NON INDIVIDUAL	COFFEE BUSINESS CENTER SARL	WHOLESALE OF AGRICULTURAL RAW M	GIKONDO	KIGALI CITY
198	NON INDIVIDUAL	BEAR SARL	ARCHITECTURAL, ENGINEERING AND OT	NYARUGENGE	KIGALI CITY
199	NON INDIVIDUAL	CENTENARY HOUSE(CARITAS RWANDA)	ARCHITECTURAL, ENGINEERING AND OT	NYARUGENGE	KIGALI CITY
200	NON INDIVIDUAL	OFFICE RWANDAIS DE LA NORMALISATION	RESEARCH AND DEVELOPMENT ON SOC	KICUKIRO	KIGALI CITY
201	NON INDIVIDUAL	SONATUBES SARL	MANUFACTURE OF STRUCTURAL METAL	KICUKIRO	KIGALI CITY
202	NON INDIVIDUAL	TOLIRWA SA	MANUFACTURE OF STRUCTURAL METAL	GIKONDO	KIGALI CITY
203	NON INDIVIDUAL	NKORA COFFEE SARL	MANUFACTURE OF GRAIN MILL PRODUC	NYARUGENGE	KIGALI CITY
204	NON INDIVIDUAL	IRST	RESEARCH AND DEVELOPMENT ON NAT	BUTARE CITY	BUTARE
205	NON INDIVIDUAL	DELOITTE & TOUCHE RWANDA SARL	ACCOUNTING, BOOKKEEPING AND AUDI	KACYIRU	KIGALI CITY
206	NON INDIVIDUAL	BCK	RETAIL SALE OF FOOD, BEVERAGES AND	NYARUGENGE	KIGALI CITY

207	NON INDIVIDUAL	PLANET PRODUCTS SARL	RETAIL SALE OF FOOD, BEVERAGES AND	KICUKIRO	KIGALI CITY
208	NON INDIVIDUAL	UNIVERSAL TRADING SARL	RETAIL SALE OF FOOD, BEVERAGES AND	GIKONDO	KIGALI CITY
209	NON INDIVIDUAL	CITY MARKET SARL	RETAIL SALE OF FOOD, BEVERAGES AND	NYARUGENGE	KIGALI CITY
210	NON INDIVIDUAL	PETROCOM SARL	WHOLESALE OF SOLID, LIQUID AND GAS	NYARUGENGE	KIGALI CITY
211	NON INDIVIDUAL	SOCOPETROL SARL	WHOLESALE OF SOLID, LIQUID AND GAS	NYARUGENGE	KIGALI CITY
212	NON INDIVIDUAL	CXA(CALTEX) RWANDA SARL	WHOLESALE OF SOLID, LIQUID AND GAS	KANOMBE	KIGALI CITY
213	NON INDIVIDUAL	TOTAL RWANDA SARL	WHOLESALE OF SOLID, LIQUID AND GAS	NYARUGENGE	KIGALI CITY
214	NON INDIVIDUAL	SOCIETE PETROLIERE S.A.R.L	WHOLESALE OF SOLID, LIQUID AND GAS	GIKONDO	KIGALI CITY
215	NON INDIVIDUAL	DALBIT PETROLEUM KIGALI SARL	WHOLESALE OF SOLID, LIQUID AND GAS	KACYIRU	KIGALI CITY
216	NON INDIVIDUAL	GEMECA PETROLEUM	WHOLESALE OF SOLID, LIQUID AND GAS	NYAMIRAMBO	KIGALI CITY
217	NON INDIVIDUAL	ORINFOR	MOTION PICTURE, RADIO, TELEVISION A	NYARUGENGE	KIGALI CITY
218	NON INDIVIDUAL	RADIO 10 SARL	MOTION PICTURE, RADIO, TELEVISION A	KACYIRU	KIGALI CITY
219	NON INDIVIDUAL	NEW ARTEL SARL	MOTION PICTURE, RADIO, TELEVISION A	KACYIRU	KIGALI CITY
220	NON INDIVIDUAL	ELECTROMAX SARL- AMAZI YA HUYE S.A.R.L	WHOLESALE OF CONSTRUCTION MATER	NYARUGENGE	KIGALI CITY
221	NON INDIVIDUAL	SOFARU SARL	WHOLESALE OF CONSTRUCTION MATER	NYARUGENGE	KIGALI CITY
222	NON INDIVIDUAL	SOFABIGERWA SARL	WHOLESALE OF CONSTRUCTION MATER	NYARUGENGE	KIGALI CITY
223	INDIVIDUAL	HOTEL CHEZ LANDO	HOTEL	KACYIRU	KIGALI CITY
224	INDIVIDUAL	HOTEL ISIMBI	HOTEL	NYARUGENGE	KIGALI CITY
225	INDIVIDUAL	HOTEL CREDO ET EGECOR	HOTEL	BUTARE CITY	BUTARE
226	INDIVIDUAL	IMPRIMERIE SELECT GRAPH	PUBLISHING	KICUKIRO	KIGALI CITY
227	INDIVIDUAL	SAMEER HUSEIN	SALE OF MOTOR VEHICLES	NYARUGENGE	KIGALI CITY
228	INDIVIDUAL	AFRIFOAM	MANUFACTURE OF TEXTILES	NYARUGENGE	KIGALI CITY
229	INDIVIDUAL	ETS GAKWAYA ETIENNE	MANUFACTURE OF BEVERAGES	KACYIRU	KIGALI CITY
230	INDIVIDUAL	IMPRIMERIE PAPETERIENNOUVELLE	OTHER SERVICE ACTIVITIES	NYAMIRAMBO	KIGALI CITY
231	INDIVIDUAL	FLAMINGO RESTAURANT	RESTAURANTS AND CANTEENS	GISOZI	KIGALI CITY
232	INDIVIDUAL	LA GALETTE	RESTAURANTS AND CANTEENS	NYARUGENGE	KIGALI CITY
233	INDIVIDUAL	RESTAURENT CHEZ JOHN	RESTAURANTS AND CANTEENS	NYARUGENGE	KIGALI CITY
234	INDIVIDUAL	ETS NKUBILI ALFRED & SONS	GROWING OF COFFEE AND TEA	KACYIRU	KIGALI CITY
235	INDIVIDUAL	NZARAMBA EDOUARD	RETAIL TRADE NOT IN STORES	KACYIRU	KIGALI CITY
236	INDIVIDUAL	ETS JOBANPUTRAS	WHOLESALE OF HOUSEHOLD GOODS	NYARUGENGE	KIGALI CITY
237	INDIVIDUAL	ETS HARJIT	WHOLESALE OF OTHERS PRODUCTS	KACYIRU	KIGALI CITY
238	INDIVIDUAL	KALISA APPOLON DON	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
239	INDIVIDUAL	NDOLI'S JOINT	WHOLESALE OF OTHERS PRODUCTS	KACYIRU	KIGALI CITY
240	INDIVIDUAL	SUBIRA ENTERPRISES	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
241	INDIVIDUAL	ROBA GENERAL MERCHANTS	WHOLESALE OF OTHERS PRODUCTS	NYARUGENGE	KIGALI CITY
242	INDIVIDUAL	ETS KALINDA SEKWEKWE	RETAIL SALE OF AUTOMOTIVE FUEL	NYAMIRAMBO	KIGALI CITY
243	INDIVIDUAL	ETS NKUSI EVARISTE (STATION MAXI)	RETAIL SALE OF AUTOMOTIVE FUEL	NYARUGENGE	KIGALI CITY
244	INDIVIDUAL	CITIEX	RETAIL SALE OF AUTOMOTIVE FUEL	NYARUGENGE	KIGALI CITY
245	INDIVIDUAL	COMECA	BUILDING OF COMPLETE CONSTRUCTION	KACYIRU	KIGALI CITY
246	INDIVIDUAL	ENTREPRISE MUBILIGI PAUL (EMP)	BUILDING OF COMPLETE CONSTRUCTION	GASABO	KIGALI CITY
247	INDIVIDUAL	ENTREPRISE MUGARURA ALEXIS (EMA)	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY
248	INDIVIDUAL	ESE USENGIMANA RICHARD(EUR)	BUILDING OF COMPLETE CONSTRUCTION	NYARUGENGE	KIGALI CITY

249	INDIVIDUAL	UPROTUR	MANUFACTURE OF BASIC IRON AND STEEL	KACYIRU	KIGALI CITY
250	INDIVIDUAL	ANIK RWANDA	MANUFACTURE OF OTHER PAPER PRODUCTS	NYARUGENGE	KIGALI CITY
251	INDIVIDUAL	KAZERWA BRASIUS	OTHER SUPPORTING TRANSPORT ACTIVITIES	NYARUGENGE	KIGALI CITY
252	INDIVIDUAL	ETS VERMA	RETAIL SALE IN NON-SPECIALIZED STORES	NYARUGENGE	KIGALI CITY
253	INDIVIDUAL	GASARABWE ALPHONSE	RETAIL SALE IN NON-SPECIALIZED STORES	NYARUGENGE	KIGALI CITY
254	INDIVIDUAL	RWACOM & STAR PHARMACY	RETAIL SALE IN NON-SPECIALIZED STORES	NYARUGENGE	KIGALI CITY
255	INDIVIDUAL	KARANGWA FIDELE	RETAIL SALE IN NON-SPECIALIZED STORES	NYARUGENGE	KIGALI CITY
256	INDIVIDUAL	KALINGANIRE YUSUFU	RETAIL SALE IN NON-SPECIALIZED STORES	NYARUGENGE	KIGALI CITY
257	INDIVIDUAL	SEKIMONDO VINCENT	RETAIL SALE IN NON-SPECIALIZED STORES	KACYIRU	KIGALI CITY
258	INDIVIDUAL	M-S KJENTERPRISES	RETAIL SALE IN NON-SPECIALIZED STORES	NYAMIRAMBO	KIGALI CITY
259	INDIVIDUAL	IDEM	RETAIL SALE IN NON-SPECIALIZED STORES	NYARUGENGE	KIGALI CITY
260	INDIVIDUAL	AMEKI	MANUFACTURE OF OTHER CHEMICAL PRODUCTS	KICUKIRO	KIGALI CITY
261	INDIVIDUAL	ERI-RWANDA	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO	NYARUGENGE	KIGALI CITY
262	INDIVIDUAL	BUSINGE PASCASIE	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO	NYARUGENGE	KIGALI CITY
263	INDIVIDUAL	SANDE FRANCIS	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO	NYARUGENGE	KIGALI CITY
264	INDIVIDUAL	MUKABALISA PELAGIE	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO	KACYIRU	KIGALI CITY
265	INDIVIDUAL	BITWAYIKI ANDRE	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO	NYARUGENGE	KIGALI CITY
266	INDIVIDUAL	SEMBAGARE JEAN PIERRE	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO	NYARUGENGE	KIGALI CITY
267	INDIVIDUAL	URWIBUTSO	WHOLESALE OF FOOD, BEVERAGES AND TOBACCO	RULINDO	KIGALI-NGALI
268	INDIVIDUAL	KIRENGA EDOUARD	RETAIL SALE OF HARDWARE, PAINTS AND GLASS	NYARUGENGE	KIGALI CITY
269	INDIVIDUAL	QUINCAILLERIE ALPHA	RETAIL SALE OF HARDWARE, PAINTS AND GLASS	KACYIRU	KIGALI CITY
270	INDIVIDUAL	NZABAKIRANA EDOUARD	RETAIL SALE OF TEXTILES, CLOTHING, FOOTWEAR	NYARUGENGE	KIGALI CITY
271	INDIVIDUAL	NEW HOPE ELECTRONICS	WHOLESALE OF TEXTILES, CLOTHING AND FOOTWEAR	NYARUGENGE	KIGALI CITY
272	INDIVIDUAL	NSENGIYUMVA FRANCOIS	WHOLESALE OF TEXTILES, CLOTHING AND FOOTWEAR	NYARUGENGE	KIGALI CITY
273	INDIVIDUAL	NKUNDUNKUNDIYE JEAN BOSCO	GROWING OF CROPS; MARKET GARDENING	KACYIRU	KIGALI CITY
274	INDIVIDUAL	ALPINE	COLLECTION, PURIFICATION AND DISTRIBUTION OF WATER	GIKONDO	KIGALI CITY
275	INDIVIDUAL	FEROZ STATIONNERY CENTER	PRINTING AND SERVICE ACTIVITIES RELATED TO INFORMATION	NYARUGENGE	KIGALI CITY
276	INDIVIDUAL	CHEZ VENANT	RETAIL SALE OF FOOD, BEVERAGES AND TOBACCO	KACYIRU	KIGALI CITY
277	INDIVIDUAL	IBAMBASI STEVEN	RETAIL SALE OF FOOD, BEVERAGES AND TOBACCO	NYARUGENGE	KIGALI CITY
278	INDIVIDUAL	TWAGIRUMUKIZA FRANCOIS	RETAIL SALE OF FOOD, BEVERAGES AND TOBACCO	NYARUGENGE	KIGALI CITY
279	INDIVIDUAL	KLSS STATION	WHOLESALE OF SOLID, LIQUID AND GAS	KACYIRU	KIGALI CITY
280	INDIVIDUAL	SOURCE OIL	WHOLESALE OF SOLID, LIQUID AND GAS	KACYIRU	KIGALI CITY
281	INDIVIDUAL	LUNA ENTERPRISES	WHOLESALE OF SOLID, LIQUID AND GAS	KACYIRU	KIGALI CITY
282	INDIVIDUAL	COMPTOIR PRODUITS QUINCAILLERIE CPQ	WHOLESALE OF CONSTRUCTION MATERIALS	NYARUGENGE	KIGALI CITY
283	INDIVIDUAL	MAGASIN LE TRIO	WHOLESALE OF CONSTRUCTION MATERIALS	NYARUGENGE	KIGALI CITY
284	INDIVIDUAL	MATECO( MATERIALS DE CONSTRUCTION)	WHOLESALE OF CONSTRUCTION MATERIALS	KACYIRU	KIGALI CITY
285	INDIVIDUAL	ETS TRY-GOAL	WHOLESALE OF CONSTRUCTION MATERIALS	NYARUGENGE	KIGALI CITY
286	INDIVIDUAL	QUINCAILLERIE MUHIRWA	WHOLESALE OF CONSTRUCTION MATERIALS	NYARUGENGE	KIGALI CITY

**Appendix 1****UNIVERSITY OF KWAZULU-NATAL  
SCHOOL OF ACCOUNTING**

Dear respondent,

Research project: “*Rwandan corporate reporting and international requirements*”

Researcher:

Théobard Ntukabumwe

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Po. Box: 7112 Kigali- RWANDA

Supervisor:

Prof. Lesley Stainbank

Tel: +27- (031)-260-2164

M- Block - School of Accounting

University of KwaZulu-Natal

South Africa

I am Théobard Ntukabumwe, a Masters student, in the School of Accounting at the University of KwaZulu-Natal. You are invited to participate in a research project entitled: “*Rwandan corporate reporting and international requirements*”. The objective of this study is to identify the way Rwandan corporate companies report.

Through your participation, I hope to understand the structure of Rwandan corporate reporting. The results of the survey are intended to contribute to improving the quality of Rwandan corporate reporting.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. Confidentiality and anonymity of records identifying you as a participant will be maintained by the School of Accounting of the University of KwaZulu-Natal.

The survey should take you about 15 minutes to complete. I hope you will take the time to complete this survey.

If you have any questions or concerns about completing the questionnaire or about being in this study, you may contact me or my supervisor on the above addresses. This project has been approved by the Ethical Clearance Committee at the University of KwaZulu-Natal.

Consent.

I have read and understand the content of this document and the nature of the research project, and I consent to participating in the research project. I therefore, understand that participation is voluntary and that I am at liberty to withdraw from the project at any time, should I so desire.

Participant's signature .....Date .....

Sincerely.

Théobard Ntukabumwe

## **INTRODUCTION**

This questionnaire is designed to investigate the corporate and narrative reporting of Rwandan companies. The reason for carrying out this study came from the realization that there are wide ranging shortcomings in Rwandan corporate reporting for both financial and non-financial information. The study aims to identify gaps in corporate reporting in Rwanda and be useful in improving Rwandan corporate reporting to meet international requirements. Such a study will not only show potential stakeholders the current reporting status of Rwandan corporate companies as compared to international financial reporting standards and worldwide narrative reporting recommendations, but will also pave a way for future research and improvements.

This is a short summary of the present study's background. To respond to this questionnaire, please follow the instructions below:

- For closed questions; tick (√ ) on the appropriate box or circle the number corresponding to your response.
- For open ended questions; answer in the provided lines.

**1 IDENTIFICATION**

1.1 Name of company (optional).....  
 .....

1.2 Into which category below, does your company fall?

a	Financial	
b	Manufacturing	
c	Mining	
d	Wholesale trading	
e	Other (please specify)..... .....	

1.3 When was your company incorporated?

a	Before Genocide (1994)	
b	After Genocide (1994)	

1.4 Where is the head office of your company located?

a	Kigali	
b	Outside Kigali	

1.5 In which category of number of employees below does your company belong?

a	1 to 49	
b	50 to 199	
c	200 or more	



1.6 The Rwanda Development Bank (RDB) provides the following ranges for Rwandan companies' categorisation. Please indicate in which category your company falls?

a	Turnover ( Rwf million)			
	Micro-Enterprise	Small Enterprise	Medium Enterprise	Corporate Enterprise
	Below 0,9	Between 0.9 and 36	Between 36 and 150	Above 150
	1	2	3	4
b	Total assets (Rwf million)			
	Micro-Enterprise	Small Enterprise	Medium Enterprise	Corporate Enterprise
	Below 1.5	Between 1.5 and 45	Between 45 and 225	Above 225
	1	2	3	4

1.7 Which of the departments listed below is responsible for the preparation of the annual financial reports of your company?

a	Accounting department	
b	Finance department	
c	Public relations department	
d	Other (please specify)..... .....	

1.8 What is your current position in your company?.....  
.....

1.9 What is your professional qualification?.....  
.....

1.10 For how many years have you been in the current position?

a	1 to 4 years	
b	5 to 9 years	
c	10 or more	

## 2 RWANDAN CORPORATE REPORTING

2.1 Does your company prepare an annual report?

a	Yes	
b	No	

2.2 If your answer to 2.1 is “no”, proceed to question 2.4.

If your answer to 2.1 is “yes”, which standards are used?

a	Rwandan National Accounting Plan	
b	Organisation Commune des Etats Africains, Malgache et Mauriciens (OCAM) Plan	
c	International Financial Reporting Standards (IFRS)	
d	French Accounting Plan	
e	Other (please specify)..... .....	

2.3 Does your company’s annual report include the following?

a	Auditor’s report	
b	Directors’ report	
c	A balance sheet	
d	An income statement	
e	A cash flow statement	
f	A statement of changes in equity	
g	Notes to the financial statements	
h	Financial highlights	
i	Narrative report	
j	Other (please specify)..... .....	

2.4 If your company does not prepare an annual report, which other kind of report do you prepare vis-à-vis stakeholders?

.....  
.....

If your answer to 2.1 was “no”, proceed to section 5.

**NB!** Complete this section only if your response to question 2.1 is “yes”.

### 3 ANNUAL FINANCIAL REPORTS OF RWANDAN CORPORATE COMPANIES

3.1 The following questions require you to provide your opinion or a number of issues relating to corporate financial reporting. Our current financial statement presentation is suitable?

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

3.2 Below are some assertions from International Accounting Standard (IAS) 1. Please indicate your agreement or disagreement with the following statements.

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a	Financial statements, except for the statement of cash flow, are prepared on accrual basis	1	2	3	4	5
b	Financial statements are prepared on a going concern basis and this is disclosed	1	2	3	4	5
c	A complete set of annual financial statements contains a statement of financial position as at the end of the period.	1	2	3	4	5
d	A complete set of annual financial statements contains a statement of comprehensive income for the period.	1	2	3	4	5
e	A complete set of annual financial statements contains a statement of cash flows for the period.	1	2	3	4	5
	A complete set of annual financial statements contains a statement of financial position as at the beginning of	1	2	3	4	5

	the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.					
f	A complete set of annual financial statements contains a statement of changes in equity for the period.	1	2	3	4	5
g	A complete set of annual financial statements contains notes, comprising a summary of significant accounting policies and other explanatory information.	1	2	3	4	5

3.3 IAS 1 paragraph 81 and 68A outlines the minimum information that is presented in a balance sheet; kindly indicate if your annual report discloses each of those elements listed below.

3.3.1 Paragraph 68

a	Property, plant and equipment	
b	Investment property	
c	Intangible assets	
d	Financial assets (excluding amounts shown under (e), (h) and (i))	
e	Investments accounted for using the equity method	
f	Biological assets	
g	Inventories	
h	Trade and other receivables	
i	Cash and cash equivalents	
j	Trade and other payables	
k	Provisions	
l	Financial liabilities (excluding amounts shown under (j) and (k))	

m	Liabilities and assets for current tax, as defined in IAS 12 <i>Income Taxes</i>	
n	Deferred tax liabilities and deferred tax assets, as defined in IAS 12	
o	Minority interest, presented within equity	
p	Issued capital and reserves attributable to equity holders of the parent	

### 3.3.2 Paragraph 68A

a	The total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	
b	Liabilities included in disposal groups classified as held for sale in accordance with IFRS 5	

3.4 IAS 1 paragraph 81 and 82 state the minimum information that should be presented in an income statement; kindly state if your annual report discloses those elements below.

### 3.4.1 Paragraph 81

a	Revenue	
b	Finance costs	
c	Share of the profit or loss of associates and joint ventures accounted for using the equity method	
d	Tax expense	
e	A single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation	
f	Profit or loss	

### 3.4.2 Paragraph 82

a	Profit or loss attributable to minority interest	
b	Profit or loss attributable to equity holders of the parent	

**NB!** Proceed with this section only if your response to question 2.1 was “yes”.

**4 RWANDAN CORPORATE NARRATIVE REPORTING**

PricewaterhouseCoopers (2006)<sup>1</sup> defines ‘narrative reporting’ as the contents of the sections usually referred to as Management Discussion and Analysis (MD&A) or Operating and Financial Review (OFR) that are commonly located in the front sections of corporate annual reports.

4.1 Does your company prepare narrative disclosures within its annual report?

a	Yes	
b	No	

4.2 Do you think these narrative disclosures are useful to the users of annual reports?

a	Yes	
b	No	

c Provide reasons for your answer.....  
 .....

4.3 If “yes”, please indicate if you provide the following disclosures in your annual report? If your answer is “no”, please proceed to question 4.3

a	Sustainability report	
b	Corporate governance report	
c	Management discussion and analysis/Operating and financial review	
d	Directors’ report	
e	Other (please specify)..... .....	

4.4 What would you describe as being narrative reporting in an annual report?

a	Sustainability report	
b	Corporate governance report	
c	Management discussion and analysis/Operating and Financial review	
d	Directors’ report	
e	Other (please specify)..... .....	

4.5 How suitable do you perceive narrative reporting in Rwandan corporate companies?

Very Unsuitable	Unsuitable	Indifferent	Suitable	Very Suitable
1	2	3	4	5

4.5 What would be your opinion about the following assertion? “An annual report is made of two main parts; financial statements and narrative reporting”.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

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<sup>1</sup> PricewaterhouseCoopers 2007, *Trends in corporate reporting*, [online]. Available from: <http://www.answers.com/PricewaterhouseCoopers?cat=biz-fin> . [Accessed 20<sup>th</sup> October 2007].

**5 GENERAL QUESTIONS**

5.1 According to your experience, how similar do you consider Rwandan corporate reporting to IFRS?

Totally different	Not similar	Do not know	Similar	Identical
1	2	3	4	5

5.2 Do you think it is necessary to improve the quality of corporate reporting in Rwanda?  
(Provide a reason for your answer)

a	Yes	
b	No	

.....  
 .....

5.3 If your answer is “yes” to this previous question, do you think Rwanda should adopt IFRS?

a	Yes	
b	No	

5.4 If your answer is “yes” to question 5.2:

a What do you think could be done to improve the quality of Rwandan corporate financial reporting?

.....  
 .....

b What do you think should be necessary to improve the quality of narrative reporting in Rwandan companies?

.....  
 .....

**Thank you!**

Please post back to:

Theobard Ntukabumwe  
 Postal address: 1576 Kigali