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Desktop Review of Ifrs Compliance, Disclosure and Relevance of Financial Statements as Perceived by Investors with Regards to their Decision Making

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Abstract: The objective of financial statements as according to the Conceptual Framework is that financial statements are prepared so as to provide useful information for decision making to their users. However, there has been a growing dissatisfaction with financial statements and disclosures particularly shown by investors. The aim of this desktop research is to investigate IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making. The research findings according to literature reviewed showed that investors still perceive financial statements to be useful and relevant in their decision making. There is need for companies to maintain credibility and reliability of financial statements and also ensuring quality disclosures so as to best provide investors with relevant information for decision making.

Keywords: IFRS compliance; disclosure of financial statements; relevance of financial statements; investors

JEL Classification: F21; F43; H2; P2

1. Introduction

Corporations that have adopted IFRSs and IASs are required to prepare a full set of financial statements that conform to regulatory guidelines and should be accurate. These corporations whether public or private have a duty to present and fully disclose the financial information concerning their business to investors for them to make informed investment decisions mainly on future rates of return (Kawugani, 2019). In addition to meeting this regulatory mandate, companies seek to retain current investors and gain new ones by releasing their financial statements on the stock exchange which is where a corporation's capital stock is widely held and its activities

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are of interest to the general public. However, in the recent past, financial reporting and practice have come under strong scrutiny, with investors questioning whether companies are fully disclosing financial information pertaining to their activities and whether this information is actually relevant to their investment decision making needs. The focus of this study was therefore to investigate the extent and characteristics of financial information disclosures by companies and the relevance of financial statements as perceived by investors with regards to their decision making. This paper provides findings of different scholars and authors in relation to the objectives of the study.

2. Conceptual Framework

According to Omoniyi and Oladeji (2017) and Dandago and Hassan (2013), accounting is considered as the measurement activity that presents financial reports in support of decision makers and their business decisions. The usefulness of accounting information is made up of many factors which, according to Dye (2017), Buys (2008) and Dzinkowski (2010), include the timeliness, reliability, relevancy and materiality of the presented accounting data. "Financial statements are to provide information for decision making purposes and to show the results of stewardship of the management. IFRS are the accounting rules used to prepare and standardize the reporting of financial statements items for publicly traded companies and many private companies" according to (Dandago & Hassan, 2013, p. 56). Therefore, according to Wadesango et al. (2020:87) "reporting entities have to comply with the provisions of appropriate laws and accounting standards in preparing financial statements and at the same time, they would want to ensure the usefulness of the statements for facilitating effective decision making by all users of the information contained therein".

Lev & Gu (2016) assessed the impact and usefulness of US financial report information to investors. (Lev and Gu 2016) then asserted that "the usefulness of financial information has rapidly deteriorated. Their calculations indicated that currently, financial reports provide about 5% only of the information used by investors". In the same vein, Wadesango et al (2020, p. 43) postulated that "while having a certain confirmatory value, financial reports are largely devoid of new, actionable information for investors". Khan *et al.* (2017) was in support of this study. He examined the capital market impact of all the accounting standards issued by the FASB from its inception and his research findings failed to detect significant share price impacts (investors' reaction) of essentially the FASB standards.

Other researches based on discussions and narratives other than numerical ones by Lev & Gu (2016) and Khan et al. (2017) produce varying results. Bonsall *et al.* (2017) in the study of readability and understandability of financial reports as

perceived by investors found out that the clarity and understandability of financial reports is on a slippery slope. On the contrary, Sagoo (2016) did a research on user perceptions on the usefulness of corporate annual reports of listed companies in Kenya and found out that traditional annual reports were most useful in making decisions. The auditor's report was regarded important in ensuring credibility of the reports and that qualitative characteristics such as timeliness, adequacy and relevance were associated with usefulness of the reports whilst understandability was not associated with usefulness.

Michael (2013, p. 34) carried out a research on the degree of reliance of the published financial statements by corporate investors. In his investigation, which employed a survey research design, he asserts that "investors do understand the financial statement well before making investment decisions and that investors depend heavily on the credibility of auditors or financial expert approval of financial statement in making investment decisions and as such published financial statement is very important in the investors' decision making". He recommended that "adequate care and due diligence should be maintained in preparing financial statements so as to avoid faulty investment decisions which could lead to loss of funds and possible litigations". There is therefore the general belief that published financial statements have failed in its responsibility of provide credible information for investors and other users of financial statements (Duru, 2012).

Otley (2012:89) argues that financial statements are said to be effective when the information provided by them serves widely the requirements of the users. He went on to argue that "effective financial statement should systematically provide information which has a potential effective on investment decision making by the prospective investors". He is supported by Michael (2013: 39) who purports that "the perception of investors about a company's ability affects the market prices of the company's security relative to others in the industry". In the same vein, "financial statement can only be useful if they are well understood, published financial statement is the information source that is most directly related to the items of interest to both existing and potential investors" (Sagoo, 2016, p. 78).

3. Factors which Affect the Extent of IFRS Compliance and Disclosure in Financial Statements

International Financial Reporting Standards were based on a conceptual framework to develop accounting standards meeting the rigor necessary to provide useful information to users (Henderson, 2016). International Financial Reporting Standards are developed by standard setters to aid preparers (accountants) in preparing financial statements to give a fair presentation of the financial information of a company (Kieso *et al.*, 2013). There are factors that can be used to analyse the level

of IFRS compliance and disclosures. Companies with high IFRS compliance and disclosure index tend to attract investors and increase investor confidence. This study will consider the following factors listed below.

3.1. Corporate Governance Levels

Companies that adhere to corporate governance (CG) practices "have higher levels of disclosure of information than those that do not adhere to CG practices" as postulated by Wadesango et al (2020:32). "The incentive to adopt good corporate governance practices includes the goal of reducing the degree of information asymmetry that theoretically exists in the principal-agent relationship and information disclosure is considered one of the pillars of corporate governance" according to Murcia (2009:90). In support Bhayani (2021: 87), "thus, there is a greater propensity to disclose information by companies that implement better corporate governance practices". This view is reinforced by the fact that companies that participate in different levels of governance already make certain commitments regarding the disclosure of additional information to the market (Verriest *et al.,* 2014). Schvirck and Gasparetto (2011) have shown that companies with higher levels of governance tend to be more willing to voluntarily disclose information.

3.2 Audit Firm Reputation

"Auditing assures that company's financial reports comply with the provisions of the law and tt is an important factor to ensure the faithful representation and neutrality of financial information" Bhayani (2012: 76). This is the foundation for investment decision-making and business management (Harris & Morsfield, 2012). Bhayani (2012) indeed confirmed that large auditing firms are more concerned about protecting their reputation so they will spend more time in auditing financial reports. It is reported that financial statements of companies that are audited by the Big 4 audit firms are perceived to be more credible than those audited by non-Big 4 firms (Das *et al.,* 2015). These larger and well-known audit firms tend to encourage companies to disclose more information to safeguard the audit firms' reputation and avoid reputational costs to them (Chalmers & Godfrey, 2004). "On the other hand, small auditing firms have less reputation in auditing market, thus they tend to please the customer's requirement rather than focusing on the quality of information disclosure" Mallin, 2014, p. 65). Lopes and Rodrigues (2007) find a positive relation between audit firm size and the extent of disclosure.

3.3 Audit Committee

According to Wadesango et al. (2021, p. 78) "generally, the existence of audit committees strengthens corporate governance structures and enhances the credibility of the output of the external financial reporting process". An audit committee comprises of autonomous non-executive directors with the responsibility to oversee financial reporting processes, selection of the independent auditor and receipt of audit results both internal and external (Mallin, 2014). In support Bhayani (2012, p. 100) asserts that "audit committees ensure that management adheres to all relevant statutory and regulatory reporting requirements before annual reports are publicly released. Several studies have demonstrated the benefits that accrue to companies that have established audit committees". Das *et al*., (2015), for example, reported that errors involving over-statement of income are less likely to occur in companies that have audit committees than those with no audit committees. They further postulate that "it is expected that listed companies that voluntarily established audit committees would adhere to all relevant statutory and regulatory reporting requirements in their annual reports than their counterparts that have not formed such committees". Therefore, investors have a certain level of disclosure can be ascertained because of the presence of the audit committee.

3.4. Company Size

"It is expected that large listed companies will disclose more mandated information in their annual financial reports than smaller companies and this expectation is supported by the economic theory of economies of scale and empirical evidence" Pinheiro (2012: 87). Prior research (Linsley and Shrives 2006; Hasan *et al.,* 2008; Das *et al.,* 2015) suggests that firm size is an important determinant of the level of disclosure and presents mixed results regarding the link between size and the extent of disclosure. Pinheiro (2012) argue that larger companies tend to be more visible to stakeholders as they tend to be more complex and thus are subject to more inherent risk. According to Wadesango et al (2020), "by their nature, large companies require extensive internal information systems in order to run effectively and efficiently and since large companies already have in existence information systems that are largely automated for mass production of information for internal use, the marginal cost of supplying non-proprietary information publicly is likely to be minimal". This expectation is consistent with prior literature (Harris & Morsfield, 2012; Dandago & Hassan, 2013). Silva and Pinheiro (2012) have tested which variables impact the level of information disclosure in a sample of Brazilian companies and have found a statistically significant result only for the variable of total assets, indicating that size influences a wider scope of disclosure.

4. Level of Credibility and Reliability that Can be Placed on Financial Statements and Disclosure

4.1. Accounting Standards

Vrentzou (2011, p. 87) revealed the "accounting standards that should be followed to minimize any fraudulent activities. Fraud occurs because the companies tend to use different accounting methods that were successful for other business industries, hence, a good knowledge of International Financial Reporting Standards and the Companies Act are required in enhancing the credibility and reliability of financial statements". Chem (2015, p. 98) revealed that the intellectual capital and market capitalization are some issues that cannot be determined by the naked eye. Furthermore, he asserts that "there are some levels of disclosure on this matter in the financial statements made by various public companies, and found a positive result. In this case, it is defined that such transparency occurs in recording intellectual capital and market capitalizations". Liguori & Steccolini (2011, p. 98) stated that accounting change occurs when a particular type of accounting can no longer support the company "for example, changes in the goodwill are estimated". Sevin, Schroeder & Bhamornsiri (2007) conducted a quantitative test investigate whether disclosure appears to be a function of the materiality of the spending. In this case, Cho, Freedman & Patten (2012) decided to use several mixtures of the theories to report the reliability of the corporate disclosure to support those theories of Sevin *et al.* (2007). Valentine (2009, p. 56) agrees by stating that "some companies only reported minimum disclosure matter that lead to various suspicions and confusion, hence, ratio has been known to reveal the truth in the transparency by calculating the specific ratio on the cash-flow statement, income statement and balance sheet. Thus, the investors shall find the truth about the well-being of companies".

4.2 Corporate Governance

Valentine (2009) agreed with Arwinge (2012) that accounting and corporate governance can restore the public trusts towards the financial statements and the accounting professions in the world. In support, Grant (2011:65) assets that "accounting standards and corporate governance are ethical principal practices to ensure the reliability and credibility of the financial statements and corporate governance covers the principal (shareholders) and the agent (directors), and its employees". Arwinge (2012) stated that ethical practices and additional requirements are necessary to ensure that the auditors serve their duties right to unraveled the fraudulent matters in the financial statements. Brennan and Solomon (2008) have taken their data to compute the references about accountability and presenting a framework on corporate governance. According to Wadesango et al (2020, p. 76), "it is the best way to enhance credibility and reliability because

corporate governance is known as the umbrella to the shareholders and organizations". Grant (2011) was researching about corporate governance and its effectiveness in the accounting worlds. The researcher wanted to understand the history of corporate governance and the events that relates to failure in aligning the interests of management and shareholders. This author agreed with Yakhou & Dorweiler (2014) about the management and shareholders' interests. However, he recommended that "the corporate governance be combined with other regulatory frameworks such as a Company Act to increase the responsibility of managements towards the shareholders and external parties so as to promote the accountability towards the shareholders (principal) and the external parties".

4.3. Internal Controls

According to Liou (2008:87) "Stone (2011) is more concerned with the lack of communication skills between the management and the accountant in the organizations and it is because both parties do not communicate jointly for the organizations". According to Stone (2011, p. 76) "the accountant was previously not given higher priority but now, it is one of the top positions the company needs to fill, hence, face-to-face is preferred in explaining and understanding the goals, the objectives and the paths of the organizations". This is supported by the next article. Spira & Page (2013) conducted research on transferring internal control into the risk management process. The observation showed that "risk management becomes aligned with internal control once it flows with corporate governance policy and thus, the risks are manageable and turned into accountability for the function and financial statements." These authors agreed with Jamshidinavid, Chavoshani & Maroofi (2012). Liou (2008) argues that the investors need to know other methods besides ratio in determining the financial statements. Another scholar supported this in his article, Liou article titled: "Fraudulent financial reporting detection and business Failure prediction models: a comparison". Both are talking about using ratio to make the analysis in order to detect fraudulent in financial reporting. Hyland & Verreault (2013) conducted a survey on one of the CPA firms. They revealed that "value creating combinations occurs when they combined the frameworks for Internal Auditing and Human Resource Management and this is best to aligning their relationship, the benefit of self and peer-appraisal implications of their locations and enhances the value-creating quadrant". "These value-creating combinations are capable to draw positive results on several research questions especially working relationship and audit planning process on the strategic HRM". Hyland & Verreault (2013) and. Morrill & Morrill (2013) suggested that audit-specific knowledge, experiences and expertise are important factors of internal audit participation. They bring to the fore the fact that "it occurs when a company requires such higher levels of expertise due to their nature of their business in the industry and the expertise

creates greater efficiencies by promoting the internal auditors' participation in the external audits results as well as lowering the costs of external audits for extra effectiveness on auditors' reports".

4.4. Ethical Practices

Atkinson (2012:87) backs up the facts provided by previous researchers. He stated that "controls can improve the quality of financial reporting". According to Hyland and Verrealt (2013, p. 90), "Artkinson conducted a study on various universities offering accounting courses whether ethics and communication subjects are taught in the courses. It means credibility and reliability can be found in the financial statements when this is applied". While, Stone (2011) believes that communication is vital between accountant and managers, communication is vital for the accountant to external auditors in order to increase reliability and credibility of the data. Adams (2014) agreed with Atkinson (2012) for the ethical practices, ethical issues and ethical conducts. In this case, according to Adams (2014, p. 87) "the accountant and the auditor need to be very ethical in their reporting of financial statements, hence, the gaps will enhance the reliability of those important matters that should be taken into account and published for the right of the public in the market". Makkawi and Shick (2013) conducted a survey in CPA form, involving 70 senior auditors. According to the results, "auditors were required to audit smarter. It is because the auditors were under fixed fee environment and yet, they were required to balance between effectiveness and efficiency of audits' reports". The authors suggested that "extra training would be able to cope with the fee environments and audit smarter for specific company's industry and environment".

5. Quality/Attributes of Disclosures in Financial Statements with Regards to Investors Need for Financial Information

Financial statement note disclosures are an integral part of financial statements that provide additional, relevant information about a company's performance and financial position (Kieso *et al.*, 2013). The purpose of this additional information is to increase understandability and transparency of financial statements by providing information considered useful for decision-making (Carbone & Seem, 2014). Disclosure and transparency induce corporations to better protect investors and thereby enhancing investors' confidence in capital markets. The disclosure of relevant corporate information is an essential element of companies that deal with investors and those on the lookout for potential investors.

Corporate disclosure has evolved from being solely focused on financial information excerpted predominantly from a company's financial statements to being utilized as

a strategic tool in risk assessment and the value creation process (Sagoo, 2016). Disclosure strategies, including economic, social and environmental information, are now a key component of many company's' investor communication programs (Richardson and Welker, 2011). According to Wadesango et al (2020, p. 87) "the emergence of comprehensive disclosure strategies that encompass all aspects of a company's performance has resulted in the broadening of both the scope and scale of the information released by firms". This evolution in corporate practices appears to be well founded, since empirical findings suggest that an open disclosure policy provides many benefits to a company especially those related to investors (Henderson, 2016). However, to this extent, problems and complaints have arisen, mainly from investors, with regards to corporate disclosure quality that is information overload, complexity, presentation and relevance as companies try to keep up with the evolution of comprehensive disclosure strategies (Carbone & Seem, 2014). Thus, a sound accounting system that communicates information about the resources and performance of a company, useful to those having reasonable rights to such information becomes highly important and should have peculiar characteristics. According to Melville (2011), the conceptual framework of ISAB identifies six qualitative characteristics of useful financial information that are.

6. Problems Related to Financial Information Disclosure

6.1. Complexity

Complexity of information is an issue in financial statement note disclosures closely related to quality, readability, and understandability of disclosures and also increases information overload. One area of increased complexity requiring extensive financial statement note disclosure is financial instruments that continue to expand in financial reporting (Kieso *et al.*, 2013). Financial instruments are defined as assets of one party and a liability or equity item of another party (Kieso e*t a*l., 2013). The addition of extensive complex information may create a condition of overload for some users of financial statement note disclosures resulting from not understanding complex information. Information so complex it is not understood is not useful information. Avgouleas (2019) referred to the disclosure paradigm in European financial regulation related to capital markets as being a result of complexity of disclosure – information was fully disclosed but not understood. Further, Peterson (2011) studied accounting complexity through number of words and methods used in revenue recognition. Peterson (2011) found increased complexity aligned with increased likelihood of misreporting whether intentional or not and thus information being not useful. There has been some consideration given to how to resolve the issue of complexity. Several researchers discussed complexity, a characteristic of information overload (Jackson & Farzaneh, 2012), related to financial statement disclosures including financial statement note disclosures (FRC, 2010; Iannaconi,

2013; Lehavy *et al*., 2011). There is a need for more emphasis on effective disclosure versus full disclosure when reducing complexity (Barker *et al*., 2013; Pounder, 2012). Bloomfield (2012) used pragmatic theory to consider disclosure efficiency or effective disclosure.

6.2. Ambiguity

Ambiguous information is unclear and may be misinterpreted making it more difficult for users to process the information (Jackson & Farzaneh, 2012). The accounting framework promotes transparency which might be viewed as the opposite of ambiguity because transparent information allows the user to easily extract the information (Mensah et al., 2016). Transparent information is unambiguous and is open and clear information intended to empower users through providing useful information for resource allocation decisions (Dholakia, 2013). Standard setters are currently working on a disclosure framework for IFRS, which will establish principles for guidance on disclosure issues. Researchers indicated before changing the disclosure framework, empirical studies should be performed to determine users' perceptions of current disclosure requirements (Bloomfield, 2012; Morunga & Bradbury, 2012). Little is known about users' perceptions of financial statement note disclosure (Lawrence, 2013). Inductive research is needed to understand users' perceptions of current financial statement note disclosure and to expand the theory of information overload to financial statement note disclosures (Brown & Tarca, 2012; IASB, 2013; Morunga & Bradbury, 2012). What is needed is an understanding of users' views in order to ensure information being provided in financial statement note disclosures is useful for decision making (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

7. Ways in Which Companies Can improve on Disclosure Issues and Issuing Relevant Financial Statements with Regards to Investment Decision Making

"There is a general view that financial reporting and disclosures improved after the financial crisis as a result of investor pressures, new regulations and stricter enforcement" (Association of Chartered Certified Accountants, 2014). However, according to Hellman et al (2018, p. 76) "disclosures still do not appear to be well integrated within and across risk types throughout corporate reports, and discretion in presentation yields inconsistencies both within and across companies". Generally, disclosures should aim to provide complementary, often forward-looking, information to mostly historical, financial statement numbers (Hellman *et a*l., 2018). The goal should be for investors to understand financial statements and disclosures and make informed and effective decisions from them.

7.1. Principle-Based Approach

According to (Hellman *et a*l., 2018, p. 87) "one offered solution to disclosure problems is to adopt a principles-based approach, where principles will guide entities to disclose relevant instead of irrelevant information, and to communicate effectively". Principles of disclosure may possibly also change the behavior of auditors and regulators so that they stop causing the disclosure problem (Hellman *et al.*, 2018). According to Hellman *et a*l., (2018, p. 98) "the ICAS/NZICA joint working group in 2011 adopted an approach where they sought to determine disclosure objectives of separate IFRS Standards and to establish minimum disclosure requirements based on what is needed to support the existing recognition and measurement requirements in the IASB's 2010 Conceptual Framework for Financial Reporting". The report does not provide references to prior literature, but it would appear that the authors were inspired by the United States Securities and Exchange Commission (SEC) study on a principles-based accounting system (SEC, 2003). This report according to Hellman *et a*l., (2018) "advocates a hybrid model where principles are based on the conceptual framework and each standard has a clearly stated objective, but also sufficient detail and structure to be operationalised and applied consistently with a minimum of exceptions". Observing such consensus would theoretically make it possible to determine compliance with a principle of disclosure but would appear difficult to attain in practice. "If specific requirements are replaced with principles, as was proposed in the (ICAS/NZICA (2011) report), financial reporting may improve more".

7.2. Enhancing the Reliability of Accounting Estimates

"Currently, there are no effective incentives for managers to spend time and resources on generating high quality and unbiased estimates for the calculation of assets and earnings values" (Hellman *et a*l., 2018). According to Wadesango et al (2020) "the ex post realisations of most estimates are not reported to investors, and managers are not required to explain the deviations between estimates and realisations and no responsibility for mis-estimation, intended or inadvertent, is a recipe for unreliable estimates". Years ago, Lundholm (1999) proposed a sensible and easy to implement procedure to enhance significantly the incentives of managers to generate reliable and unbiased (non-manipulated) estimates and projections that is require companies to periodically provide a comparison of the five-seven key estimates that had the largest impact on earnings with subsequent realisations. According to Lundholm (1999, p. 76) "managers will obviously be asked to explain large and particularly persistent mis-estimations for example a bad debt expense that was lower every quarter than the respective write-off, a highly embarrassing task, and obviously harmful to managers' credibility. Imagine the strong incentives for serious and honest estimation created by Lundholm's requirement".

To add on, according to the Disclosure Survey by CFA (2012), the 2008 financial crisis highlighted disclosures that their previous surveys identified as causing the greatest problems for investors. Therefore, according to CFA "they reiterate the importance of improving disclosures in these areas before, or as a part of, the development of a disclosure framework and furthermore, to truly explain the economic substance of transactions and events, preparers and auditors should go beyond requirements if necessary". On this they recommended emphasis to be put on accounting estimates, intangible assets, going concern issues among other things.

7.3. Enhancing Presentation and Communication

The 2012 Disclosure Survey by CFA Institute titled: Financial Reporting Disclosures-Investor Perspectives on Transparency, Trust and Volume assert that "the most effective way to enhance transparency would be for standard setters to prioritize certain financial reporting improvements ahead of establishing a disclosure framework". They recommended focus in the following areas, in order of importance to investors:

Financial statement presentation. "Investors believe improved financial statement presentation is a key element to improving financial reporting because poor financial statement presentation limits transparency. Disclosures are less effective when the financial statements that are the foundation they are meant to complement are not effective or when disclosures are meant to compensate for poor presentation. Thus, they recommended disaggregation, direct method cash flow statement and cohesiveness related to enhancing financial statement presentation" CFA (2020).

Communication and presentational enhancements. "The survey revealed the need for enhancements in communication style and presentational changes to make information more digestible and effective in communicating the company's results. These areas are common ground for investors and preparers. To this end, they provided recommendations integration, entity specific information, simple language, tables and formats and organizing and layering information of this nature" CFA (2020).

8. Summary

Having reviewed relevant literature on this study, it is pertinent to state that the researcher has explored the gap left by previous studies and found the need to carry out this study by using a different research design to assess the perceptions of investors on IFRS compliance, disclosure and relevance of financial statements. This study used a case study approach which facilitates an in-depth exploration, examination and heightened understanding. Other researches focused on surveys and

use regression for data analysis to assess the research topic (Lev & Gu, 2016; Duru, 2012; Khan *et al.*, 2017; Sagoo, 2016; Michael, 2013). They found out that financial statements were regarded as the most useful in decision making by investors (Michael, 2013; Sagoo, 2016) and on the contrary less useful and relevant as an information source for decision making (Duru, 2012, Khan *et al.*, 2017). Alvarez & Barlevy (2015), Abraham & Shrives (2014) and Sawalqa (2012) in their studies found out that there is a low level of financial disclosure and relevance in corporate reports in relation to investors needs for decision making. All these researches ave been done in different setting and countries. Patel & Chand (2011) and Alzarouni *et al.* (2012) report that nature of capital market, level of economic development, tax regulations and legal systems account for the differences in how extent of disclosure and relevance is perceived.

9. Conclusions

Basing on the results obtained from the study the following conclusions have been made on the responses pertaining to the research topic, IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making. The findings from the research concludes that corporate governance, audit form reputation, audit committee and company size are major factors used to determine the extent of IFRS compliance and disclosure in financial statements. Therefore, corporate governance audit form reputation, audit committee and company size have a great impact on IFRS compliance and disclosure in financial statements and Lafarge should put more emphasis on the factors. The findings from the study concludes that accounting standards, internal controls, corporate governance and ethical practices are to be used to examine level of credibility and reliability that can be placed on financial statements and disclosure but most importantly internal controls and corporate governance. Therefore, Lafarge should focus more on these concepts so as to better increase the credibility of their financial statements to investors since credibility affects investor decision making as pointed out by regression results

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