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not only in the form of the statements but also in terminology. It is highly recommended that accounting regulators in the country to act very soon to enforce some uniform practice in this respect.

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In this study, the influence of the international orientation of companies on their accounting behavior can be recognized in comparing the international companies (Macmillan companies) of this sample, with the average of the whole sample and the non-international companies, which is shown in table 4. The higher percentage figures of statements of the international companies with disclosed funds, a narrow liquidity definition and a functional format speak for themselves. An international perspective has also been chosen in the recent

Table 4
International Companies in Relative Comparison to others

Region	No. of Cos.	Presentation of SCFP		Funds Flow Statements		Net Liquidity		Functional Classification	
International	14	9	64%	13	93%	5	35%	3	21%
Others	38	26	68%	35	93%	8	21%	7	18%
Total	52	33	63%	48	92%	13	25%	10	19%

recommendation of the KSAA which refers directly to IAS No.7. This recommendation can be seen as one sign of generally noticeable acceleration of the internationalization process of Kuwaiti accounting practice.

CONCLUSIONS

Although the evolution of International Accounting and the activities of many standard setters, the presentation of Statements of Changes in Financial Position (SCFP) has just become mandatory in Kuwait. Actual practice, however, is widely deffrenciated among companies especially large ones with reputed adherence to IAS.

Large Kuwaiti companies have awakened to the context of funds flow statements as part of accounting disclosure in order to be sufficiently comparable international accounting standards. This survey shows that the presentation of funds flow statements has earned momentum significantly. The lack of standard or legal requirement has led to a proliferation

Related to this emphasis on distributable income, Kuwaiti companies have always tried for smooth income because of the disbursement function of financial statements. Therefore, the instrument of building or using discretionary reserves (secret reserves) has been very welcome and constantly practiced in Kuwait. This practice is allowed to some extent by statement as part of an annual report, which would reduce the secrecy of those reserves due to the fact that non-cash relevant accounting policies become obvious to the financial statement users. This could also be a reason for the low disclosure practice in the past.

Influenced by increasing pressure from financial analysts and other users of financial statements (perhaps also due to the persuasive power of the academics), the intention to dress up their annual reports by suggesting an international accounting orientation, companies have begun, increasingly to present SCFPs since the mid 1970s.

The frequent criticism of the presentation practices of SCFPs in Kuwait, especially in earlier years, that the idea of voluntary presentation is more instrument of accounting policy and public relations, than a real intention of the companies to disclose useful information, cannot be totally rejected. A very crucial disadvantage of Kuwaiti SCFPs has been the lack of national and international comparability, which is obviously caused by the absence of a mandatory accounting standard.

Nevertheless this study reveals a shift in Kuwaiti accounting practice and thinking as regards SCFPs which can be observed during the last few years. The need to enter international capital markets and the international competition, which makes it necessary for Kuwaiti companies, to compare themselves with their counterparts in other countries, who have encouraged large companies to think about changing their accounting and especially their disclosure practices.

The awareness of the importance of following international accounting standards which are obviously very much influenced by the American and British accounting approaches. This can be seen in the accounting behavior and thoughts of the managers of Kuwaiti companies. The most striking example has been the listing of some Kuwaiti corporations in international stock exchanges (i.e., The International Investor (TII), International Investment Group (IIG)) in late ninties. The results of the study indicate that SCFPs have been presented by an increasing number of large Kuwaiti companies during the last 15 years, and that the separated funds have become more cash oriented. One of the major reasons has been the growth in the value of Kuwaiti companies. There is no doubt that a high level of international engagement for a company is a significant reason for a more open-minded accounting and disclosure policy. It is because of the differing expectations of stakeholders (especially investors) from different countries. The sharp increase in financing, producing and selling activities of Kuwaiti companies in the last ten years, have led slowly but steadily to a more and more internationally oriented disclosure behavior. It is to be expected that this process will continue and accelerate. First, proofs for this have already become very obvious, and is not only in the field of SCFPs where especially for the years 1993 and 1994 an increasing number of large multinational companies (e.g. Daimler Benz AG, Siemens AG, Bayer AG) have adopted IAS7 or SFAS 95 in the publication of their cash flow statements.

of the companies (48.5 per cent) in the sample, disclosed a fund flow statement. The 51.5 per cent a movements balance sheet partly extended by the real turnover of some balance sheet accounts (especially non-current assets) and/or the exchange of income by major items of the income statement.

The lack of standard or legal requirement has led to a proliferation not only in the form of the statements but also in terminology. Table 3 indicates the most popular term is sources and usage of funds. This diversity can also be seen in funds concepts used. The 32 listed companies which disclosed a fund flow statement, "working capital" (28.5 per cent) and 'cash and cash equivalents' (25 per cent), "cash fund" (18%) are the most popular funds concepts.

Compared to surveys in other countries (Gibson et al, 1996;160; Busse von Colbe, 1999; P. 201; Klammer and Reed, 2000, P. 163; Bowen et al. 2000, P.72) where the (net) monetary assets funds was the most popular, a remarkable shift to more cash-oriented funds can be noticed also in Kuwait already a few years before the resolution of ministry of commerce.

This could be an indicator of the influence of international accounting developments on Kuwaiti corporate accounting. Most of the companies have chosen the source and application perspective to classify the flows. In this format an additional classification in internal and external financing can quite often be found. Just 24 per cent have adopted the international practice of disclosing separately the flows from operating, investing and financing activities.

As in other countries the direct derivation method of cash flows is also not popular in Kuwait. None of the companies surveyed has derived the operation-based cash flow figure according to the direct method. Out of the 43 companies that showed a cash flow from operations figure, 40 used the indirect method. Additional information about published SCFPs is seldom found. If any is disclosed it refers to changes in consolidated companies (16 companies) and/or to currency translation methods (7 companies). Information about funds neutral flow was not found in any of the annual reports.

Several explanations may be offered for the former reluctance of Kuwaiti companies to publish adequate funds flow statements in their annual reports. The fundamental reason is grounded in the general philosophy of financial accounting in Kuwait. Unlike the Anglo-American countries, the function of financial statements is not primarily to supply useful information about future cash flows, but prudently to compute the amount of income, which can be distributed to stockholders. This is because of the well-known principle of congruency to the tax authority without harming the position of the creditors (Haller,1992). Certainly, the provision of reliable and useful information is also an objective, but income computation is the foremost priority. Therefore, the central topics regulated by law or principles of proper accounting have been those which influence the computation of income.

and indirect methods. This is to some extent was expected as most of accountants at these companies come out of the traditional British system of accounting reporting which adopt such approach.

A change in the form of the statements is notable. Whereas formerly changes in balance sheets and simple movements in balance sheets were very common. This survey shows that the presentation of funds flow statements has increased significantly (table 1). Nearly half

Table 3
Form of the Presented FFS

Disclosure Place	The Financial Statement		The Financial Statement		Part of the Management Report		Other Parts of the Annual Report			
	5	9.6%	9	17.6%	18	34.6%	20	38.5%		
Form	Extended Movements Balance Sheet							Funds Flow Statement		
	Figures Without Cash Flow			Figures With Cash Flow						
	12	23%	15	28.8%	25	48%				
Terms Used	Sources And Usage of Funds		(SCEP)		Finance Cash Flow		Others Terms		Without Title	
	17	32.6%	13	25%	11	21.1%	9	17.3%	2	1%
Funds	Working Capital		Net Monetary Assets		Net Liquidity		Cash & Cash Equivalent		Cash Fund	
	8	28.5%	4	14%	4	14%	7	25%	5	18%
Classification Criteria	Sources and Uses of Format									
	Movements Balance Sheet			Funds Flow Statement			Functional Format			
	19	36.5%	28	53.8%	5%	9.6%				
Calculation of the Operation based Cash Flow Amount	Indirect			Not Obvious			Direct			
	40	93%	3	7%	-	(-)				

- i. Percentage figures relate to the total amount of FFS publishing companies (13)
- ii. Percentage figures relate to the total amount of companies publishing funds flow statements (28)
- iii. Percentage figures relate to the total amount of SCFP Publishing companies disclosing a calculation of an operation based Cash Flow Amount (11).

stronger impact on the disclosure behavior of a company with respect to the FFS than its size.

Since the international orientation of a company could also be a factor in disclosing FFSs. The researcher has ascertained the presentation rate of the 28 Macmillan companies (Stafford and Purkis, 1989), which total 89.3 per cent. The 14 companies which belong to the group of the 25 largest companies and to the Macmillan companies have a FFS publication rate of 100 per cent.

Looking at the form of presentation (Table 3), the following aspects were also examined:

- Where the FFS appeared within the report
- The form of the statement
- Terminology
- Funds concept
- Classification
- Computation method and
- Explanatory information.

It appears that a large portion of respondents (35%) consider FFS as part of management annual report or the annual report in general (38.5%). Few regards it as part of notes to the financial report. It is clear that there are still a large percentage who prefers FFS as comparable to cash flow statement (38.5%). While there are a noticeable group (13.6+38.5%) still report FFS as an extension information to classical financial statements.

The significance of FFS in Kuwaiti accounting is reflected in the placing of the statement within the annual reports of Kuwaiti companies. Only five companies (9.6 per cent) adopted the Anglo-American practice, and treated the SCFP as a major statement at the same level as the balance sheet and income statement. Nine companies (17.6 per cent) disclosed it as a part of the notes and eighteen (35 per cent) in the management report. Thus, remarkably the majority of the companies (62 per cent) have incorporated the FFS in parts of the annual report which have to be audited. As per terminology used to refer to the FFS, there is a wide range of used terms. The majority (33%) still follow the traditional term as source and usage of funds statement. This emphasize the significance of setting a uniform terminology for the purpose of financial disclosure. The ministry of commerce, however, has issued a resolution (July 2000) imposing the International Accounting Standards (IAS) to be adhered to by all companies in Kuwait.

There is a tendency toward applying conventional accounting principles with respect to disclosing financial information. The responses to the shape of FFS that companies present, majority of them are considering FFS as a cash flow statement attached as notes to financial reports. This indicates that companies give little importance to the disclosure of FFS. The classification of FFS is related to balance sheet (36.5%), rather than to the function of FFS (9.6%), or to the information contained therein which could assist in decision making process.

Finally, as per the method of calculation used to prepare FFS, the majority of companies (93%) are following the indirect approach, while only 7% of them are mixing between direct

between non-listed stock corporations and companies with some other legal form (sole proprietorship). In both clusters, the presentation rate of a SCFP was 53 per cent. It should be taken into account, however, the 13 non-listed stock companies (known locally as closed) in our sample are relatively large, and therefore comparable to listed or stock corporations. The size and legal form of companies are quite often correlated variables. Thus large companies are more likely to have the legal form of a stock corporation than any other legal form.

Size as an influential factor on accounting behavior, which is one of the major hypotheses of positive accounting theory (Watts and Zimmerman, 1986) could be recognized in this context. The larger the company the higher the motivation to publish non-mandatory information in the report. The division of four sample groups of 13 companies each by size, the group of the largest 13 companies, 84 percent of the companies presented a SCFP, while in the cluster of the 13 smallest companies, the rate was 52 per cent.

The most likely reasons for this size effect are (Alhajjerri, 1990):

- Higher expectations from the stakeholders concerning the disclosure
- More skilled employees ; and
- Greater dependence on the capital market

RESULTS

Table 2 shows the precise results of the two variables which were tested; the vertical axis refers to the legal form and the horizontal one to the size. Additionally, the table shows the representation between these two dependent variables to highlight the more influential

Table 2
Legal Form and Size Presentation of SCFP

Legal Form	Size in Million KD									
	1~ 25		26~50		51 ~ 75		76 ~ 100		100 ~ Over	
Legal Stock	80%	17	90%	11	50%	14	50%	11	77%	52
Non-Listed Stock Cooperation	75%	4	50%	12	75%	8	25%	8	53%	32
Firms with other Legal Form	75%	4	50%	2	67%	3	33%	6	53%	15

variables. It becomes obvious that the fact of a company being a listed corporation has a

Table 1
Kuwaiti Studies on the Preparation of Annual Reports
(Including Statement of Changes in Financial Position)

Studies By	Year	No. of Companies	Companies Published SCFP		Percentage Published as		
			N	%	Changes in Balance Sheet	Movements Balance Sheet	Fund Flow Statement
Shinawi & Crum	1971	36	32	89	9.2	83.1	7.7
Shauib A.	1978	24	22	92	83.1	-	-
Al-Najjar H.	1981	31	30	97	-	-	18.6
Al-Bassam S.	1983	32	28	88	-	-	-
Deloitte & Haskins	1984	11	9	82	-	90.4	26.5
Malallah B.	1984	42	41	98	3.8	85.5	5.8
Kassim A.	1986	25	21	84	5.2	-	9.1
Al-Mejrin A	1986	38	32	84	-	51.5	5.4
Shauib A.	1987	26	19	73	-	90.6	48.5
Douban S.	1988	39	17	44	1.6	-	7.8
Al-Hajerri K.	1990	48	26	54	-	-	13.5

1994). Consequently it seems that accounting practice is leading the standard setting process in Kuwait. This could be interpreted as proof of the effectiveness of market solutions in the field of accounting.

FFS REPORTING BY KUWAITI COMPANIES

The empirical survey covers 52 Kuwaiti companies listed in Kuwait Stock Exchange and engaged in banking, investment, manufacturing, real estate, and service industries. Out of these, the sample contained (39) companies which adhered to International Accounting Standards (IAS), and in which their reports included a SCFP (Statement of Changes in Financial Position) or cash flow statement (13). Twenty-eight of the annual reports included in this study are consolidated ones, while the remaining reports were for single entities.

Further examination was conducted on the following three variables which are most likely to influence the disclosure of companies:

- Legal form
- Size, and
- Scope of international activities

The finding by AlHajerri (1990) that companies listed on the Kuwaiti Stock Exchange are more likely to publish a SCFP than non-listed companies can be verified. In our sample, 89 per cent of the listed corporations included disclosed a SCFP. No difference was found

disadvantages. The most crucial one is the superficial focus on the liquidity aspect and the mixture of changes some of which are relevant to liquidity and some irrelevant (Buchmann and Chmielewicz, 1999, P. 30).

OVERSEAS CONCEPT OF SCFP

As in other countries, the concept of SCFP with a separated funds element, a so called funds flow statement was introduced to provide insight into the development of firms liquidity. Usually funds flow statement consists of two parts; the summary of changes in the pool of liquid assets in one year and the presentation of the causes of changes in liquid assets. The last statement shows the sources and applications of funds during a period, and thereby provides insight into the development of a firm's overall financial position (Busse von Colbe, 1999, P. 104).

THE EVOLUTION OF FUNDS FLOW REPORTING IN KUWAIT

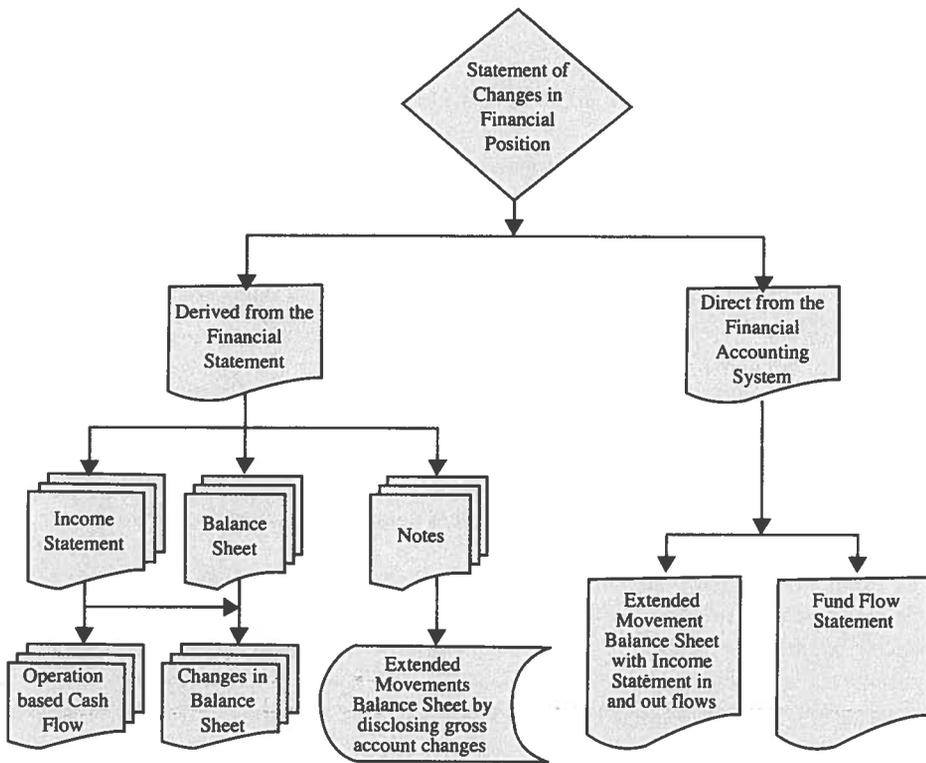
The academic discussion and the developments in other countries especially in the USA had led Kuwait Society of Accountants and Auditors (KSAA) and local academics, in 1999, to recommend companies to disclose funds flow statements as a supplement to the annual accounts (Alrashed, 2000: 29). Ministry of Commerce has then issued a resolution enforcing the preparation of a cash flow statement. The resolution (12/1998) was based mainly on APB Opinion No. 19. It recommends three funds to be separated:

- net liquidity : liquid assets (cash equivalents netted against short- term liabilities to financial institutions) or
- net monetary assets: liquid assets plus receivables maturing within one year netted against all short – term monetary liabilities or,
- net working capital: total current assets netted against total short-term liabilities.

Given that there was no mandatory standard on funds flow statements (FFS), several empirical surveys during the last thirty years have analysed the quality and quantity of FFS produced in practice (Table1). The presentation of such statements in Kuwait is an instrument of accounting policy that indirectly influences the judgement of financial statement users. Kuwaiti practioners have therefore been interested to determine how this instrument has been used by companies, and what have been the crucial variables which influence corporate disclosure behavior. It must be stated, however, that surveys cannot be compared directly because of the differences in their samples. Yet, the selection criterion of the samples in all studies has been either the size (mostly measured by sales) or listing on Kuwait Stock Exchange (KSE). This reduces the differences and increases the comparability. The results of these surveys (including this survey) show an irregular, but obviously notable increase in the number of large companies which present a funds flow statement (29.8 per cent in 1974, 66 per cent in 1999). More remarkable is the change in form and quality of the published statements, which increased due to the expanded funds flow orientation - increase from 7.7 per cent in 1974 to 48.5 per cent in 1991 (Alshami,

The main concept of SCFP, the instruments and data they are based on is shown in Figure 1 (Rayburn, 1996). The simplest type of statement is the so called changes in balance sheet, which only consist of a subtraction of the opening balance sheet number from the ones of the increase in assets, and the decrease in liabilities and equity as application of funds. The reverse changes as sources of funds leads to the so called movements balance sheet. Items which appear as corrections of other balance sheet entries like capital not paid in, must of course, be offset against the relevant item (Coenenberg, 2000, P. 53).

Figure - 1
Concept of Statements of Changes in Financial Position



The pure form of a movements balance sheet, can be extended by replacing the net changes in the balance sheet items by the turnover on the underlying accounts (sum of all additions and sum of all disposals in one period). Depending on the scope of the liquidity definition, (such as cash, cash plus accounts receivable minus accounts payable, working capital, etc.), liquidity neutral changes in balance sheet items can be excluded step by step (Greenberg et al. 1996). One has to point to the fact that there is a kind of continuum between the two extremes of SCFP and the pure cash flow statement by successively erasing the non-cash relevant changes in the balance sheet accounts (Bernard and Stober, 1999). These extensions improve the insight into the real uses and sources of funds. Nevertheless, they have many

regulation of financial information and financial statement analysis.

As financial statement analysis is concerned, Gallinger (2000) has stressed the importance of cash flow reporting in order to better understand profitability and a firm's financial condition. It can be besieged by the games the accountants play with GAAP (Generally Accepted Accounting Practices) in deriving an earnings number, the so called 'sins of accrual accounting'. The effect of these actions is to either increase current profits or hide them for a later date. It is important to understand the effect of these games on cash flows. He further provides a framework for financial statement analysis.

Similarly, Hodgson and Stenson (2000) have realized that the relation between stock returns, earnings and cash flows is of importance because, it directly addresses the issue of whether accounting data provide value relevant information. Their research re-evaluates the incremental information content debate using Australian data. It is observed that a nonlinear functional relation provides greater explanatory power for both earnings and cash flows, and the results are consistent with more transitory earnings components for smaller firms. Also, in contrary to received theory, cash flows add greater incremental explanatory power for large firms (Wilson, 1996).

FROM SCFP (STATEMENT OF CHANGES IN FINANCIAL POSITION) TO CASH FLOW

The evolution of International Accounting and the activities of many standard setters, the presentation of statements of changes in financial position (SCFP) is not yet mandatory in many developing countries (Haller and Jackoby, 1999, P. 516). One of the main reasons of this is the fact that, the accounting regulation in these countries, is incorporated in the corporation act, which did not include such statement in the requirement. Kuwaiti regulators, for instance, were obliged to change accounting regulations in order to meet international standards. This has matured in the Ministry of Trade resolution No. 29 published in 1994.

The lack of requirements and the long academic debate on the topic of (SCFP) reporting, have led to a wide diversity in terms and concepts. The most general term is 'Statement of Changes in Financial Position' (SCFP) (Busse von Colbe, 1999, P. 101). This term embraces all types of statement, including periodic information on the sources and uses of the financial means of an enterprise (Neil et al. 1991). In view of that, in this paper, the term "Statement of Changes in Financial Position" is such a statement that it is used in broader sense than in APB opinion No. 19 (Internally derived either directly from the financial accounting system, or indirectly from the balance sheet and income statement). The indirect derivation can also be carried out by external users of financial statements. For some time, and because of the lack of obligation for companies to publish a SCFP, this possibility, of setting up such a statement, in an indirect way by external users, has been seen as a very useful tool of financial statement analysis. For this reason, SCFPs were mainly discussed and developed by academics as part of financial statement analysis, and not as much from the disclosure point of view as in Anglo American countries (Kronquist et al. 2001, P. 31).

its financial structure (including its liquidity and solvency) and its ability to affect the amounts and timing of cash flows, in order to adapt to changing circumstances and opportunities. Cash flow information is useful in assessing the ability of the enterprise, to generate cash and cash equivalents. It enables users to develop models to assess and compare the present value of the future cash flows of different enterprises. It also enhances the comparability of the performance reporting by different enterprises, because it eliminates the effects of using different accounting methods for the same transactions and events (IASC, 1992); IAS 7 revised, Art. 4). The last benefit indicates that a cash flow statement is a useful instrument in the international accounting context because, it minimizes the effects of worldwide accounting differences, especially in countries where cash basis accounting is adopted.

EARLIER STUDIES

Scholars have highlighted the importance of cash flow from different perspectives. Capozza (1999), for instance, has traced the effects of corporate focus by examining the relationships among, cash flows and firm value. He showed that diversification, even within a single industry, reduces value and corporate cash flows available are related to focus. Hackel et al. (2000) have examined an investment strategy based on free cash flows. The strategy selects securities into a 'long' portfolio which transcend the market index, returns of similar size securities, and returns of similar risk (beta and book-to-market) securities. The portfolio includes firms that are consistent free cash flow generators, that have low financial leverage, and that sell at low free cash flow multiples. Corporations, thus, have to disclose on regular basis their cash position in order for investors to assess their investment. Similar findings were achieved by Chen et al. (2000), Reichelstein (2000), Fant and O'Neal (2000), attributed management positive investment decision solely to the increase in aggregate fund flows, Carpenter and Ellis (2000), and James (2000).

VALUATION MEASURES

One of the cornerstones of financial statement analysis is the discounted cash flow valuation. But there is little guidance, for example, on how employee stock options should be incorporated in a valuation. Soffer (2000) has suggested a comprehensive approach to do so. The consideration of the income tax implications of option exercises, the simultaneity of equity and option valuation, and the use of the disclosures that were mandated recently by Statement of Financial Accounting Standards No. 123. All of this require with no doubt initial information about the cash flow of an institution. More conservatively, Givoly and Hayn (2000) have documented changes in the patterns of earnings, cash flows and accruals over the last 4 decades. In the absence of a generally accepted definition of conservatism, a number of measures of reporting conservatism were identified and examined. These measures relay on the accumulation of nonoperating accruals, and the timeliness of earnings with respect to bad and good news, characteristics of the earnings distribution and the market-to-book ratio. The patterns are consistent with an increase in conservative financial reporting over time. The findings have implications for accounting standard setting,

FUNDS FLOW REPORTING IN KUWAIT

INTRODUCTION

There is a common conviction worldwide both in literature and practice, that the balance sheet and income statement alone do not meet the information needs of financial statement users. The liquidity and cash flow projection data is of importance to financial uses. The usefulness of cash flow statement is widely recognized, despite some contradictory results in empirical studies of the relative usage of its data (see Brown et al. (1997); Rayburn, (1996); Wilson (1996); Greenberg et al. (1996); Bernard and Stober, (1999); Neil et al, (1991). National and international standard setters have been addressing this topic for quite some time and have been publishing standards on funds flow statements. Standards which have been published in the last twenty years include: AC 118 (South Africa, 1988), Sec. 1540 CICA (Canadian Institute of Chartered Accountants) Handbook (Canada, 1985), SFAS NO. 95 (USA, 1987), AASB 1026/AAS 28 (Australia, 1991), FRS No. 1 (U.K., 1991), SSAP 10 (New Zealand, 1987), recommendation No. 1.22 OECCA (France, 1988), FER No. 6 (Switzerland,1992), IAS 7 - revised (IASC 1992). Historically, Canada (1985), the USA (1987) and New Zealand (1987) were the first countries to require the inclusion of a statement of cash flow in the financial statements (Stolowy and Walser, 1992:185). Yet, the first mandatory national standard was Opinion No. 19 published by the Accounting Principles Board (APB) in the USA (1971).

STANDARDS

The standards which have been published during the last twenty years or more, made changes in the form, content and degree of detail of cash flow disclosures. The most striking change is the abolishing of 'working capital' figures and preference for 'cash flow' figures, as the bottom line item of funds flow statements in all the recently published standards. This fact has also provoked a change in all terminology from funds flow statement or statement of changes in financial position to cash flow statement.

This article gives an insight into the significance of cash flow statement and cash flow reporting in Kuwait, both past and present.

SIGNIFICANCE OF CASH FLOW STATEMENT

A cash flow statement, when used in conjunction with the rest of the financial statements, provides information that enables users to evaluate the changes in net assets of an enterprise,

FUNDS FLOW REPORTING IN KUWAIT

Wael E. Al-Rashed
Kuwait University

Abstract

The usefulness of cash flow statement is widely recognized despite some contradictory results in empirical studies of the relative usage of its data. This article gives an insight into the significance of cash flow statement and cash flow reporting in Kuwait, both past and present. Scholars have highlighted cash flow importance from different perspectives. Their findings have implications for accounting standard setting, regulation of financial information and financial statement analysis. Although the evolution of International Accounting and the activities of many standard setters, the presentation of Statements of Changes in Financial Position (SCFP) is not yet mandatory in many developing countries.

The empirical survey covers 52 Kuwaiti companies listed in Kuwait Stock Exchange and engaged in banking, investment, manufacturing, real estate, and service industries. Out of these, the sample contained (39) companies, which adhered to International Accounting Standards (IAS). Further examination was conducted on three variables that are most likely to influence the disclosure of companies, namely the legal form, size, and scope of international activities.

This survey shows that the presentation of funds flow statements has increased significantly. Also, the lack of standard or legal requirement has led to a proliferation not only in the form of the statements but also in terminology. Large Kuwaiti companies have awakened to the need-not only in the context of funds flow statements, but also in other fields of accounting and disclosure, to be sufficiently prepared to meet the accounting challenges in the future, which will be of international standard.