

In the Name of Allah, Most Gracious, Most Merciful.

إستهلال

قال الله تعالى:
"قَالَ رَبِّ اشْرَحْ لِي صَدْرِي (٢٥) وَيَسِّرْ
لِي أَمْرِي (٢٦) وَأَخْلِلْ عُنُقَهُ مِنْ لِسَانِي
(٢٧) يَفْقَهُوا قَوْلِي (٢٨)"
صدق الله العظيم

سورة طه
الآيات (28-25)

Dedication

I dedicate this thesis to my family, especially my mother, my father, my wife and children and to teachers' cross my education life.

Acknowledgement

Many people have made this study possible and I owe them all a debt of gratitude. I would however like to acknowledge the enormous support I have been given to keep going during the process of completing this work. I would like to give particular thanks to:

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Abstract

The thesis addresses Impact of Qualitative Characteristics of Financial Reporting (QCFR) in Corporate Governance (CG); Empirical Study on Sudan Based Companies; Case Study of Sudan Telecommunications Company Ltd (Sudatel). The problem of the thesis is that the majority of past research dealt with general framework of the corporate governance rather than considering principals' factors that effect this framework, so the problem is how to find a mechanism for CG based on QCFR that lead to rational decision. The main objective is building of scientific module for the relation between QCFR & CG. In line with sited objectives and problem for this thesis, the main hypothesis is there is a significant relation between QCFR & CG. The thesis takes the descriptive methodology in theoretical part by explaining the main concepts and in case study take analytical methodology. The scope in the theoretical part restricted on general concepts of financial reporting and its development and qualitative characteristics also mentioned the agency theory as introductory to CG: its concepts, historical development in some countries, while in case study part restricted to 15 financial reporting of Sudatel for the period from financial year 1994 up to 2008. Data collects from financial reporting and process the qualitative one by using scoring model (Rasch model) and then analyze by using EViews 5. This thesis has sought to contribute reached by many findings the most important one is: The study displayed that there is very strong positive correlation between GC and the reliability as one of the high quality financial reporting while ($R=0.88$) and the same strong positive correlation with other characteristics (relevant, comparability and understandability). In general the main finding is the thesis showed that the General Accepted Accounting Practice (GAAP) which followed by Sudatel positively affect the QFR and will affect the CG correlation the thesis noticed many recommendations the most important one is: Sudatel as a case study needed to keep the strength of the QCFR that give the strong positive correlation with good corporate governance and keep this strength in line with the development in IAS and CG. Also Sudatel board structure requested to consider the principles of the CG despite of the capital structure.

المستخلص

تناولت الدراسة أثر الخصائص النوعية للتقارير المالية في حوكمة الشركات دراسة تطبيقية على الشركات العاملة في السودان دراسة حالة -الشركة السودانية للاتصالات المحدودة (سوداتل) وتمثلت مشكلة الدراسة في إيجاد آلية لحوكمة الشركات تقوم على اتخاذ القرار الرشيد المعتمد على المعلومات الجيدة لأن الدراسات السابقة تعتمد على الإطار العام دون النظر بصورة تحليلية للعوامل الأساسية المؤثرة فيه. وهدفت الدراسة إلى وضع نموذج علمي للعلاقة بين الخصائص النوعية للتقارير المالية وحوكمة الشركات ولمعالجة المشكلة وضعت عدة فرضيات أهمها: أن هنالك علاقة جوهريّة بين الخصائص النوعية للتقارير المالية وحوكمة الشركات وتنتقل هذه العلاقة إلى كل خاصية على حدة وانتهجت الدراسة خطى المنهج الوصفي القائم على التعريف وتوضيح المفاهيم الأساسية والمقارنة في الجانب النظري. وأما في الجانب العملي فقد اكتفت بالتطبيق الذي اعتمد على تحليل البيانات المأخوذة من التقارير المالية. وتوقفت حدود الدراسة في الجانب النظري عند المفاهيم الأساسية للتقارير المالية وتطورها وخصائصها النوعية وعرّجت الى المفاهيم الأساسية للحوكمة وتطورها التاريخي عبر الدول وفي الجانب العملي انحصرت حدود الدراسة في التقارير المالية السنوية لسوداتل لمدة 15 سنة في الفترة الزمنية الممتدة من السنة المالية 1994 الى السنة المالية 2008م. وشرحت الدراسة في الجانب النظري التقارير المالية: المفاهيم الأساسية والتطور والخصائص النوعية وتناولت نظرية الوكالة كمدخل لحوكمة الشركات: المفاهيم الأساسية والتطور التاريخي في بعض الدول وحوكمة الشركات في السودان. وطبقت الدراسة بجمع البيانات الكمية من التقارير المالية ومعالجة البيانات النوعية عن طريق تحديد وحدة قياس كمية عن طريق استخدام نموذج الوزن (نموزج راسش) وتحليل كل تلك البيانات الكمية عن طريق استخدام البرنامج الاقتصادي القياسي الإحصائي (EViews 5). وخلصت الدراسة لنتائج عديدة أهمها: أن معامل الارتباط بين الموثوقية كإحدى الخصائص النوعية للتقارير المالية وحوكمة الشركات قوي جداً في الاتجاه الموجب حيث إن $(R = 0.88)$. وأن معامل الارتباط بين بقية الخصائص الأخرى (القابلية للمقارنة والتناسب والمفهومية) قوى أيضاً في الاتجاه الموجب. وفي الاطار العام توصلت الدراسة الى نتيجة توضح أثر المبادئ المحاسبية المتعارف عليها في جودة التقارير ومن ثم الخصائص النوعية وحوكمة الشركات وتوصلت الدراسة لتوصيات عديدة أهمها: أن الإيجابيات التي ظهرت في الدراسة لصالح سوداتل تعتبر نقاط قوة يجب على الشركة المحافظة عليها وتطويرها مع تطور معايير المحاسبة الدولية وتطور مفاهيم الحوكمة. والمطلوب من سوداتل الاهتمام بمبادئ حوكمة الشركات فيما يتعلق بتركيبة مجلس الإدارة بغض النظر عن نوعية المساهمين لكي تتجنب بعض الانحرافات التي ظهرت في معامل الارتباط.

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Glossary:

TERM	Abbrev.	Definition
Generally Accepted Accounting Principles	GAAP	Generally Accepted Accounting Principles (GAAP) is a term used to refer to the standard framework of guidelines for financial accounting used in any given jurisdiction; generally known as Accounting Standards . GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements .
Financial Reporting	FR/FSs	A financial statement (or financial report) is a formal record of the financial activities of a business, person, or other entity. In British English —including United Kingdom company law —a financial statement is often referred to as an account , although the term financial statement is also used, particularly by accountants .
Qualitative characteristics of financial statements	QCFR	Qualitative characteristics of financial statements include: <ul style="list-style-type: none"> • Understandability • Reliability • Comparability • Relevance • True and Fair View/Fair Presentation
Corporate governance	CG	Corporate governance is the set of <u>processes</u> , <u>customs</u> , <u>policies</u> , <u>laws</u> , and <u>institutions</u> affecting the way a <u>corporation</u> (or <u>company</u>) is directed, administered or controlled. Corporate

		<p><u>governance</u> also includes the relationships among the many <u>stakeholders</u> involved and the goals for which the corporation is governed. The principal stakeholders are the <u>shareholders</u>, the <u>board of directors</u>, <u>employees</u>, customers, <u>creditors</u>, suppliers, and the community at large.</p>
<p>Organization for Economic Co-operation and Development</p>	<p>OECD</p>	<p>The Organization for Economic Co-operation and Development (OECD, <u>French: <i>Organisation de coopération et de développement économiques, OCDE</i></u>) is an <u>international economic organization</u> of 34 countries founded in 1961 to stimulate economic progress and world trade. It defines itself as a forum of countries committed to <u>democracy</u> and the <u>market economy</u>, providing a platform to compare policy experiences, seeking answers to common problems, identifying good practices, and co-ordinating domestic and international policies of its members.</p>
<p>EViews</p>		<p>It is an econometrics package, which provides data analysis, regression and forecasting tool.</p>
<p>Sarbanes–Oxley Act</p>		<p>The Sarbanes–Oxley Act of 2002 (<u>Pub.L. 107-204, 116 Stat. 745</u>, enacted July 30, 2002), also known as the 'Public Company Accounting Reform and Investor Protection Act' (in the <u>Senate</u>) and 'Corporate and Auditing Accountability and Responsibility Act' (in the <u>House</u>) and commonly called Sarbanes–Oxley, Sarbox or SOX, is a <u>United States federal law</u> enacted on July 30, 2002, which set new or enhanced</p>

		standards for all U.S. <u>public company</u> boards, management and public accounting firms. It is named after sponsors U.S. Senator <u>Paul Sarbanes (D-MD)</u> and U.S. Representative <u>Michael G. Oxley (R-OH)</u> .
<i>t</i>-statistic		In <u>statistics</u> , the <i>t</i>-statistic is a ratio of the departure of an estimated parameter from its notional value and its <u>standard error</u> . It is used in <u>hypothesis testing</u> , for example in the <u>Student's t-test</u> , in the <u>augmented Dickey–Fuller test</u> , and in <u>bootstrapping</u> .
R-Squared		In <u>statistics</u> , the coefficient of determination R^2 is used in the context of statistical models whose main purpose is the prediction of future outcomes on the basis of other related information. It is the proportion of variability in a data set that is accounted for by the statistical model. ^[1] It provides a measure of how well future outcomes are likely to be predicted by the model.
<i>F</i>-statistics		In <u>population genetics</u> , <i>F</i>-statistics (also known as fixation indices) describe the level of <u>heterozygosity</u> in a population; more specifically the degree of (usually) a reduction in heterozygosity when compared to <u>Hardy–Weinberg expectation</u> . <i>F</i> -statistics can also be thought of as a measure of the correlation between genes drawn at different levels of a (hierarchically) subdivided population. This correlation is influenced by several evolutionary processes, such as mutation, migration, <u>inbreeding</u> , <u>natural selection</u> , or the <u>Wahlund effect</u> , but it was originally designed to measure

		the amount of allelic fixation owing to genetic drift.
S.E. OF regression		In <u>statistics</u> , ordinary least squares (OLS) or linear least squares is a method for estimating the unknown parameters in a <u>linear regression model</u> . This method minimizes the sum of squared vertical distances between the observed responses in the <u>dataset</u> , and the responses predicted by the linear approximation. The resulting <u>estimator</u> can be expressed by a simple formula, especially in the case of a <u>single regressor</u> on the right-hand side.
Durbin–Watson statistic		In <u>statistics</u> , the Durbin–Watson statistic is a <u>test statistic</u> used to detect the presence of <u>autocorrelation</u> (a relationship between values separated from each other by a given time lag) in the <u>residuals</u> (prediction errors) from a <u>regression analysis</u> . It is named after <u>James Durbin</u> and <u>Geoffrey Watson</u> . However, the <u>small sample</u> distribution of this ratio was derived in a path-breaking article by <u>John von Neumann</u> (von Neumann, 1941).
Hannan-Quinn information criterion (HQC)		In <u>statistics</u> , the Hannan-Quinn information criterion (HQC) is a criterion for <u>model selection</u> . It is an alternative to <u>Akaike information criterion</u> (AIC) and <u>Bayesian information criterion</u> (BIC). It is given as $\text{HQC} = n \log \left(\frac{\text{RSS}}{n} \right) + 2k \log \log n,$ where k is the number of <u>parameters</u> , n is

		the number of <u>observations</u> , and RSS is the <u>residual sum of squares</u> that results from <u>linear regression</u> or other statistical model.
Schwarz criterion		In <u>statistics</u> , the Bayesian information criterion (BIC) or Schwarz criterion (also SBC, SBIC) is a criterion for <u>model selection</u> among a class of parametric models with different numbers of parameters. Choosing a model to optimize BIC is a form of <u>regularization</u> .
Akaike information criterion		The Akaike information criterion is a measure of the relative <u>goodness of fit</u> of a <u>statistical model</u> . It was developed by <u>Hirotsugu Akaike</u> , under the name of "an information criterion" (AIC), and was first published by Akaike in 1974. ^[1] It is grounded in the concept of <u>information entropy</u> , in effect offering a relative measure of the <u>information lost</u> when a given model is used to describe reality. It can be said to describe the tradeoff between <u>bias</u> and <u>variance</u> in model construction, or loosely speaking between accuracy and complexity of the model.
Coefficient		In <u>mathematics</u> , a coefficient is a multiplicative factor in some <u>term</u> of an <u>expression</u> (or of a <u>series</u>); it is usually a number, but in any case does not involve any <u>variables</u> of the expression.
Standard error		The standard error is a method of measurement or estimation of the <u>standard deviation</u> of the <u>sampling distribution</u> associated with the estimation method. ^[1] The term may also be used to refer to an estimate of that

		standard deviation, derived from a particular sample used to compute the estimate.
least squares		The method of least squares is a standard approach to the approximate solution of <u>over determined systems</u> , i.e. sets of equations in which there are more equations than unknowns. "Least squares" means that the overall solution minimizes the sum of the squares of the errors made in solving every single equation.
Likelihood		In <u>statistics</u> , a likelihood ratio test is a <u>statistical test</u> used to compare the fit of two models, one of which (the <i>null model</i>) is a special case of the other (the <i>alternative model</i>). The test is based on the <u>likelihood</u> ratio, which expresses how many times more likely the data are under one model than the other. This likelihood ratio, or equivalently its <u>logarithm</u> , can then be used to compute a <u>p-value</u> , or compared to a <u>critical value</u> to decide whether to reject the null model in favour of the alternative model.
ordinary least squares (OLS)	(OLS)	In <u>statistics</u> , ordinary least squares (OLS) or linear least squares is a method for estimating the unknown parameters in a <u>linear regression model</u> . This method minimizes the sum of squared vertical distances between the observed responses in the <u>dataset</u> , and the responses predicted by the linear approximation. The resulting <u>estimator</u> can be expressed by a simple formula, especially in the case of a <u>single regressor</u> on the right-hand side.

<i>t</i>-test	<p>A <i>t</i>-test is any <u>statistical hypothesis test</u> in which the <u>test statistic</u> follows a <u>Student's <i>t</i> distribution</u>, if the <u>null hypothesis</u> is supported. It is most commonly applied when the test statistic would follow a <u>normal distribution</u> if the value of a scaling term in the test statistic were known. When the scaling term is unknown and is replaced by an estimate based on the <u>data</u>, the test statistic (under certain conditions) follows a <u>Student's <i>t</i> distribution</u>.</p>
Scoring models	<p>Rasch models are used for analysing data from assessments to measure variables such as abilities, attitudes, and personality traits. For example, they may be used to estimate a student's reading ability from answers to questions on a reading assessment, or the extremity of a person's attitude to capital punishment from responses on a questionnaire.</p> <p>Rasch models are particularly used in <u>psychometrics</u>, the field concerned with the theory and technique of psychological and educational measurement. In addition, they are increasingly being used in other areas, including the <u>health profession</u> and market research because of their general applicability.</p>