

FACTORS AFFECTING THE REPORTING OF HUMAN CAPITAL IN  
FINANCIAL STATEMENTS OF PUBLIC FIRMS LISTED AT NAIROBI  
STOCK EXCHANGE

By

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A THESIS SUBMITTED TO KENYA METHODIST UNIVERSITY IN  
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF  
MASTERS IN BUSINESS ADMINISTRATION

JUNE, 2010

## ABSTRACT

The study sought to establish factors affecting the reporting of human capital in financial statements of firms listed at Nairobi Stock Exchange. Specifically, the study sought to establish how valuation of human capital, accounting principles and standards, company policies and corporate governance disclosure requirements affect the inclusion of human capital in annual financial statements of listed firms at NSE.

The study adopted a descriptive research design. A survey of 45 listed firms forming the target population was studied. Data was collected by use of interview and questionnaire methods and retrieval of secondary information. Data collected was analyzed through descriptive statistics. The Pearson's correlation coefficient indicated the bi-variate correlation between variables while further regression of variables was done and the beta coefficient computed to indicate the slope or the size of the regression coefficient. Data presentation was by tables, pie charts and graphs.

The study found that while reporting of human capital is done by the listed firms at NSE, majority of them (more than 50%), zero in on the mandatory aspects of human capital which requires reporting on the obligations of the firm towards its employees but only a limited number of the firms undertake voluntary disclosure (37.5%). Of the four factors, Valuation of human capital variable influences most of the variance in the inclusion of human capital (is the most important) according to the un-standardized beta coefficients (beta = -.747,  $p = .019$ ) which was statistically significant at 5% level.

The study recommends that accounting standards should clearly define human capital to ease classification in the financial statements and valuation. Further they should guide on how human capital can be reported in the financial statements to give it the right treatment.