

Mobinil (in egypt) v vodafone (in the united kingdom): a comparison of accounting...

[Business](#), [Accounting](#)



1. Introduction: This paper seeks to answer given questions about Mobinil (in Egypt) and Vodafone (in the United Kingdom) in relation to finding the difference between accounting standards in two different countries where the firms are located. The paper will present first the case of Vodafone and compare the same with Mobinil. A short summary of sub-conclusion may be found in each subsection for each set of questions if applicable and the last part will make the final conclusion that would be applicable to the whole paper. 2. Questions and Answers 2.

1. Summarize the commercial and financial characteristics of your companies, including main markets, sources of finance, and nature of Company structures. Note particularly any characteristics that might have relevance to the amount & type of information available in the annual report. Vodafone Vodafone claims to be world leader provider of voice and data communications services for both consumer and enterprise customers, with operations found in Europe, the Middle East, Africa, Asia, Pacific and the United States (Vodafone, 2008b). Vodafone (2008a) claims to have approximately 206. 4 million proportionate customers as of March 31, 2007 based on the registered customers of mobile communication ventures in which it had equity interests. Its equity interests extend to not less than twenty five (25) countries, through its subsidiary undertakings, joint ventures, associated undertakings and investments.

It further claims to have Partner Market arrangements which extended its footprint to an additional 38 countries. In the course of its mobile businesses, the Company provides a wide range of mobile communications services,

including voice, text messages, picture messages and other data services. It continues to develop and enhance its service offerings, particularly through third generation mobile technology, now found in the majority of the Company's operations. Services are available to customers (both individual and corporate) via a variety of both prepaid and contract tariff arrangements.

Its mobile services are at present offered over a Global System for Mobile Communications network, together with a General Packet Radio Service and, in certain operations, plus a Wideband Code Division Multiple Access 3G network. Where there is issued license for Vodafone operates via its subsidiary undertakings. In not less than 14 of its controlled operations, Vodafone offered 3G services as March 31, 2007. In line with its strategy, Vodafone now increasingly focuses on developing total communications solutions for its customers by taking advantage of the evolving technological changes that has allowed a variety of choice in services, while allowing the company to have mobile centric approach by its focus on core benefits to customers of mobility and personalization.

Currently, Vodafone now can provide fixed broadband connectivity as part of the total communications solution among its areas of operations (Vodafone, 2008a). One of significant characteristics of the company that manifest its sources of finances and extent of investment includes Vodafone's having a controlling interest in a fixed line telecommunications service provider in Germany. The same company in Germany provides fixed line services in other markets that normally provide comprehensive relationships with

infrastructure providers. Vodafone was declared first in the 2006 Global Accountability Rating that indicates companies' way of responsibly building business practices. This is a proof of company's commitment to Corporate and Social Responsibility.

As to its sources of finances, Vodafone claims that as of March 31 2007, about 56. 02% of its shares were held in the United Kingdom, the other 30. 60% in North America. The remaining 12.

38% is in Europe (except UK) while only 1% is allotted to the rest of the world (Vodafone, 2008ab) For this reason the its ordinary shares are listed on the London Stock Exchange and the Company's ADSs are listed on the New York Stock Exchange (NYSE). The Company had a total market capitalization of approximately £80 billion at 25 May 2007, making it the third largest company in the Financial Times Stock Exchange 100 (FTSE 100) index and the twenty second largest company in the world based on market capitalization at that date (Vodafone, 2008a). As to its main markets, Vodafone is managed and organized through two geographic regions- Europe and EMAPA (Eastern Europe, Middle East, Africa and Asia, Pacific and Affiliates). This strategy is chosen to align its operations and by focusing its businesses according to different market and costumer requirements. The company operates also under there a number of central functions, called as Common Functions, enabling the Vodafone to provide services to the its operations while allowing to leverage its scale and scope and manage risk effectively (Vodafone, 2008a).

Vodafone's operation in Europe includes its principal mobile subsidiaries, located in Germany, Spain and the UK. It has also its joint venture in Italy and a controlling interest (73. 7%) in a fixed line telecommunications business in Germany.

Countries like Albania, Greece, Ireland, Malta, Netherlands and Portugal are also places where Vodafone has its other subsidiaries (Vodafone, 2008a). Vodafone's mobile subsidiaries in Europe and joint venture in Italy sells its products and services using the brand name 'Vodafone' while its fixed line subsidiary in Germany is under the Arcor. The name Arcor is known to be the second largest fixed line telecommunications provider in Germany and provides a wide range of services for voice and data transfer using its own German-wide networks to its customers (Vodafone, 2008a).

The mobile market share of the Company's operators in its principal markets, based on publicly available information, is estimated to have the following distribution: Germany (36%), Italy (33%), Spain (31%) and UK (26%). (Vodafone, 2008a) Vodafone EMAPA's area of operation has the following regions: Eastern Europe, Middle East, Africa and Asia, Pacific and Affiliates. Included in EMAPA are its subsidiary operations in the Czech Republic, Hungary, Romania, Turkey, Egypt, Australia and New Zealand. Further included in EMAPA is its joint ventures in Poland, Kenya, South Africa and Fiji, as well its related undertakings in France and the US and its investments in China and India (Vodafone, 2008a). Vodafone (2008a) claims that its market is affected by competition in that the company faces significant competition in each of its geographic market.

An indirect competition comes from providers of other communications services in the domestic markets in which it operates while direct competition comes from existing mobile communications network operators and mobile virtual network operators that do not do business in mobile telecommunications network. Other competitors include fixed line operators who provide combined fixed and mobile service offerings, and companies that are internet based and that extend their services to include telecommunication (Vodafone, 2008a). The company is also into Partner Markets. These Partner Markets are operations in which the Company has entered into a partnership agreements with local mobile operators. These markets enable a range of Vodafone's global products and services to be sold or made available in that operator's territory.

Under the terms of agreements within these markets, Vodafone has and its partners have a great chance in co-operating in the development and marketing of certain services, often under dual brand logos and this enabled Vodafone to implement its global services in new territories, while extending its brand reach into new markets and creating additional revenue without the need for equity investment. As to the nature of company structures, the same may be inferred from a geographical analysis of shareholders where more 56% of the stockholders are from UK, about a little than one-third or 30. 60% are from North America while the rest (12. 38%) are from in Europe (except UK) and 1% to the rest of the world. It is also claimed that Vodafone does not have a direct or indirect ownership from any foreign government or any other legal entity which means the ownership is broadly distributed with

majority concentration of a number of stockholders in UK as the company declares the absence of any arrangements known that could result to change of control of company (Vodafone, 2008b). Mobinil (2008a) in comparison with Vodafone, which operates worldwide being a global company, appears to operate only in Egypt.

It's 2007 Annual Report claims to have one of the markets with the highest growth rates and growth potential even after the Egyptian telecommunications has witnessed fierce competition, both among existing and new players, in 2007. It claims that telecommunications market in Egypt has been increasing in terms of number of players within each of its industries, mainly the mobile market. The company is of course referring to the entrance of the third player, Etisalat Egypt, thereby causing an end to a duopolistic market. In other words, Mobinil was operating previously under a monopoly market, with the company as the sole player until joined by other players (Mobinil, 2008a). After the monopoly however was a duopoly where there are only two players of the market and what makes it more interesting is that it was Vodafone Egypt which became the second competitor of Mobinil. Mobinil admits that the mobile industry has been through competition on both direct fronts like fixed lines and payphones, and on indirect fronts such as Internet connectivity.

Nevertheless, it sees that several elements are creating advantages for mobile industry in terms of making both direct and indirect fronts' competition at competitive disadvantages as follows: (1) more customer attraction to Value Added Services (VAS) (2) Better convenience for the

customers (3) Deeper penetration and coverage of remote areas (4) Comparatively lower cost acquiring a mobile line services in remote areas coverage and penetration (Mobinil, 2008a). The company claims that mobile industry in Egypt is growing at increased rates with overall penetration rate having reached approximately 41% at the end of 2007, as against from a low of 1. 3% in 1999(Mobinil, 2008a).. Mobinil claims the existence of around 11 million fixed lines in Egypt, representing only 15. 2% penetration rate which are served by Telecom Egypt. In claiming that over 57, 000 payphones, offered by three different service providers, have been installed throughout Egypt over the past few years, Mobinil (2008a) has described its services offered which include voice connectivity and Pre-paid cards services. This has however resulted to slowing down growth rate significantly in recent years in favor of mobile operators (Mobinil, 2008a).

The company suffers further indirect competition in the mobile industry from fixed Internet connectivity to homes and businesses, due to access allowed to users to Voice over IP services. Mobinil admits that Vodafone Egypt was the second entrant to the mobile market following Mobinil and the second operator to launch the 3G services in 2007 after Etisalat Egypt. With Vodafone having changed the structure of its ownership in 2006 by acquiring 51% of Raya Telecom, which specializes in providing business solutions as well as Internet connectivity, Vodafone became effectively its second direct competitor under the newly formed structure: Vodafone International controlling the company at 54. 9%; Telecom Egypt getting 44. 7%, while Free Float getting the remaining 0. 4%. The rivalry between

Mobinil and Vodafone Egypt in the Egyptian market expanded more with the entry of Etisalat. This therefore ended the duopoly in the mobile market in May 2007, as Etisalat started its operation using the 2G and 3G license that it has acquired from the National Telecommunication Regulatory Authority (NTRA) for EGP 16.

7 billion (\$2. 9 billion). Etisalat is from UAE controlling about 66% of the Etisalat Misr consortium represents a joint partnership.

The other part of venture includes Egypt post with 20%; National Bank of Egypt with 20% and Commercial International Bank with 4% (Mobinil, 2008a). Since fixed lines providers remain as indirect competitors on mobile service providers, there is still need to discuss the latest development where there are now two major players after Etisalat acquired the second international gateway license. This therefore ended the monopoly on fixed lines enjoyed earlier by Telecom Egypt as the sole provider, which up to this writing is still a public entity despite its partial liberalization at the end of 2005 (Mobinil, 2008a). Not to be excluded from the factors that affect the telecom services market in Egypt is the regulatory environment. The National Telecom Regulatory Authority or (NTRA) specializes in regulating the telecommunications sector in Egypt, while keeping not disallowing the latest technologies to satisfying users' needs with the suitable prices. Thus the entity ensures an atmosphere of free and impartial competition in encouraging national and international investment in the telecommunications sector. In this regard, the following, among others, are the Regulatory Highlights in 2007 that were concluded: (1) National

Roaming- with Etisalat, the third mobile operator in Egypt. Mobinil will charge reasonable, yet profitable rates when Etisalat customers send or receive communications in areas where their operator does not provide coverage; (2) Interconnect Agreement- also with Etisalat, and similar to other operators by permitting exchange of traffic between both operators; (3) 3G License Acquisition- Mobinil will be entitled to 10 MHz of additional band in 3G range, enabling the company to offer its costumers the latest technologies as well as accommodating the expected subscriber growth for years to come (Mobinil, 2008a).

To summarize, Vodafone is a global company while Mobinil is not. Hence, the company has wider base of operations of business and has a wider source of capital as its stocks are listed in New York Stock Exchanges and the London Stock Exchange. As such the accounting information that Vodafone provides is more detailed and extensive than that of Mobinil. As a world leader in telecommunication services, Vodafone sells its product and services to not less than 25 countries and further extended by 38 countries when the partners market arrangement are considered. Mobinil on the other hand has its market in Egypt. In fact, Vodafone Egypt has now come to Egypt to compete with Mobinil in the mobile services sector (Mobinil, 2008a).

Comparing further Vodafone from Mobinil would reveal significant differences. Vodafone sources its capital from various investors around the world with majority of stockholders coming from UK and the North America (Vodafone, 2008b) ; while Mobinil has controlling stockholders from France

Telecom and Orascom. Majority of the stock holders of Vodafone is from UK with no single legal entity or foreign corporation asserting control.

For Mobinil the name of company is Egyptian Mobile Services Company which is controlled by Mobinil Telecom (51. 03%) , while the remaining is for Orascom (20%) and public (28. 97%). The Mobinil Telecom is further owned by Orascom (28. 75%) and France Telecom of France (71. 25%) Orascom is an Egyptian Conglomerate (Mobinil, 2008a). 2. 2.

Using Gray's (1988) definitions of accounting values, what accounting values are generally expected of the countries to which your companies belong? Before the answer to this questions could be made as to which of the accounting values are generally expected of the countries Vodafone and Mobinil belong, it is best to have summary first of the Gray's accounting values. The four accounting values are professionalism, uniformity, conservatism and secrecy. Each is summarize and explained below for better understanding.

Professionalism is defined as a preference for the exercise of individual professional judgment and the maintenance of professional self-regulation as opposed to compliance with prescriptive legal requirements and statutory control (Gray, 1988). Professionalism may be identified at two levels. One is the level of individual making professional judgments and the other is the statutory level with possibly self-governing professional regulatory institutions. Being a core dimension of accounting values, professionalism is necessary as accountants are required to make professional judgments

regarding valuation and various aspects of disclosure in financial information. Such judgments made by accountants may differ in different parts of the world depending on various factors including legal and statutory requirements and prevalent professional practices, yet a responsible profession regulated by standards could almost account for the differences across cultures. This value would be evident at an organizational level, given the development of accounting bodies in various parts of the world that indicates differing degrees of self-regulation with professional bodies as those in United States and the United Kingdom with greater autonomy than those from continental Europe and developing countries.

Uniformity is defined as preference for the enforcement of similar accounting practices between companies and for the consistent use of such practices over time as opposed to flexibility in accordance with the perceived circumstances of individual companies (Gray, 1988). At least two components: inter-temporal consistency in accounting practices and uniformity in the application of accounting policies and rules across companies could be noted under this dimension. Consistency in the application of accounting principles is needed due to the alternatives available for dealing with some important problems in financial accounting and reporting. A consistent application of accounting principles is still a precondition for ensuring comparability in financial statements over time and across firms. But it could be an implied assumption that any selection of a set of accounting principles from available alternatives could enhance comparability of financial statements. Conservatism is defined as a

preference for a cautious approach to measurement, to cope with the uncertainty of future events as opposed to a more optimistic, laissez-faire, risk-taking approach (Gray, 1988). Conservatism fundamentally means prudence or the use of caution and implies that accountants who are conservative should anticipate losses but not gains.

It is considered as one of the most fundamental accounting concepts arguably being ' the most ancient and probably the most pervasive principle in accounting valuation. Conservatism is usually thought to contrast widely in different parts of the world, ranging from a strongly conservative approach in Continental Europe to much less conservative attitudes among accountants in UK and US. Gray suggested that such difference are reinforced by the relative development of capital markets, the differing pressures of users interests and influence of tax laws on accountants in the countries concerned. Secrecy is present when there is a preference for a cautious approach to disclosure, considering it a fundamental accounting attribute (Gray, 1988). Gray (1998) suggested that issues of Secrecy stem from management, owing to the influence of management on the quantity of information disclosed to outsiders.

There had been attributions to the appearance of this breadth to management within firms, since most firms tend to be secretive and disclose minimal information within financial statements. Based on the foregoing, this researcher believes that Vodafone would be expected to have professionalism as accounting value because of the flexibility afforded by UK and US allowing preference for the exercise of individual professional

judgment and the maintenance of professional self-regulation as contrasted to compliance with prescriptive legal requirements and statutory control which may be more applicable to Mobinil. Mobinil operates in Egypt where accounting standard is confined within Egypt. In other words, unlike Vodafone which is governed by IFRS/IAS and therefore more exercise of professional judgment on the ground that issuers of IFRS are not government agencies, Mobinil would be most likely to adopt the accounting value of uniformity as it complies with the Egyptian accounting rules and regulations. 2. 3. Based on the classifications in the textbooks (e.

g. Gernon & Meek), to what national accounting clusters or classifications do your companies belong? Before answering the questions asked there is need to present first the classification of accounting practices that lead to the accounting clusters: The following are Classification of Accounting Practices according to Nobes in 1980, where Nobes grouped measurement practices of 14 western countries into a hierarchy into three levels. On the first level the micro-based is distinguished from macro-uniform orientation. While the macro-uniform orientation was being matched correspond with the code law, the micro-based matched with the common law. Radebaugh and Daniels (1997) took the position that macro-uniform countries are shaped by more governmental influence than the micro-based ones. On the next or second level Nobes pointed between business theory and business practice under the micro-based classification while the macro-based one, Nobes viewed the influence factors in terms of government/legal orientation, as opposed with government/economic one (Radebaugh and Gray, 1997).

At the third level, Nobes divided the influence between the U. K. and U. S. under the business practices orientation and separated between tax-based and law-based systems under the government/tax/legal orientation. Thus it could be inferred that a standard may be or closer from UK or US.

In 1998, Nobes was noted to have proposed a new classification of Accounting Practices, where he found that the type of finance has more influence than the legal system in classifying financial report systems (Choi et al., 2002: 53). Nobes was found to have observed many companies to be making modifications of their financial reporting companies to suit the information needs of international capital investors rather than local laws requirement. This was the start of code law countries' companies of adopting shareholder oriented reporting as used in common law countries (Choi et al.

, 2002: 53). After seeing a need to focus in classification on financial reporting of companies instead of countries, Nobes saw the division between strong equity and weak equity reporting, where strong equity is equated with a shareholder-oriented reporting. This also caused classification of outsider and insider financiers, where the former are different from directors (insider financiers) from the board due to absence of privileged relationships with the company (Nobes, 1999). Along this a focus for shareholder orientation could be associated the standards of the IASB which makes the IAS/IFRS. Going further between strong equity and weak equity reporting, the first one is called to fall under the Anglo-American Model while the second one is under the Continental European. Under the Anglo-American-Model, there is

an orientation of towards decision needs of investors as emphasized in the countries of this model, where the security of the creditor is made of less importance of shareholders so that what is given foreground importance is the company's performance and financial position in the financial statement presentation. There is the giving more information about the future development of the company as there is more e focus on the addressee in order to mobilize capital, because of the bigger influence of capital markets and there would be more extensive disclosure to cater to the needs of investor. A decrease of the prudence principle in favor of the accrual accounting characterizes Accounting Practices of those countries under this model.

There is also a very strong Accounting profession, the limited role of government and the importance of stock markets in those countries (Wolk et al., 2001). In contrast to the Anglo-American-Model, countries, which include France and Germany, of this cluster rely on banks as capital providers and have therefore a close relationship with them.

These countries employ depends less on public equity market than countries under the Anglo-American-Model. The financial statements under this model are to please government imposed requirements not to provide information to stockholders or the so called capital providers. A legalistic and highly conservative environment characterizes the accounting practices. Countries falling here are less concerned with the primacy of investors needs and more concerned the protection of creditors; hence the tasks of accounting would most likely the security of creditor and long-term stability of the enterprise.

Thus prudence principle can dominate accounting principle over that of accrual accounting under the Anglo-American Model. Based on the foregoing, it appears that Vodafone belongs to the Anglo-American Model group or cluster while the Mobinil belongs to European-Continental Model or cluster.

To be the countries falling under each model, please refer to Appendix A and Appendix B. 2. 4.

What accounting information has each company chosen to highlight in the first few pages of the report? Are there any differences, which might be explained in the light of your answers to (1) (2) and (3) above? Vodafone highlighted its goals and target and their corresponding accomplishments. It has its Financial Highlight as part of first pages and followed by Chairman's statement and then Group at Glance. For Mobinil what is highlighted first is the benefit that Egyptians enjoys from the services of the company; hence the message in the front page: " Over 15 Million Egyptians Communicate from the Heart". This is followed by the statement of the Chairman, from the CEO and then about the company in terms of ownership structure (Vodafone, 2008a).

The front page of the Annual Report confirms what was found in the questions 2. 1, 2. 2 and 2.

3. It speaks of the providers of capital where for Vodafone, the investors are given importance by being shown the goals of the company and how the company has attained or is attaining said goals. This also evident in the presentation of the financial statements where consolidated income

statement was presented ahead of the consolidate balance sheet. Please refer to Appendix C and Appendix E. The Chairman of Vodafone highlighted the fact the company has reached the 200 million proportionate customer milestone which has been a tremendous achievement for the Company and this brings it on the edge of a further revolution as its enters enter the era of broadband and internet communications. Part of the statement of the Chairman is the graph of stock price and dividends that company is giving to stockholders. See Appendix J. He is also thanking the different stakeholders.

Again this speaks to giving priority of information to its wider source of capital as compared with Mobinil which has done differently. In the case Mobinil, the report appears to follow highlight the benefits of mobile telecom services that are now made available to Egyptians through the Company. It also presented the statements of the Chairman and the CEO but their messages was more on the increase number of subscribers and which could be more beneficial to the Egyptians. The chairman of Mobinil stated among others that Mobinil's results in 2007 made him not only proud of the million subscribers milestone, but he was also truly proud to see Mobinil fulfill its promises while actively leading on growth and change in the Egyptian mobile market. He emphasized 2007 having witnessed many firsts for Mobinil, that marked consistently by innovating offerings and competitive services that were repeatedly followed by competition.

He sounded saying that bringing mobile communication to Egypt bring progress to Egyptians in consonance with Mobinil's serious investment decisions that will help realize its strategic plans and pave the way towards a

promising future for all Egyptians. 2. 5. Assess the usefulness of narrative disclosures generally found in the first section of a Company's annual report. These narratives might be included in the reports of Chairman, the chief executive, the managing director, or a committee such as the corporate social responsibility committee or the remuneration committee or the audit committee. There may be a management discussion such as the Management Discussion and Analysis required of US listed companies or the Operating and Financial Review encouraged in the UK. Is there any social, ethical and environmental disclosures? Narrative Disclosures are useful for Stakeholders The financial statements are very useful to the different stakeholders. Stakeholders need information to base their decision.

The owners or shareholders want to have profits; they are interested in the performance of their investments. Government is also part of the stakeholders and is interested primarily for taxation revenues that it may from the operation of the business and the compliance with regulations and laws governing the business. The senior management also wants to know how they are doing as basis of their compensation and their stay in their office or functions. The non-managerial employees are interested with their job security, rates of pay and working conditions and many other things about their employment and which incidentally are tied up with the results of financial health of the company. Customers want value and they are interested in the company could continue to give them quality products and services, value and customer care. Creditors also want to be protected of their loans to the company and possible new contracts that would also

expand their business. The Community is interested if the company is helping to preserve the environment or not, whether jobs are to be continuing and whether the company will still be beneficial as a whole for the public at large. VodafoneIn the case of Vodafone, the narratives are very informative for investors and would-be investors.

This part will try to extract the narratives that are to be included in the reports of chairman, the chief executive, the managing director, or a committee such as the corporate social responsibility committee or the remuneration committee or the audit committee. The company considers corporate responsibility (CR) as the process of understanding the expectations of stakeholders in the company and taking appropriate action to meet those expectations where they are realistic and legitimate. It defined its stakeholders to include its customers, investors, employees, suppliers, the communities where the Company operates and where networks are based, government and regulators and representatives of civil society (Vodafone, 2008a). Vodafone relates CR as relevant across all aspects of its business and being a responsible business is one of the Company's long-term, strategic goals. To attain this goal the company's strategy is to be the most trusted companies in the markets where the Company is represented by an operating subsidiary the objective by 2010 (Vodafone, 2008a). It aims to attain the same (1) by maintaining high ethical standards and understand and respond to stakeholders' priorities; (2) by ensuring its operating standards are consistent across the company; (3) by delivering on its promises in three key areas, which include responsibility to our customers,

reuse and recycling of mobile phones, and climate change; and (4) by capturing the potential of mobile to bring socio-economic value in the course of access to communications (Vodafone, 2008a). It declares its approach to CR to be supported by its Business Principles (Vodafone, 2008d) which cover, among other things, the environment, employees, individual conduct and community and society. The company's Business Principles are communicated to employees in number of ways, including induction processes, websites and briefings.

The CEO through the Executive Committee receives regular information on CR and for the last four years, the Board has had an annual session on CR. The company is determined with its CR strategy by establishing in each mobile operating company a CR it the operating unit has management structure. Those operating units include all mobile operating subsidiaries and the company's joint venture in Italy but exclude the newly acquired operations in Turkey and India (Vodafone, 2008a). The same units are putting in place for Turkey and Arcor, Vodafone's fixed-line business in Germany, systems for data collection on corporate responsibility and environmental issues (Vodafone, 2008a). Vodafone claims also to be closely monitoring CR performance in its mobile operating company boards on regular basis. The company is also benefiting from CR since the latter is integrated into its risk management processes such as the formal annual confirmation provided by each mobile operating company detailing the operation of their controls system. The corporate social responsibility is helping all the stakeholders of the company since each has a benefit to gain

or to loss by its practice or non-practice. Vodafone acknowledges that said processes in the controls systems as a result of CR activities are backed up by stakeholder engagement and this has the effect of ensuring the company's awareness of the issues that are relevant to the its business and a way of acquiring a clear understanding of expectations of performance.

The company connects with stakeholders under different ways such as focusing this year on carrying out in-depth discussions on specific, emerging issues via CR dialogues program of the company. To illustrate, meetings done included meetings held about privacy and climate change, meeting with 12 investors on CR issues, and meetings with nongovernmental organizations and opinion formers. The company has documented the same with its CSR Report for 2007 (Vodafone, 2008c).

The company claims to have increased 2007 level of independent assessment and assurance of the CR program and performance to reasonable assurance. It included in its scope of work for its auditors on a review of the progress achieved against commitments set out in the 2006 Company CR report and the management and reporting of CR matters against the requirements of the assurance standard required. What is interesting is that there is the identification in all material respects, whether reporting reflects the material CR issues of the Company as defined by the standard.

Issues on whether processes are in place to ensure a complete understanding of the issues, and whether Vodafone is responding adequately

to identify stakeholder's expectations are part of the process and to make it with force and assurance statement is published in the Company's CR Report (Vodafone, 2008a). There is a strong evidence of Vodafone's CR programs which is an indication of usefulness of activities being done and the disclosure which being made part in the process for the information of stockholders. The evidence is detailed in CR report and the production of CR report by operating subsidiaries. To prove said further accomplishment of the company, Vodafone was ranked first in 2007 in the accountability rating published by Fortune magazine and its 2006 CR report won the Association of Chartered Certified Accountants (ACCA) Best Report Award 2006. Still another proof is its having been part of the FTSE4Good and Dow Jones Sustainability Index (Vodafone, 2008a).

MobinilFor Mobinil, the various information disclosed to the public is also very useful to the stakeholders of the company and be therefore also very informative and makes the company's management responsible for its declaration. The seriousness of the company in making its disclosure is proved by its creation of offices that performs function delivering information to stake holders. One of this is Mobinil's corporate governance department (CGD) assigned to be responsible for achieving ECMS corporate governance mission which , in fact, is attaining the highest levels of transparency, accountability and integrity. This mission includes not merely meeting the statutory requirements, but also by putting onto place procedures and systems which are in accordance with best practices of governance. Thus Mobinil is bent on going beyond what is required by law. The company

designated its corporate governance to function as the secretariat of the Board of Directors for it includes the relationship among the principal stakeholders such as shareholders.

It recognizes its other stakeholders to include employees, suppliers, customers, banks and governmental entities, Capital Market Authority (CMA), Cairo and Alexandria Stock Exchange (CASE), and Misr for Clearing Settlement and Central Depository (MCSD) (Mobinil, 2008a). The fact that the company is making this disclosure is evidence of its commitment to its responsibilities to comply not only with the laws but also to do it with the best practices. Mobinil (2008a) claims its corporate governance framework to be protecting and facilitating the exercise of shareholders' rights as established by law and provides equitable treatment for them including minorities and foreigners. ECMS is the name of company, which is controlled by Mobinil Telecom, has its General Assembly of Shareholders that governs the company and that there is a need to abide by Investment Law Number 8/1997. The company also declares its compliance with Capital Market Authority Law number 95/1992 that governs stock market and those listed under it. The other legislation which company will have to attune its standard is the Corporate Law number 8/1981.

The same framework then finally ensures timely and accurate disclosure of all materials matters regarding the company. The company CGD is the main communication channel between the company and shareholders. By organizing ECMS assembly meetings, supporting ECMS and Mobinil board secretary, and ensuring proper cascading of board decisions and request to

company management, the CGD is in charge performing a very strategic function or purpose (Mobinil, 2008a). Among others, the CGD had 2007 highlights of its accomplishments, to include the following: (1) It has ensured compliance of cooperation with governing legislation and bylaws and that all disclosures abide by corporate governance procedures; (2) It has educated employees and other parties of interest about the role and importance of Corporate Governance; (3) It has delegated authority-frame and methodology for personnel to allow them to make further delegation of some powers to others in cases of unavailability; (4) It has made transparent related party transaction-methodology in instances where key guiding principles are approved by the Board; and (5) It has identified, controlled and monitored ECMS stock trading activities by employees who may have early access to information Corporate Governance Principles (Mobinil, 2008a). Mobinil is governed by General Assembly of Shareholders, the latter in turn elects a Board of Directors of 12 members representing shareholders as follows: seven (7) members representing Mobinil Telecommunications S. A. E.

, one (1) member representing ORASCOM Telecom Holding, three (3) members representing Public Shareholders, and one (1) member as Honorary Chairman. Majority of the Board are non-executive independent members as proven by its having only one executive member, Alex Shalaby, ECMS President and CEO (Mobinil, 2008a). There is evidence that the company is governed by the majority from Mobinil Telecommunication S. A. E which owns more than majority of ECMS. The Mobinil Telecommunications

is however controlled by France Telecom hence there is an indication that the company is foreign company on the basis of seven out of 12 members of the board. The Board is required to have least hold four meetings annually and their responsibilities including providing entrepreneurial leadership ECMS or Mobinil within the framework of prudent and effective controls, ensuring e necessary financial and human resources to be present and capable of meeting the anticipated objectives, reviewing management performance and by setting company's values and standards and that complies with its duties to its stakeholders (Mobinil, 2008a). Another proof of non-executive Board of Directors (BoD) is the formation the Audit Committee and the Compensation Committee, where no executive directors chairs or heads such committee.

It Audit Committee is the one approving quarterly financial statements and Earnings Releases subject to subject to ratification by the BoD. Its other responsibilities include bi-annual risk review, approval follow up of internal audit plan implementation, review of external Auditors' reports and internal control findings and plans. The same committee is required to have at least four meetings and four conferences each year, to hold executive meetings with external auditors' engagement terms and fees which will be latter presented to the General Assembly for ratification. As a sign of good internal control, the same audit committee appoints and /or removes the head of Internal Audit who is required to make account to it on all issues related to its activities (Mobinil, 2008a)Its Compensation Committee (CC) on the other hand is the one evaluating where to find position ECMS compared to other

companies in the Egyptian Market. Thus, the CC is the one which reviews and updates, on periodical basis, the employees' benefits schemes and stock option plan. It also develops formal and transparent procedures for fixing the remuneration packages of individual directors (Mobinil, 2008a).

The narrative disclosures are indicative of company commitments. Mobinil is also committed to its costumers. By declaring that its business objective is to maintain its leadership in providing the best quality Service and best value for money to our Customers, it puts itself committed to the highest levels of costumer satisfaction by meeting its costumers' needs providing superior network quality and thee widest network coverage and offering a great costumer service experience. Its claim also of being a costumer-oriented company, its ultimate aim is not only to increase revenues but also to build long-term relationships and loyalty with its costumers in order to sustain our success in the future. To do so, Mobinil will provide costumers with accurate, truthful, complete and consistent information concerning our products and services via its disclosures. At the same time the company also protect its Customer Information which it considers strictly confidential by safeguarding costumer information stored in its records and information systems in compliance with the Telecommunication Law no (10) for the year 2003 (Mobinil, 2008a). The fact that the company is making this commitment to customer is a proof that the company is trying to help customer as decision makers that they could be protected by the company's policies. It is therefore useful to the customers that they are given importance by the company and at the same time, the company is benefiting in terms of

advertising being made in the announcements with the intension of building a long term relationship with its customers (Mobinil, 2008a) How is the company's commitment to its employees? Mobinil considers its employees as its most valued asset.

It asserts that its liability to succeed depends on the integrity, knowledge, skills, diversity, and teamwork of our employees. Hence, the company claims to shape a challenging, fair, firm and productive work environment that gives emphasis to mutual respect and teamwork. It also strives to reward high performance and as it compromises to be responsive to the needs of its employees by being committed to providing equitable compensation, excellent working conditions, and a fair atmosphere with great opportunities for professional growth (Mobinil, 2008a). The company declares its being an equal opportunity employer and its prides itself with the Equal Employment Opportunity policy (EEO). Under the policy there will be no discrimination as to age, gender, religion, disability, or marital status. The employees would be very happy to note if these policies being announced are indeed being followed by the company.

But the presumption is that the company should be more prone to obey what is declared because the responsibility is higher if there is knowledge and deliberation under the principles of business ethics. How committed is Mobinil to its Shareholders? By adopting the value of tolerance and diversity, the company hopes to accomplish its commitment to its shareholders. The company believes in the power of diversity as it strives to create a culture where tolerance and respect exist between employees.

Its asserts that diversity of people brings strength to its Mobinil team. In spite of differences in backgrounds, roles, age, gender, religion, or physical ability, the company believes that the same will bring value to the company through its work. Thus the need also treat each other fairly.

(Mobinil, 2008a)The company's respect for its shareholders has its roots in its desire respect each and every person the company interacts with during its business dealings including costumers, employees, suppliers and all parties that have a business relationship with Mobinil. The company also declares that its commitment to its shareholders is to maximize earnings and build long term success responsibly. It believes in the need to maintain a strong financial position to depend on providing the best service to its customers. It also declares to provide its share holders with honest and accurate information about its financial position based on Egyptian Stock Exchange laws and regulations (Mobinil, 2008a)In so far as protecting company resources and assets is concerned, Mobinil asserts treating said resources and assets with extreme care as if these were owned by the company management. The company then expects to make every effort to ensure that intellectual Property and Mobinil's know-how and projects get their required protection as it believes that the company is accountable to its share holders for safeguarding these company's assets (Mobinil, 2008a) How committed is Mobinil to Accurate Financial Reporting? The company is committed in having accuracy in communication. It does this by making it sure that all financial transaction are recorded, prepared and reported according to the proper accounting rules and standards as required by

Egyptian laws and regulations. It therefore wants all of its financial books and records to properly account for all assets, liabilities, revenues and expenses. The company declares its Financial Statements are reflective of its financial position accurately and honestly.

It also declares to have complied with the rules and regulations of the Capital Market Authority and Egyptian Stock Exchange. It is committed to adhering to the highest standards of business practices, and abiding by all laws and regulations that the company is subject to including complying with all corporate governance and internal control rules that it is subject to as well as all legal obligations as required by its shareholders (Mobinil, 2008a). How committed is Mobinil to its suppliers? The company is committed to the highest standards of purchasing and contracting practices that are based on quality, service, timeliness and cost when selecting its suppliers, contractors, agencies and consultants. It declared that the purchase of supplies, materials and services must preserve the integrity of Mobinil's procurement process as it adopts no favoritism when selecting a vendor or any third party with whom the establishes a business relationship (Mobinil, 2008a) How committed is the company to the community? In addition to the preceding subsection Mobinil (2008a) declared that it is responsible corporate citizen not only in creating job opportunities, and contributing to the growth of the national economy, but also by adhering to the highest standards of business practices, and by abiding by all laws and regulations in Egypt.

The company believes its it has a leadership role in the community by acting as a role in its commitment to excellent costume service, and to comfortable

and healthy work environment. In addition, its is committed to following all Egyptian safety and environmental standards, which are set in accordance with international standards, to guarantee the health and safety of the community. Its being certified as an ISO 14001 company is a proof of its commitment in providing maximum environmental protection to local community. It also promises to remaining active in supporting many social and cultural activities in the Egyptian society (Mobinil, 2008a). How committed is the company to the environment? The company is committed to producing high quality and safe services that comply with Egyptian regulations as well as international telecommunication standards.

It promises to work to understand people's concern about the environment and health. It is committed to responsibly managing and minimizing its impact in the environment. It is committed to the ISO 14001 standards by establishing, implementing and maintaining an environmental management system that complies with its requirements. The company is also keen in providing maximum environmental protection for the local community and the company considers it one of its main responsibilities. (Mobinil, 2008a) 2.

5. 1. Does it contain forward-looking information? For Vodafone, it has made such forward looking information as it forecasts what it believes the future to look like or appear to be. This has the effect of helping stockholders or would-be investors in making relevant decision about the company. These forecasts or forward looking statements are merely statements of beliefs and are not the same as assurances. There is none for Mobinil except for the

general statement of the chief officers that they looking forward the coming year 2. 5.

2 Are insights provided of the trading results of the company? For Vodafone, insights provided by trading results by display of the graph of the behavior of stock in graph beside the Statement of the Chairman in the opening part of the Annual Report. Since the Annual Report is addressed primarily to the stockholders, the effect of such display of stock price behavior is a sign of showing what the company accomplished in the past. For Mobinil, there seems to be no results of trading by the company as company CEO Shalaby claims that Mobinil has yet to become more than just a large commercial entity traded on the stock exchange. The CEO admitted that it is an objective that has already come a long way through his (Shalaby) participation and support for many social and philanthropic responsibilities. 2.

5. 3 What is made of graphs, charts and accounting ratios? Both Vodafone and Mobinil used graphs, charts and accounting ratios in the presentation of their analysis of financial statements in their respective annual reports. Vodafone has used graphs, charts and accounting ratios making the reports easily understood by the decision makers.

See Appendix L. For Mobinil used graphs in presenting the analysis of the telecom market, its growth as well as the results for its financial performance. See Appendix M. 2. 5.

4 In each case, is the extent of narrative reporting what might be expected from the company in this country? In each case, it could be asserted that the

extent of narrative reporting is what might be expected from the company of the each respective country. In the case of Vodafone which has its stocks listed in the major stock exchanges of the world, the London Stock Exchange and New York Stock Exchange said country, the more extensive financial reporting is what stockholders expect to have since its business is more complicated than that of Mobinil. The case of Mobinil is also understandable since the market is essentially limited to at least three players with company being the leader. It is not as big as Vodafone hence it is not expected to have a complicated report at that of Vodafone.

2. 5. 5 Are there factors which might make this particular company more often open in disclosures than some other domestic companies? What seems to factors that cause Vodafone to have disclosed more include providers of its capital which came from wider sources as well as the size of its markets compared to that of Mobinil. 2. 6. Does the company have a website? If so, how much accounting information is displayed and how does it compare in content with that in the hard copy of the annual report? For Vodafone, the hard copy is the same as its in its website since the annual report has a PDF format which the basis of the hard copy and an html format which is supposed to be for online purposes. On the other hand, for Mobinil, it has no html counterpart as that of Vodafone but it has PDF format which is being equated with the hard copy. Its website however contains information on company's stocks which is not found in the Annual Report.

2. 7. Comment on differences in accounting practices in the companies in your sample. The following list is provided by way of example but you should

choose accounting practices in relation to the companies you are studying.) 2. 7.

1 Format of primary financial statementAs to the format of the financial statement, Vodafone presents first the Consolidated Incomes Statement, followed by Statement of Recognized Income and Expenses, Consolidated Balance Sheet and then by Consolidated Cash Flow Statement. Mobinil on the other hand, the company presents if financial statement under the following order:, Consolidated Balance Sheet, followed by Consolidated Incomes Statement, then by Consolidated Cash Flow Statement and the by Consolidated Statement of Changes in Equity. It should be noted that Income statement is more important for the first while it is balance sheet is for the other. See Appendices C to H which present the financial statements of the two companies in the order that they appear in their 2007 Annual Reports.

2. 7. 2 Terminology usedVodafone uses the term property plant and equipment (PPE) instead of word fixed assets. Mobinil does not use property plant and equipment but instead used fixed assets. For kinds of financial statements the two companies are the same. 2. 7. 3 General level of detail provided in notes to the accountsVodafone's notes to the accounts or financial statements are more detailed than that of Mobinil.

This is in understandable in terms of the size of the companies and the extent of expected addresses of the financial statements. 2. 7.

4 Treatment of goodwill and other intangiblesGoodwill is a unique asset presented in the financial statement and is traditionally part of the

intangibles that are subject to amortization, however it also called the most intangible of all intangible. It cannot be bought and sold standing alone as most intangible can be. It is not specifically identifiable with the business as a whole but has an indeterminate life, inherent in a continuing business and relates to the enterprise as a whole. Goodwill arises when earnings exceed the normal earnings by reason of good name, capable staff and personnel, reputation for good products, reputation for fair dealings or any other reason that is created by a good relationship between a business and its customers.

Vodafone (2008a) made the following claims as far as goodwill and other intangible assets are concerned: That the difference related to goodwill and intangible assets included in the reconciliations of net loss and shareholders' equity pertains to acquisitions prior to the Company's adopting the guidance of the Securities and Exchange Commission that issues late September 29, 2004. The amount or value licensed acquired prior to Sept 2004 in said business combinations was computed by Vodafone by allocating the purchase price in excess of the fair value attributed to the share of net assets that the company purchased. It should be noted that Company is also required to comply with US GAAP, hence the reconciliation made as a result of the listing of its stock with the New York Stock Exchange.

After Vodafone adopted the SEC guidance on September, 2004, the company's US GAAP accounting policy for initial and latter measurement of goodwill and other intangible assets, except determination of impairment of good will and finite lived intangible asset is substantially aligned to that of IFRS as described by the company in its notes of financial statements. The

company explained that the goodwill arising before the date to transition to IFRS has been retained under the IFRS previous UK GAAP pertain to acquired assets before April 1, 2004. The company explained to have assigned amounts to licenses and costumer bases (or intangibles) under the US GAAP as they meet the requirements of recognition different from goodwill, although the company did not do the same under UK GAAP because of failure to meet the criteria. To understand the difference and similarities of US GAAP and IFRS, the company explained that under the former, goodwill and other intangible assets with intangible lives are capitalized and not amortized, but tested for impairment at least once a year, while intangible assets are recorded as assets and amortized over their useful economic lives.

For the both GAAP and IFRS, the fair value of consideration is the basis for price of transaction when there is an acquisition. In case of share price used as consideration, the fair of such consideration uses the share price on the date of exchange as contrasted in the case of US GAAP where share price over the reasonable period of the time before and after the planned acquisition is agreed to be told to the public. This is therefore the reason in the difference if the fair value of the consideration for certain acquisition and the latter ones in the amount of goodwill recognized as asset under the IFRS and US GAAP. Vodafone's accounting policy to test goodwill and intangible assets with finite lives for impairment purposes under the IFRS, the company has also disclosed the same. Testing goodwill under US accounting rules, requires comparison of the fair value of reporting unit including goodwill with

its carrying value, so that if fair value is lower with carrying value is recognized as impairment loss. On the other hand intangible assets with finite lived are subject to impairment loss if the impairment test warrant the recognition of the same (Vodafone, 2008a). Mobinil (2008a) claims no goodwill arising from acquisition of the subsidiaries as the Company claims to the founder of its subsidiaries. In other words goodwill are to be recognized when there is an acquisition of a subsidiary and there is a difference of the acquisition price and the fair value of assets acquired.

Since Mobinil claims no goodwill it should be easy to spot the difference of the two companies but given the reason for Mobinil's non recognition of goodwill it may happen in the future that it may be doing what is being done by Vodafone as the reason given appears to find consistency with theory used by Vodafone. 2. 7. 5 Valuation of tangible fixed assets Vodafone (2008a) made the following claims as far as fixes assets are concerned. It calls these fixed assets as property, plant and equipment, which the company claims to be a big chunk of is asset base, being about 12. 3% in 2007 and 10.

8% in 2006 to the company's total asset are reported in the balance sheet (Vodafone, 2008a). Thus the company emphasizes that the amount depreciation and impairments could be critical issues for the company's financial performance and financial position on the ground that expenses in terms of impairment are reduction to assets. Hence more depreciation means less income and less assets. The opposite is also true as less depreciation or impairment loss means more income and more assets for the meantime The depreciation expense is derived by Vodafone after

determining an estimate of the useful life of asset including the expected residual or scrap value at end of its life.

The company explained that changing the expected life of the asset or its residual value has the effect of increasing or decreasing the amount of depreciation expense that may affect its income statement. Since Vodafone uses the straight line method of depreciation, it would mean that increasing the numerator or decreasing the denominator would increase the depreciation expense. The opposite is also true, so that decreasing the numerator or increasing the denominator would decrease the amount of depreciation expense.

Vodafone further explains that the useful lives of the Company' assets are known estimated at the time of acquisition and reviewed on an annual basis for appropriateness using as bases the historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes of technology. As far as its networks infrastructure is concerned, the company depreciates only the same over the period that extends beyond the expiry of the associated license under which the operator delivers telecommunication service, on condition that a reasonable expectation of renewal or an alternative future for the asset exists. The company however has declared that based on historical experience, changes in useful lives did not cause material changes in the Company's depreciation charge. The company also declared about its cost capitalization policy where Vodafone includes the total purchase price and labor cost associate with their own employees to the extent that are directly attributable to

construction costs. The issue on valuation of fixed asset cannot be detached from the issue of asset recognition because the starting value is important for subsequent valuation.

Asset recognition requires two elements or conditions and they are: (a) It is probable that future economic benefits will flow to the entity; and (b) The cost or value of the asset can be measured reliably. The term “probable” means that the chance of the future economic benefits arising is more likely rather than less likely. For example, research and development cost is not recognized as an asset because it is not probable that future economic benefits will eventuate. Using the two conditions, it may be argued that if the probability of future economic benefits is high, no recognition of asset is made unless the cost or other value of the asset is capable of reliable measurement.

To illustrate, internally generated goodwill is not recognized as an asset even if the probability of future economic benefits is high because internal goodwill, in contrast to purchased goodwill, cannot be measured reliably. This therefore delineates that needs to be recognized by considering the two criteria together not one in isolation of the other. This paper now used the concept explained in terms of fixed assets or plant property and equipment.

To apply the asset recognition principle to property, plant and equipment (PPE), it should be restated that said PPE shall be recognized as asset when:

- (1) It is probable that future economic benefits associated with the asset will flow to the entity.
- (2) The cost of the asset can be measured reliably (Harder,

2002). In determining whether an item satisfies the first criterion for recognition, an entity needs to measure the degree of certainty attaching to the flow of the future economic benefits on the basis of the available evidence at the time of initial recognition. Said existence of sufficient certainty that the future economic benefits will flow to the entity necessitates an assurance that the entity will receive the rewards attaching to the asset and will also assume the associated risks. This assurance is usually available when the risks and rewards have passed to the recognizing firm or entity. As to the second criterion for recognition, it could be argued that it is usually readily satisfied when the exchange transaction evidencing the purchase of the asset identifies its cost. Further in relation to second criterion for asset recognition, a question that is relevant to be asked is: “How to measure at the time of recognition?” The international accounting standards as they stand requires an item of PPE that qualifies for recognition as an asset to be measured at cost, where cost is defined as the amount of cash or cash equivalent paid and the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

To understand cost, there is need to know its elements. To illustrate, this paper uses an item of property, plant and equipment where its cost includes: (1) Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. (2) cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(3) Initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The first component of cost based on the just mentioned criteria should be easy to understand. The second component requires some examples of items that are directly attributable to operational status of the asset and these includes: costs of employee benefits arising directly from the construction or acquisition of the item of property, plant and equipment; cost of site preparation; initial delivery and handling cost: Installation and assembly cost; professional fees; and cost of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition, such as sample produced when testing equipment. After careful analysis of the components of cost, an analyst may come out with some examples of costs that are expensed rather than recognized as element of cost of property, plant and equipment are: cost of opening a new facility; cost of introducing a new product or service, including cost of advertising and promotion; cost of conducting business in a new location or with a new class of customer, including costs of staff training; administration and other general overhead costs; costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity; initial operating losses; and costs of relocating or reorganizing part or all of an entity's operations. Using the arguments as presented earlier, the recognition principle demands that an

entity evaluates all its property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. In relation to evaluation of property, plant and equipment, an issue could rise as to how spare parts and servicing equipment should be treated under the asset recognition principle. A good challenge to validity of the principle is the case of spare part certain kind of cash outflows that appears to be considered as assets.

It may be stated that most spare parts and servicing equipment are usually carried as inventory and recognized as an expense when consumed. But when one dwells on major spare parts and stand-by equipment the latter should qualify as property, plant and equipment when the entity expects to use them during more than one period. As a result, said spare parts and servicing equipment can be used only in connection with an item of property, plant and of such property, plant and equipment, as contrasted to spare parts and servicing equipment and therefore not directly increasing the future economic benefits of any particular existing item of property, plant and equipment may pose some question on why it should also be recognized. It may be explained although there is basis to such claim, said safety and environmental equipment may be necessary in order for the entity to obtain the future economic benefit from its related other assets in excess of what it could obtain if such equipment had not been acquired.

To illustrate, chemical manufacturers may need to put up certain new chemical handling processes in order to comply with environmental

requirements on the production and storage of chemicals. Such related plant enhancements are recognized as assets to the extent that they are recoverable because without them, the entity is unable to manufacture and sell chemicals. In other words there is legal requirement to have the asset to keep the business operating and functioning legal although actual operation or production is possible even without said chemical handling processes. In relation to these issues on recognition of property, plant and equipment in relation to their subsequent valuation, the Vodafone appears to have followed the above discussed criteria properly based on its policies declared in its 2007 Annual Report, hence the subsequent valuation would not cause much problem.

Mobinil (2008a) claims that its fixed assets are stated at historical cost less any accumulated depreciation and accumulated impairment losses. The company also uses the straight-line method of depreciation over the useful lives of each type of assets. As of December 31, 2007, the company reported to have conducted an operational efficiency of its fixed assets, which resulted in the changes to depreciable life. There was in effect shortening of the lives of the assets since the depreciation was done over the remaining useful life. Compared with Vodafone, this operational efficiency could be equivalent of the impairment test for plant property and equipment which are required under the IFRS (Mobinil, 2008a). Mobinil (2008a) has the following useful life estimate for its fixed assets.

Building, 50 years, Network equipments, 5-15 years, Computer 2-5 years, Office equipments, 5 years, Furniture and fixture, 10 years, Vehicles 5 years,

Leasehold improvements , 5 years. Although there was no mention as to the policy to Vodafone on the number of years used in implementing straight-line depreciation for comparing with Mobinil, this researcher finds no substantial violation with what is normally done in practice. (Mobinil, 2008a). What bears comparing is the maximum life of 50 years in building is realistic for Mobinil. When compared in the case of Vodafone policy of depreciation Freehold buildings from 25 – 50 years, then it could be said there the 50 years is still within the industry standard (Vodafone, 2008a). It should be noted that the issue of estimated asset life is material issue as far as fixed assets are concerned. Since it would mean that making the life of the asset to be 50 when the more realistic life is 25 years, then this would produce the effect of cutting half of the more realistic depreciation and this could result to overstatement of income and overstatement of retained earnings.

If this happens, users of the financial information would be misled into believing that a company is earning when the reality is not just because there is deliberate effort to misstate the financial statements. In so far as the issue of asset valuation in relation to asset recognition discussed in the case of Vodafone, there is also no evidence that Mobinil violates the requirements of the theory, hence this paper finds no reason to make a finding as to possible violation 2. 7.

6 Depreciation (including impact of national tax legislation) Depreciation is an expense related to fixed assets hence its discussion must be correlated with fixed assets or property plant and equipment. The significant question that

should be answered is when it should be proper to recognize depreciation in relation to fixed assets. It may be argued that expenses related to the plant property and equipment when incurred under the expense recognition principle. In this context, IAS 36 requires the recoverable amount of asset to be presented in the balance hence PPE should be presented net of accumulated depreciation and impairment loss (Harder, 2002).

This requirement of IAS 36 cannot be detached also from the issue of expensing of related expenses if they do not produce future economic benefit or they do not form part of the three components identified earlier. The expense recognition principle applies the matching principle which asserts the generation of revenues is not without any cost. The matching principle has three applications which include cause and effect, systematic and rational allocation and immediate recognition. In the case of depreciation and impairment loss are systematic and rational allocation and immediate recognition. Under the systematic and rational allocation, some costs are expensed simply allocating them over periods benefited. The reason for this is that the cost incurred will benefit future periods and that there is an absence of a direct or clear association of the expense with the specific revenue. Under the immediate recognition principle, the cost incurred is expense outright because of uncertainty of future economic benefits or difficulty of reliably associating certain costs with the future revenues.

Actually this principle reflects conservative or prudent approach which is the accountant's general guide for dealing with uncertain situations. An

expense is recognized because there are no future economic benefits or economic benefits do not qualify for recognition in the balance sheet. Both Vodafone and Mobinil used the straight line method of depreciation and therefore they apply the so called matching principle of systematic and rational allocation. Their both adopting the same method as such could produce be no material difference on how they will recognize their depreciation expense. What causes depreciation expense to change is on the change in estimate of useful life of the asset and the amount of residual value which both companies should have to adjust if circumstance is warranted. Although the financial statements of Vodafone is being prepared under the IFRS and certain cases under the US GAAP (where there is need to reconcile as per SEC regulation), and that of Mobinil under the Egyptian accounting rules and standards where there is declaration for need to recognize impairment losses, this paper believes that there would be no materials difference as far as depreciation expense recognition are concerned for both companies. As to the impact of their depreciation method on national tax legislation, there could be difference since not all expenses present under the local or international accounting standards necessarily the same with requirement of tax laws which are essentially locally local. Tax laws are enacted by their local governments and may disallows certain depreciation methods which are allowed under certain local or international accounting standards.

2. 7. 7 Recognition of inflation and other price movements (including revaluation of assets) Vodafone (2008a) claims to apply revaluation concepts

which are the equivalent of price level movement adjustments. It claims the previously held identifiable assets, liabilities and of the acquired entity are price adjusted or revalued to their fair value at the date of acquisition at the time the company has achieved control of the acquired corporation. The come recognized the fair value movement as revaluation surplus. For Mobinil there is no mention about this aspect. However the company has mentioned its policies on impairment which considered part of recognition of price movements since there is need to used fair value concepts in the determination of recoverable amounts. Mobinil (2008a) claims to recognize impairments if the carrying amount of its assets other than its inventory and deferred assets indicate impairment after said assets are reviewed at each balance sheet date, where proper recoverable amount must be reported.

The company asserts to reverse impairment losses the extent that the carrying amount of its assts does not exceed the carrying amount determinable then, net of depreciation or amortization, had not impairment loss been recognized (Mobinil, 2008a). 2. 7. 8 Stock and work in progress (FIFO, LIFO, and Average cost)Vodafone (2008a) claims its inventory to be stated at lower of cost or net realizable value, where cost is determined by the company using the weighted average cost as basis. The company also declares that the composition of said costs includes the direct materials, when applicable, direct labor costs and the related overheads that are required in bringing the inventories to their present location and condition. Similarly, Mobinil (2008a) claims its inventory to be valued at the lower of

cost or net realizable value, where cost is determined by the company using the weighted average cost as basis. 2. 7.

9 Based on your analysis of accounting practices, rank your companies in terms of the accounting value dimension described as conservatism/optimism and be prepared to justify your ranking. Based on foregoing analysis of the accounting practices employed by the two companies in terms of the accounting value of dimension described as conservatism/optimism, this researcher believes the two companies are closer to conservatism rather than optimism. The fact that the two companies values its fixed assets net of accumulated depreciation and accumulated impairment loss, after initially recording said fixed assets at cost and the fact that both also present their inventories at lower of cost or net realizable value are clear indication of conservatism. 2. 8.

Look at the annual report for aspects of corporate governance: What information is included in the annual reports about management structure, management philosophy and involvement in decision making and background of the senior management (directors). Is there any disclosure about the terms of employment of senior management, the extent of their share ownership and the form and amount of their remuneration? As far as corporate governance is concerned, Vodafone (2008a) claimed to have complied with the requirements of existing regulations. The company, through its Board of Directors is committed to high standards to corporate governance, which it considers as critical to business integrity and to maintaining investors' trust in the company.

The company expects all its directors and employees to act with honesty, integrity and fairness. The company will strive to act in accordance with the laws and customs of the countries in which it operates; adopt proper standards of business practice and procedure; operate with integrity' and observe and respect the culture of every country in which it does business(Vodafone, 2008a). An evidence of its readiness to comply with the Combined Code may be explained by the fact that the ordinary shares of Vodafone are listed in the UK on the London Stock Exchange.

The Listing Rules of the UK Listing Authority requires the company o state whether it has complied with the provisions set out in Section 1 of the 2003 FRC Combined Code in 2006, applicable for financial years beginning on or after 1 November 2006. If it was now to be applicable, the company would be in compliance with the revised Combined Code (Vodafone, 2008a). This requirement to make a statement of compliance is sign of seriousness of regulation and demand for responsible corporate governance. This may have been done to protect the investors of the company.

The statement of compliance with the Combined Code should not be taken lightly since the principles of the code extends to subject or issued on directors' remuneration. In this regard, the Board of Vodafone (2008a) in its 2007 Annual Report confirmed that the Company was compliant with the provisions of, and applied the principles of Section 1, of the Combined Code of 2003, throughout the year ended 31 March 2007 (Vodafone, 2008a). The corporate governance information disclosure therefore speaks of management philosophy and involvement in decision making and role of the

senior management in decision making. It may be asked: How does the Board of Directors of Vodafone ensure corporate governance? The company declared its Board of Directors to be responsible for the overall conduct of the Company's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of England and Wales and the Articles of Association. Having the final responsibility for the management, direction and performance of the Company and its business, the Board is required to exercise objective judgment on all corporate matters, independent from executive management, and is accountable to shareholders for the proper conduct of the business. It is also responsible for ensuring the effectiveness of and reporting on the Company's system of corporate governance (Vodafone, 2008a).

The Board has a formal schedule of matters reserved to it for its decision and this includes: company plans or strategies; major capital projects, acquisitions or divestments; annual budget and operating plan; company financial structure and system of internal control and risk management as well as senior management structure, responsibilities and succession plans (Vodafone, 2008a). This could be taken as proofs of its compliance if not seriousness to comply with its declaration in corporate governance. The Board is required to meet at least eight times annually where the meetings are structured to allow open discussion and all directors are to participate in discussing the strategy, trading and financial performance and risk management of the Company (Vodafone, 2008a). What are their policies on remuneration? As to any disclosure about the terms of employment of senior

management, the extent of their share ownership and the forms and amount of their remuneration may be partly answered by its policy on remuneration. As for Vodafone, the company claims that since the introduction of the current Executive Remuneration Policy in 2002 (the “ Policy”), the Remuneration Committee has conducted annual reviews to ensure that the Policy continues to serve the Company and shareholders.

As a result of 2007 review, the Remuneration Committee has concluded that the existing Policy remains appropriate but intends to make the several changes(Vodafone, 2008a). One change is that the comparator company for the Relative Total Shareholder Return (TSR) performance condition on the Company Long Term Incentive Plan (GLTI) Shares will be changed from all the companies in the FTSE Global Telecommunications Index to the top 50% of companies in the FTSE Global Telecommunications Index by market capitalization, which will allow Vodafone to calculate the ranking on an unweighted basis (Vodafone, 2008a). This change could indicate the management is targeting a better measure of performance and philosophy of rewarding its executive officers who are part of the senior management. This inference is supported by the fact the key principles of the Policy, which are being maintained, include relevant provisions such that the expected value of total remuneration will be benchmarked against the relevant market. This requirement will put the company closer to having good corporate governance that will ensure accountability of management in attaining corporate goals that will not create a conflict under the agency theory (Vodafone, 2008a). This is further supported with other principles of

the policy such as a high proportion of total remuneration will be delivered through performance related payments; that performance measures will be balanced between absolute financial measures and sector comparative measures to achieve maximum alignment between executive and shareholderObjectives; that the majority of performance related remuneration will be provided in theform of equity; and share ownership requirements will be applied to executive directors.

To ensure attainment of its goals, the company declares that it Remuneration Committee does continue the monitoring of how well incentive awards made in previous years are aligned with the Company's performance (Vodafone, 2008a). MobinilThe seriousness of the company in making its disclosure is proved by its creation of offices that performs function delivering information to stake holders. One of this is Mobinil's corporate department (CGD) assigned to be responsible for achieving ECMS corporate governance mission which , in fact, is attaining the highest levels of transparency, accountability and integrity. This mission includes not merely meeting the statutory requirements, but also by putting onto place procedures and systems which are in accordance with best practices of governance. Thus Mobinil is bent on going beyond what is required by law. The company designated its corporate governance to function as the secretariat of the Board of Directors for it includes the relationship among the principal stakeholders such as shareholders.

It recognizes its other stakeholders to include employees, suppliers, customers, banks and governmental entities, Capital Market Authority (CMA),

Cairo and Alexandria Stock Exchange (CASE), and Misr for Clearing Settlement and Central Depository (MCSD) (Mobinil, 2008a). The fact that the company is making this disclosure is evidence of its commitment to its responsibilities to comply not only with the laws but also to do it with the best practices. Mobinil (2008a) claims its corporate governance framework to be protecting and facilitating the exercise of shareholders' rights as established by law and provides equitable treatment for them including minorities and foreigners. ECMS is the name of company, which is controlled by Mobinil Telecom, has its General Assembly of Shareholders that governs the company and that there is a need to abide by Investment Law Number 8/1997. The company also declares its compliance with Capital Market Authority Law number 95/1992 that governs stock market and those listed under it. The other legislation which company will have to attune its standard is the Corporate Law number 8/1981. The same framework then finally ensures timely and accurate disclosure of all materials matters regarding the company. The company CGD is the main communication channel between the company and shareholders. By organizing ECMS assembly meetings, supporting ECMS and Mobinil board secretary, and ensuring proper cascading of board decisions and request to company management, the CGD is in change performing a very strategic function or purpose (Mobinil, 2008a). Among others, the CGD had 2007 highlights of its accomplishments, among others to include the following: (1) It has ensure compliance of cooperation with governing legislation and bylaws and that all disclosures to abide by corporate governance procedures; (2) It has educate employees and other parties of interest about the role and importance of Corporate

Governance; (3) It has delegated authority-frame and methodology for personnel to allow to them make further delegation of some powers to others in cases of unavailability; (4) It had made transparent related party transaction-methodology in instances where key guiding principles are approved by the Board; and (5) It has identified, controlled and monitored ECMS stock trading activities by employees who may have early access to information Corporate Governance Principles (Mobinil, 2008a) Since the company is governed by General Assembly of Shareholders, the latter in turn elects a Board of Directors of 12 members representing shareholders as follows: seven (7) members representing Mobinil Telecommunications S. A. E., one (1) member representing ORASCOM Telecom Holding, three (3) members representing Public Shareholders, and one (1) member as Honorary Chairman. Majority of the Board are non-executive independent members as proven by its having only one executive member, Alex Shalaby, ECMS President and CEO (Mobinil, 2008a). There is evidence that the company is governed by the majority from Mobinil Telecommunication S. A. E which owns more than majority of ECMS. The Mobinil Telecommunications is however controlled by France Telecom hence there is an indication that the company is foreign company on the basis of seven out of 12 members of the board. The Board is required to have least hold four meetings annually and their responsibilities including providing entrepreneurial leadership ECMS or Mobinil within the framework of prudent and effective controls, ensuring e necessary financial and human resources to be present and capable of meeting the anticipated objectives, reviewing management performance and by setting company's values and standards and that

complies with its duties to its stakeholders (Mobinil, 2008a). Another proof of non-executive Board of Directors (BoD) is the formation the Audit Committee and the Compensation Committee, where no executive directors chairs or heads such committee. It Audit Committee is the one approving quarterly financial statements and Earnings Releases subject to subject to ratification by the BoD. Its other responsibilities include bi-annual risk review, approval follow up of internal audit plan implementation, review of external Auditors' reports and internal control findings and plans. The same committee is required to have at four meetings and four conferences each year, to hold executive meetings with external auditors' engagement terms and fees which will be latter presented to the General Assembly for ratification. As a sign of good internal control, the same audit committee appoints and /or removes the head of Internal Audit who is required to make account to it on all issues related to its activities (Mobinil, 2008a). Its Compensation Committee (CC) on the other is the one evaluation where to position ECMS compared to other companies in the Egyptian Market. Thus, the CC is the one which reviews and updates, on periodical basis, the employees' benefits schemes and stock option plan. It also develops formal and transparent procedures for fixing the remuneration packages of individual directors (Mobinil, 2008a). 2. 9. How has each company responded to the demands of financial reporting for overseas readers? For example, have supplementary statements in an alternative currency been presented? Have non-domestic accounting principles (GAAP) been used? Have different accounting principles been used for consolidated accounts and parent company accounts? Has reconciliation been provided with US GAAP or IFRS? Vodafone

(2008a) for its part has responded well to the demands for financial reporting for overseas readers. Since its stock are listed both the US and UK stock exchanges it made it sure that it has prepared reconciliation of the financial statements to serve different set of decisions makers in the US and in the UK. Vodafone (2008a) has also its financial statements using alternative currency in US\$ and Sterling Pounds (£). It has used also non-domestic accounting principles by its use of US GAAP aside from IFRS. The company has in effect used different accounting principles for its consolidated accounts and parent company account. In addition reconciliation with GAAP and IFRS was also presented in the Annual Report. Mobinil, on the other hand need not do as with Vodafone as its operation is only in Egypt as its stock is listed only on Cairo and Alexandria Stock Exchange. It therefore presented only its financial information under the Egyptian currency. Its consolidated financial statements are prepared not accordance with IFRS or US GAAP but under Egyptian Accounting Standards (EAS) and related laws and regulations of Egypt (Mobinil, 2008a).

2. 10. Look at the type of information about share ownership and stock market performance that is provided by each company. How useful did you find this area of disclosure? Does it meet the likely information needs of domestic and international shareholders? Vodafone (2008a) has provided information on share ownership and stock market performance. This is useful as far as the stockholders are concerned since they will have confirmatory information on what they get outside the company. Even it presents stock exchanges have made the list of stocks and their price on line in the Internet, placing the stock price behavior in the company would provide information may to stockholders in a more

documented form and they can compare the share prices behavior with the financial performance of the company if there is any relation ship at all. The graphs found in Appendix J and Appendix K will prove Vodafone's providing this information. On whether it meets the likely information needs of domestic and international shareholders, it could be argued that to a certain extent only since there is other relevant information on stocks that do not appear on the financial statements. Mobinil (2008a) on the other hand provided only information on share ownership but not stock market performance. This is despite the fact that its stock is listed in Cairo and Alexandria Stock Exchange. It is in its website that stock market performance is found Mobinil (2008b).

3. Conclusion

It can be concluded that there may be differences in the accounting standards and other related matter under which the financial statements of Vodafone from UK and Mobinil from Egypt are prepared but there are also similarities of those standards used. Theirs differences include the following: (1) They differ in their main markets, where Vodafone is global while Mobinil is confined to Egypt; (2) They differ in their sources of capital , where Vodafone has no single controlling stockholder or entity, while Mobinil has at least two major corporate stockholders making the decision, the Orascom and Mobinil Telecom; (3) They differ in their management structure , as there wider ownership in case of Vodafone necessarily require a more transparent financial reporting against that of Mobinil who has less stockholders to address its financial report; (4) They differ in the accounting classification they fall into, where Vodafone falls under the Anglo-American Model, while Mobinil falls under Continental European Model. (5) They differ in the

presence or absence of goodwill as asset account which indicates the manner of how they had their subsidiaries. For Vodafone, it has goodwill based on business combinations it has entered into that resulted to the company acquiring subsidiaries. Mobinil on the other hand, did not recognize goodwill since the subsidiaries it presently has are its own creations. (6) The companies also differ on which of them would most likely adopt the accounting value of professionalism. It is the belief of this researcher that Vodafone would be expected to have professionalism as accounting value due to the more flexibility afforded by UK and US in allowing preference for the exercise of individual professional judgment and the maintenance of professional self-regulation than simple compliance with prescriptive legal requirements and statutory control. The less use of professional judgment would be more applicable to Mobinil as the company operates exclusively in Egypt where accounting standard is confined within the country. Stated simply, Vodafone which is governed by IFRS/IAS which has become the standard adopted within European Union where there is more flexibility that would require the exercise of more professional judgment on the ground that issuers of IFRS are not government agencies. For this reason, Mobinil would be most likely adopting the accounting value of uniformity as it complies with the Egyptian accounting rules and regulations. (7) The presence of presenting accounting information under alternative currency is found in Vodafone but not with Mobinil. (8) There is stock market price depicted in the annual report in the case of Vodafone but not with Mobinil. Their similarities, among others, are the following: (1) They are both in telecommunications industry particularly under mobile services.

This is the reason Vodafone Egypt has come to the Egypt to break the monopoly enjoyed by Mobinil. (2) They are both adopting a conservative reporting system as accounting value as evidence their almost similar way of treating fixed assets and inventory. In treating fixed assets, they both record it at cost and they will maintain the yearly values using the recoverable values by their reduction of accumulated depreciation and accumulated impairment loss. The same may be said in terms of valuing its inventories where both companies presented those inventories in their financial statement at the lower of cost or market. (3) Both companies have their corporate governance where the could there is greater chances of demanding accountability from the senior management. It can be concluded that full harmonization of standards across companies or countries around the world still a thing to happen as happen in future. References: Choi, et al (2002): International Accounting, Prentice Hall, New Jersey, 4th edition John Wiley and Sons, New York, 4th edition. Mobinil (2008b) Company Website, {www document} URL <http://www.mobinil.com/aboutmobinil/profile.aspx>, accessed April 11, 2008Mobinil, (2008a) 2007 Annual Report, {www document} URL , http://www.mobinil.com/investors/performance/reports/Mobinil_2007_Annual_Report.pdf accessed April 11, 2008Nobes (1999): Towards a General Model of the Reasons for International Differences in Financial Reporting, in: International Accounting and Comparative Financial Reporting, edited by Nobes, C. (1998), Edward Elgar Publishing Limited, Cheltenham. Nobes, et. al (1997): Accounting an International Perspective , Richard D. Irwin, Chicago, 4th Edition. Radebaugh and Gray (1997): International Accounting and

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Harder (2002) Searching for a Level Playing Field: The Internationalization of U. S. Securities Disclosure Rules; Houston Journal of International Law, Vol. 24. Appendices: Appendix A

Members of Anglo- American Model Australia Costa Rica Jamaica Panama United States Bahamas Cyprus Kenya Papua New Guinea Venezuela Barbados Dominican Republic Liberia Philippines Zambia Benin Fiji Malawi Puerto Rico Zimbabwe Bermuda Ghana Malaysia Singapore Botswana Hong Kong Mexico South Africa Canada India Netherlands Tanzania Cayman Islands Indonesia New Zealand Trinidad and Tobago Central America Ireland Nigeria Uganda Colombia Israel Pakistan United Kingdom

Source: Nobes, et. al, 1997 Appendix B

Members of Continental Model Algeria Egypt Japan Spain Angola Finland Luxembourg Sweden Austria France Mali Switzerland Belgium Germany Morocco Togo Burkina Greece Norway Turkey

CambodiaGuineaPortugalZaireCameroonItalySenegalDenmarkIvory
 CoastSierra LeoneSource: Nobes, et. al, 1997 Appendix C – Vodafone'
 Income Statement Source: (Vodafone, 2008a) Appendix D-
 Statement of Recognized Income and ExpenseSource: (Vodafone,
 2008a) Appendix E – Vodafone's Balance Sheet ,
 2007 Source: (Vodafone, 2008a) Appendix F- Cash Flow
 Statement of Vodafone, 2007 Source: (Vodafone, 2008a) Appendix G-
 Balance Sheet of Mobinil, 2007 Source: Mobinil (2008a) Appendix
 H- Income Statement of Mobinil Source: Mobinil
 (2008a) Appendix I- Cash Flow Statement of Mobinil Source:
 Mobinil (2008a) Appendix J- Graph Stock Price Performance
 appearing with the Statement of the Chairman Source: (Vodafone,
 2008a) Appendix K – TSR Performance Source:
 (Vodafone, 2008a) Appendix L- Graph of Financial Highlights. Source:
 (Vodafone, 2008a) Appendix L- Graph of Growth Story Source: (Mobinil,
 2008a)