ABSTRACT

Corporate Reporting is the process of communicating information that relates directly or indirectly to the financial, non-financial information and to the resources and performance of a company to its stakeholders and it is a vital means by which a company brings in light its state of affairs before the public which earlier known to the management only. In present times the requirement of voluntary and mandatory disclosures has been increased due to various financial and economic forces and rules and regulations provided by Companies Act 2013, SEBI etc. This paper presents the existing researches done in the field of Corporate Reporting which have been studied from numerous journals, magazines and articles and it is found that Disclosure of financial matters with the passage of time has been the growing urge which could provide valuable guidance to stakeholders.

KEYWORDS: Corporate Reporting Practices, Companies Act 2013, Voluntary & Mandatory Disclosures.

Introduction

Corporate Reporting is considered a core business intelligence which allows organisations to easily access, format, and deliver information to employees, customers and stakeholders. Corporate Reporting has two important indicators: communication and accountability and it is related to presentation and disclosure aspects on financial reporting, integrated reporting, executive remuneration, corporate reporting, corporate responsibility and narrative reporting etc. Corporate reporting in present times is not only essential for the purpose of fulfilling the disclosure requirements rather effectiveness and credibility of corporate reporting practices activities carried out by the corporate are considered vital for attracting foreign investment and also focuses on the survival and growth of the business concern. According to Stittle, “Corporate Reporting is a vital means by which a company communicates its corporate message to shareholders, debenture holders, creditors, the media and the world at large”. Therefore it necessitates for the business concerns to follow appropriate corporate reporting practices which reflects a true and fair view of the financial health of the company which can ultimately build climate of trust and boost confidence in investor’s community.

Objectives

• To study and examine the past researches done in the area of Corporate Reporting Practices.
• To propose the scope of further research in the area of Corporate Reporting Practices.
Review of Literature
At National Level

• Dangwal, et al. (2007) in their article found absence of regulations in Companies Act 1956 and Banking Regulation Act 1949 relating to the contents of Directors’ Report. A higher disclosure according to them helps the investors and stakeholders in taking decisions and suggested that SEBI should fix parameters about preparation and presentation of Directors’ Report.

• Chander and Kumar (2007) in their work showed that size, profitability, listing category, domicile status and audit firms had positive impact on the level of disclosure and compliance of accounting standards whereas age and leverage were found to have less influence.

• Pradhan (2007) in his research paper observed that the IFRS has made the accounting standards of developing countries more smooth which would attract more foreign capital than before. He emphasized on financial reporting in emerging capital market for the companies so that more investors can become part of it by investing their capital.

• Varghese (2007) in her research paper found variation in disclosure items among the companies which are showing less satisfactory state of disclosure and Disclosures vary with different parameters.

• Krishnan (2008) in his paper compared the disclosure practices followed by European countries and that in India and found that non-financial factors which contribute to increase in the value of firm are not given much importance in financial disclosures. He suggested that disclosures should be based on capital, technical knowhow, other knowledge based point.

• Shah (2009) in his article found that the companies mainly disclose the information about the computation of Human Resource values rather than information for user’s decision making. He suggests the Companies Act 1956 and stock exchange listing regulations should frame regulations for disclosing Human Resource Accounting. Accounting Standards in this regard should also be framed.

• Joshi, et al. (2009) in their study found that Companies which are having strong equity base & good financial condition disclosed more information. The purpose of the paper was to investigate multinational corporations’ (MNCs) voluntary practice of including corporate social and environmental disclosure (CSED) on their websites and characteristics that inspire MNCs to be more accountable in this regard. This study for the first time included three more variables (financial risk, profitability, and country effect) to investigate the disclosure of social and environmental information by MNCs through their websites, on which there was limited evidence. The results showed that companies with a strong equity base and in a good financial condition have a propensity to voluntarily disclose more environmental information. For social disclosure, company size and the profitability discriminate the most. MNCs disclose a number of items pertaining to the two areas. These results are in line with evidence found in some prior studies.

• Sanjay and Bhanumurthy (2010) in their article found satisfactory disclosure practices done by the companies’. The paper showed that Securities Exchange Board of Indian made revised Clause 49 of listing agreement mandatory for all the listed companies India from first January 2006, to protect the interest of various stake holders in the company. Clause 49 mandates that all listed companies have to disclose in its annual report a detail report on corporate governance disclosure practices they have followed. This study evaluated that the corporate governance and disclosure practices followed by 30 SENSEX companies by examining the annual reports for financial year ended 31st march 2009. The major thrust of this study is on Composition of Board of Directors, Audit committee and shareholders Grievance committee. From this study it is observed that that corporate governance and disclosure practices followed by SENSEX companies are very good with exception just one or two items.

• Sarkar (2011) in his article found that mandatory disclosures are made by all the companies while the quantity and diversity of disclosures have increased. He suggested a common presentation pattern should be adopted so that comparison of the disclosure becomes possible.

• Choudhary and Dey (2012) in their article developed certain models which are suitable for disclosing corporate social reporting by Indian companies so that the society is benefitted on a whole. They suggested following the models developed by him for the attaining success in business from stakeholder's point of view.
Kalra and Soral (2014) in their work conducted a survey of the awareness of footnotes used in the Annual Reports from three types of respondents namely, the accountants, the auditors and the users like bankers, stock brokers, financial analysts and the accounting educators and found mixed responses and suggested that there is need of improving the structure and content of footnotes as per the respondents.

Jain, et al. (2015) in their paper found that financial statements are assumed to be most important measure of providing general information regarding results and financial position of business. Study is based on 20 companies from top 30 companies included in BSE sensex. Mainly secondary data was focused upon. Analysis of data using whitney U test revealed significant difference in disclosure practices of Sun Pharma, ICICI Bank, Dabur Ltd and Britania Ltd. While gap is insignificant in other companies.

At International Level

Anthony (2007) in his work found increase in the financial reporting uniformity due to the adoption of International Accounting Standards adopted by the companies in Trinidad and Tobago.

Omneya, et al. (2007) in their work observed more compliance of mandatory application of disclosures and making of a standard mandatory yields good result but there is a need of proper education and training for the purpose of application of mandatory disclosure standards for a developing country.

Hector, et al. (2007) in their article observed lack of transparency and accountability which are the major causes of economic problems of Indonesia and many other Asian countries and these can be resolved by the adoption of IFRS.

Suthachai and Cooke (2009) conducted a study and it focused on listed Thai companies between 1993 and 2002 to ascertain whether the 1997 economic crisis, which they refer to as an economic disturbance, had an impact on financial reporting practices. Both changes in measurement and disclosure practices are considered. Findings showed that crises had a great impact on reporting practices.

Leuz (2010) in his paper discussed differences in countries’ approaches to reporting regulation and explores the reasons why they exist in the first place as well as why they are likely to persist. He delineated various regulatory choices and discussed the tradeoffs associated with these choices. He also provided a framework that can explain differences in corporate reporting regulation. He presented descriptive and stylized evidence on regulatory and institutional differences across countries. Convergence of reporting practices is also unlikely due to persistent enforcement differences around the world. Given an ostensibly strong demand for convergence in reporting practices for globally operating firms, he proposed a different way that does not require convergence of reporting regulation and enforcement across countries. The idea is to create a “Global Player Segment” (GPS), in which member firms play by the same reporting rules and face the same enforcement and such a segment could be created and administered by a supra-national body like IOSCO.

United Nations (2011) in their study found that Mandatory items disclosure holds the highest position as compared to Voluntary disclosure while non-compliance with the mandatory disclosure requirements is less. It proposed that voluntary disclosures are equally important for the purpose of transparency and accountability.

Binh (2012) in his article observed that both financial analysts and financial managers have a high agreement about the disclosure level of voluntary items. He proposed that voluntary items disclosure helps in analyzing overall performance in corporate sector.

Muttanachi and Patricia (2012) in their article found that 82.67 per cent of the sample companies make environmental disclosures in their annual reports but in the place where corporate governance report is displayed. This rate of disclosure is more in Resource industries and the least disclosure is observed in Agriculture and food industries.

Tatiana, et al. (2013) in their work found that mandatory disclosure as highly followed by the companies in UK. They observed consistency in disclosure practice both for mandatory and non-mandatory disclosures which in turn builds the confidence in the stakeholders for the purpose of decision making and investing.
Villiers, et al. (2014) in their paper synthesized insights from accounting and accountability research into the rapidly emerging field of integrated reporting. The paper showed that the rapid development of integrated reporting policy, and early developments of practice, present theoretical and empirical challenges because of the different ways in which integrated reporting is understood and enacted within institutions. It highlighted many areas where further robust academic research is needed to guide developments in policy and practice.

Maas, et al. (2016) in their article, focused on “why” companies are involved in sustainability issues. However, relatively little research has addressed the integrative “how” question, particularly “how companies can and do integrate sustainability assessment, management accounting, management control, and reporting?” Corporate sustainability, however, requires integrative measurement and management of sustainability issues rather than isolated applications of different tools in the organization. This article reviews literature dealing with links and partial links between sustainability assessment, management accounting, management control, and reporting. The main findings show that the various concepts (performance assessment, management accounting, management control, and reporting) are defined and used in various ways but mainly dealt within an isolated manner. Based on these findings this paper proposed a comprehensive, integrated framework of sustainability assessment, accounting, control and reporting.

Findings and Conclusions

To conclude, while defining the concept and the disclosure requirements of corporate Reporting Practices various researchers pointed out towards improving the reporting standards which can clear the level of accountability and transparency of voluntary disclosures of items covered under Financial disclosure, Non Financial disclosure, Director’s report, Corporate governance, Significant accounting policies and Notes on account and for the system to survive and flourish by quickly sensing disclosing requirements, the aim of business concerns should be inclined towards presenting the true and fair view keeping sight of the prudence, transparency, comparability for investing community and other stakeholders. It is further observed that various new guidelines for corporate reporting have not been taken into consideration while disclosing the business information.

References


https://core.ac.uk/download/pdf/1633418.pdf