THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Corporate Reporting: A Study on Recent Trends

Saloni Raheja
Assistant Professor, Commerce Department, DRV DAV College, Phillaur, Punjab, India

Abstract:
There are substantial differences in how different companies regulate financial disclosure and publication of their accounts. The old methods used by the companies for publication are too complicated. This paper explores the recent trends in corporate reporting. It will provide valuable information and the recent trends which will be easily understood by the public. These recent developments favour policies that would expand the scope of mandatory publication for companies. They also encourage policies to reduce the costs and enhance the value of disclosure. This will provide useful information to the persons inside and outside the organisation.

Key words: *Corporate Reporting, Recent Trends, Companies*

1. Introduction

There are substantial differences in how different countries regulate financial disclosure by private (i.e., non-listed) companies and in particular, publication of their accounts. In the USA, Japan and some other countries, most private companies, whatever their size, are not obliged to disclose financial information. In contrast, in the European Union all companies are required to file their accounts with a public registry. Most other countries also require many of their private companies to publicly file their accounts. According to committee on accounting concepts and standards (1957), 'the primary function of accounting is to accumulate and communicate the information essential to an understanding of the activities of an enterprise, whether large or small, corporate or non corporate, profit or non profit, public or private.' Accounting is an information system and the financial statements constitute an important communication medium. In this case the maintenance of accounts and their reporting to shareholders is necessary to enable the proprietors of the company to see the results of the activities of the directors whom they appoint to manage the business in which their funds are invested. The law doesn't require a sole trader or partnership to publish any accounts because a sole trader or partner are in close touch with the activities of the company. But in case of joint stock companies, there are provisions relating to the maintenance of proper accounts, preparation of financial statements and their reporting to the shareholders who are scattered at different places. Sec 210, 216 and 217 of the Companies Act 1956 make it mandatory for BOD's to lay before the companies annual general meeting a copy of profit and loss account and balance sheet together with the directors and auditors report. All these accounts are annual reports of the company and are termed as published accounts. The term used for this is corporate reporting as they report to the public about the performance of the company. According to Glautier and Underdown, "The fundamental objective of corporate reports is to communicate economic measurements of and information about the resources and performance of the reporting entity useful to those having reasonable rights to such information."

The present study focuses on the recent trends of the corporate reporting. The companies do a lot of things in order to build up good corporate image in the society. This will help the companies and the people to know about the latest trends which are not complicated and easily understood by the layman.

2. Objectives of Corporate Reporting

- To provide useful information relating to the earning capacity of the concern.
- To provide information about the sale, product and producting figures of the company.
- To provide information to the government and non government profit organisations for evaluating the effectiveness of management resources in achieving the organisational goal.
- To provide information regarding the sources and application of funds.
- To provide information what the company owed and what the company owned at the end of the accounting period.
- To provide information about the role played by the company in discharging social responsibilities.
- To provide information to the investors and creditors for predicting, comparing and evaluating the cash flows to them.
- To provide information which is useful for predicting, comparing and evaluating the overall strength of the enterprise.

3. Literature Review

Easterbrook and Fischel (1984) studied the mandatory disclosure and the protection of the investors. He found that the mandatory disclosure would improve the incentives. Roberts (1992) tested the ability of stakeholder theory to explain one corporate social responsibility activity -- social responsibility disclosure. He found that measures of stakeholder power, strategic posture, and economic performance were related to levels of corporate social disclosure. Arruada (2011) analyzed how mandatory accounting disclosure grounded on different rationales for private and public companies. He explored technological changes, such as computerised databases and the Internet, which made disclosure of company accounts by small companies potentially less costly and more valuable. He also encouraged policies to reduce the costs and enhance the value of disclosure through administrative reforms of filing, archive and retrieval systems. Setyorini and Ishak (2012) provided an examination of Indonesian corporate social and environmental disclosure in the Positive Accounting Theory (PAT) perspective. They identified three key hypotheses such as management compensation hypothesis, the debt hypothesis, and the political cost hypothesis. The data was collected from 1857companies a sample of 911 usable companies listed in Indonesia Stock Exchange. The regression analysis showed that corporate social and environmental in Indonesia was associated with: ROA, firm' size, and firm's earning management.

4. Recent Trends in Corporate Reporting

All the companies have to print and publish their accounts so that people could understand those accounts. As the old methods are too complicated the new methods and techniques are maintained. Now a day, it is a common practice to add the financial statements, supplementary information in a simple and lucid language so that it can be easily understood by the layman. There are various trends which will help to reduce the costs.

- **Summarised Financial Statements**
  Now a day, companies are not following the traditional two sided balance sheet and profit and loss accounts. They are following the balance sheet and profit and loss accounts in columnar form. The vertical form or columnar form conveys more meaning to the layman because it tells about the relation of all the items with the other items. The summarised financial statements show the financial position of the company for the current year or two or more preceding years.
- **Highlights**
  Highlights are shown at the beginning of the annual reports so that the reader may know the important facts of the company without having the detailed analysis of the financial statements. Highlights are also termed as facts at glance or year at glance or facts in a nutshell. Highlights usually covers the information of the company related with production, sales, working capital, fixed assets, profit before and after tax and many more.
- **Cash Flow Statement**
  An enterprise should disclose the amount of cash and cash equivalents held by an enterprise. Cash flow statement is a statement of movement of cash and cash equivalents. It shows the inflows and outflows of cash during a particular period. These are prepared under the accounting standards of AS – 3. Cash flows are divided into three parts:
  Cash flow from operating activities.
  Cash flow from investing activities.
  Cash flow from financing activities.
- **Fund Flow Statement**
  Fund flow statement is becoming popular day by day because these explain why inspite of so many profits earned by the company, the company face difficulty in making payments to the creditors on time. It shows that how the company utilised their fund during the opening and closing balance sheets. These include statement of changes in working capital, statement of sources and application of funds. These show the movement of funds during the two balance sheets.
- **Value Added Statement**
  This statement is prepared on the value added concept. This report shows the amount and sources of value added during some specified period of time. The amount of value added arrived by reducing the cost of raw material, packing material, power, fuel and others brought from the market from the total value of the output of the company. It shows how the wealth generated by the firm are shared by the employees, government, investors and tenders. In India, the preparation of value added statements are made mandatory for all the public sector companies by Bureau of Public Enterprises.
- **Provision of Accounting Ratios**
  Ratios are the relation between the one figure and the other figure. These figures are mutually interdependent. These figures are valuable. The basic purpose of calculating the ratios is that the figures convey no meaning unless these are compared with the other. Some of the ratios are current ratios, liquid ratios, stock turnover ratios, debtor turnover ratios, debt equity ratios, earning per share, dividend per share and many more.
- **Disclosure of Accounting Policies**
  Now a day, progressive companies disclose the accounting policies in their published accounts on which basis they have prepared the financial statements. The accounting policies have a significant influence on the measurement of net profit as well as the financial position presented in the annual reports. These types of policies are different from different companies. This is done for a better understanding of the financial statements to the investors and general public. As per the accounting standard 1, the companies are required to make the disclosure of accounting policies.
- **Use of Charts, Graphs and Diagrams**
  These are known as the graphic method of presentation of information because now a day, many companies are using the charts, graphs, diagrams in their published accounts. These attract the eye of the reader more quickly and for better

understanding of the reader. These are most effective way of disclosing the trends and making comparisons over long periods with less space. The fluctuations in output, use of divisible profits, fluctuations in sales and many more can better be explained with the help of graphs, diagrams and others.

- **Rounding off the Figures**
  The Sachar committee had recommended that all the companies should round off the figures in the balance sheet to the nearest thousand or hundred or ten rupees. The committee is of the view that such rounding off the figures will facilitate the publication of accounts in a more intelligible form. Now a day, many companies prepared their balance sheet in this form. This will attract the attention of the reader.
- **Segment Reporting**
  The users of financial statements show the financial statements in the form of segment based on geographic and others. The Institute of Chartered Accountants of India issued Accounting Standard 17 for segment reporting. This is applicable to all the enterprises whose equity or debt securities are listed on a recognised stock exchange in India and all other commercial, industrial and business reporting enterprises whose turnover exceeds Rs. 50 crores for one accounting period. It provides the information about the different types of products, services and geographical area and many more. It helps the users for better understanding of the performance of the companies and to better assess the risk and return.
- **Social Accounting**
  Now a days it is realised that commercial evaluation of business units is not sufficient to justify the commitment of funds to a business unit it will be complete only if it consider social cost and benefit related to them. According to Ralph Eates, "the measurement and reporting, internal and external, of information concerning the impact of an entity and its activities on society". The measurement can be done through the capital output ratio, value added method, employment potential, saving in foreign exchange and social cost benefit ratio. It is concerned with the study and analysis of accounting practice of those activities of an organisation which are undertaken by the enterprise voluntarily in quantitative and qualitative terms.
- **Human Resource Accounting**
  It is a well known fact that the quality of the organisation depend on the quality, calibre and character of the people working in the organisation. Employees are the greatest asset of the company. If the company does not have the right people to manage the organisation then the company find itself in the midst of crisis, inspite of having the vast resources and technology. Human resource accounting is an effort to identify and report the investments made in human resources that are not accounted for in conventional accounting.
- **Inflation Adjusted Accounts**
  Financial accounts are generally prepared on the basis of historical cost concept and effect of inflation on profitability and financial position of the company are completely ignored. As a result, the financial statements don't represent the true and fair position of the company. To overcome this problem, companies have started presenting their financial statement after making adjustment with the impact of inflation.

5. Conclusion

The companies growth increase very rapidly now a days. Every company make possible efforts to make goodwill of their company in the eyes of the customers. So, corporate reporting is very helpful for the companies to fulfill their wish. There are various recent trends of corporate reporting which will help to reduce the costs and will be easily understandable by the layman. It will also be helpful for the persons inside and outside the organization.

6. References

1. Arrunada, B. (2011). Mandatory Accounting Disclosure by Small Private Companies. European Journal of Law and Economics , pp. 1-37.
2. Diamond, W., & Robert E. Verrecchia (1991). Disclosure, Liquidity, and the Cost of Capital. Journal of Finance , Vol. 36, pp. 1325-1359.
3. Dye, A. (1986). Proprietary and Nonproprietary Disclosures. Journal of Business. Vol. 59, pp. 331-366.
4. Easterbrook, F. H., & Fischel, D. R. (1984). Mandatory Disclosure and the Protection of Investors. Virginia Law Review , Vol. 70; pp. 669-715.
5. Ferrell, A. (2004). The Case For Mandatory Disclosure in Securities Regulation Around the World. Harvard John M. Olin Center For Law, Economics and Business .
6. Gore, A., Kevin, S., & Charles, T. (2004). Financial Disclosure and Bond Insurance. Journal of Law and Economics , Vol. 47, pp. 275-306.
7. Grossman, Sanford J., & Oliver D. Hart. (1980). Disclosure Laws and Takeover Bids. Journal of Finance, Vol. 34, pp. 323-334.
8. Roberts, R. W. (1992). Determinants of Corporate Social Responsibility Disclosure: An Application of Stakeholder Theory . Accounting Organizations and Society , Vol. 17, No 6, pp. 595--612.
9. Setyorini, C. T., & Ishak, Z. (2012). Corporate Social and Environmental Disclosure: A Positive Accounting Theory View Point . International Journal of Business and Social Science , Vol. 3, No. 9, pp.1-13