CHAPTER 6

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

6.0 INTRODUCTION

The present study is being conducted to observe the disclosure practices in the Annual Reports of the Indian Companies. Annual Reports are one among the places where a company gets an opportunity to highlight its state of affairs before the external world. It is being observed that there are certain sets of mandatory points to be reported by a company. Disclosures in addition to the mandatory points are also been observed to be in practice by the companies.

Analysis of observations made from the Annual Reports of the sample companies are shown through different chapters to this report.

In Chapter 3 analysis and interpretation has been done relating to different parameters that are taken to analyse the contents of an Annual Report. The Parameters taken are: Chairman’s Speech, Directors’ Report, Management Discussion and Analysis Report, Corporate Governance Report and the Auditors’ Report. Chapter 4 deals with analysis and interpretation of the application of Accounting Standards in preparation of the Annual Report. In this case, four Accounting Standards (AS) are taken as parameters namely, AS 1 (Disclosure of Accounting Policies), AS 2 (Inventory Valuation), AS 3 (Cash Flow Statement) and AS 22 (Accounting for Taxes on Income). In Chapter 5, analysis and interpretation has been done on the disclosures made voluntarily in the Annual Reports.
SUMMARY OF FINDINGS –

The main findings of the study have been highlighted in order of the contents of different chapters of this report through the present chapter. Following points show the objective wise important findings:

6.1 IMPORTANT FINDINGS OF OBJECTIVE NUMBER 1

To fulfil the first objective, regulations relating to preparation and presentation of annual reports are studied. In this case relevant laws and regulations available for annual reports are being highlighted. Following are the findings:

Legal and other requirements –

a) The regulations can be identified in two groups as Legal Requirements and Other Requirements

b) Legal Requirements are the relevant Acts and Laws passed by the Parliament such as the Companies Act, 1956, the Income Tax Act, 1961 and the Guidelines of SEBI under the SEBI Act, 1992.

i. **Companies Act, 1956**: The provisions of the Companies Act 1956 relating to Annual Report can be grouped in two groups as – Provisions relating to the preparation and reporting of financial statements (Sections 210 to 220) and Guidance to the Auditors in making Audit Report [Companies Audit Report Order (CARO), 2003]


c) The Other Requirements are grouped into two viz. Accounting Standards and Standards on Auditing.

i. Accounting Standards – There are in total 32 Indian Accounting Standards at present of which the first 29 Standards (28 in number) are mandatory and the rest three (AS 30, 31 and 32) are not mandatory. The Ministry of Corporate Affairs (MCA) has provided a total of 28 rules for application of the Accounting Standards known as Companies (Accounting Standard) Rules, 2006.

ii. Standards on Auditing – The Institute of Chartered Accountants of India (ICAI) have given in total 35 Auditing and Assurance Standards for carrying on the work of audit.

d) Certain Reforms and Changes in Regulatory Framework have been observed - enactment of the Companies Act, 2013, Issuance of Standards on Auditing (34 in number plus 4 additional standards), Adoption of IFRS Converged Standards (35 in number) named as Ind AS, making of XBRL mandatory for companies listed in India, SEBI’s amendment to the Clause 31 (a) of Listing Agreement relating to the submission of forms along with the

Compliances of regulations –

a) Only 28 percent of the sample companies disclosed Chairman’s Speech.

b) Directors’ Report is available in all the Annual Reports under study and the rate of mandatory disclosure in this Report is 53 percent.

c) 94 percent of the companies under study is found to disclose Management Discussion and Analysis Report

d) 76 percent of the sample companies have disclosed more than 90 percent of the mandatory items in Corporate Governance Report

e) In case of Auditors’ Report, 78 percent of the sample companies have disclosure score of mandatory items of more than 90 percent.

f) In the case of Financial Statements, 98 percent of the sample companies have full score of disclosure.

6.2 IMPORTANT FINDINGS OF OBJECTIVE NUMBER 2

(a) CHAIRMAN’S SPEECH

General Findings:

(i) The rate of presence of the item “Chairman’s Speech” is only 28 percent.

(ii) Most of the disclosing companies (79 percent) prefer to use at most 20 paragraphs to disclose the content of the Speech.

(iii) Half of the companies disclosing Chairman’s Speech prefer using 2 pages to disclose the speech.
(iv) Most of the disclosing companies (93 percent) have used a maximum of 80 sentences in disclosing the speech.

(v) Disclosures have certain association with company size, age and business sector respectively but statistically such associations are not significant.

Findings of Statistical Analysis

(i) By Company Size

a) The scores are moderately dispersed.

b) The correlation value of Pearson’s test shows the higher size companies use less number of paragraphs to disclose Chairman’s Speech.

c) The Kendall’s test does not show any correlation between company size and paragraph used in Chairman’s Speech.

d) The correlation is not significant as tested by the Pearson’s test and Chi-Square test at 5 percent significance level.

e) The average use of number of pages score shows that no group has used at least a complete page to disclose Chairman’s Speech.

f) The variation in scores is low.

g) The correlations show that the larger size companies use less number of pages to disclose Chairman’s Speech.

h) The correlations are not significant as tested by the Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent significance level.

i) The variation in the score values is moderate where the High sized group show low scores in comparison to Low size group of companies.

j) The Pearson’s test result shows the higher sized companies tend to disclose less number of sentences while the Kendall’s test shows the high sized
companies tend to disclose more sentences but in lower degree in Chairman’s Speech.

k) The Correlations are found insignificant at 5 percent significance level when tested under Pearson’s test, Kendall’s test and Chi-Square test respectively.

(ii) By Company Age

a) The variation of the scores is moderate with high scores in Low aged group and low score in high aged group.

b) The correlation shows the more aged companies disclose more number of paragraphs to display Chairman’s Speech.

c) The correlations are tested to be insignificant according to the Pearson’s test and Chi-Square test at 5 percent level of significance but it is found significant in the Kendall’s test at 5 percent significance level.

d) The variation in scores is moderate.

e) The correlations show that the high age group companies use more number of pages in disclosing Chairman’s Speech.

f) The Correlations are not significant as tested by Pearson’s test and Chi-Square test at 5 percent significance level. Kendall’s test does not show significance.

g) The variation of scores in moderate.

h) The correlation shows that the high aged companies use more number of sentences to disclose Chairman’s Speech.

i) The correlations are not significant as tested by Pearson’s test and Chi-Square test at 5 percent level of significance while the Kendall’s test finds the same significant at 5 percent significance level.
(iii) By Business Sector

a) The variation in scores is moderate. The Pharmaceutical sector has no disclosure of Chairman’s Speech.

b) The correlations show that the use of paragraphs is less among the companies by sectors.

c) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent level of significance.

d) The variation in the scores is moderate. The Pharmaceutical sector scored Nil while the Banking and Finance sector scored highest.

e) The correlations show that number of pages reduce in the companies by sector.

f) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent significance level.

g) The variation in scores is wide while no disclosure is found in Pharmaceutical sector and highest in Banking and Finance sector.

h) The correlations show less number of sentences in Chairman’s Speech in sector wise companies.

i) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent level of significance.

It is observed from the above that disclosure practice of Chairman’s Speech is very poor and irregular. The better side in this case, of course is the extent of disclosure. Though the Chairman’s Speech is not generally found in most of the Annual Reports under study yet, most of the disclosing companies have used a moderate quantity of disclosure. Statistically the associations of disclosure with company size, age and sector respectively is not significant.
(b) DIRECTORS’ REPORT:

General Findings:

(i) Overall rate of mandatory disclosure in this category is 53 percent.

(ii) Most of the sample companies (78 percent) prefer disclosing up to a maximum of 60 percent of the mandatory items.

(iii) Disclosures less than 40 percent or above 60 percent of the mandatory items are in practice by 22 percent of the sample companies.

(iv) None of the companies have disclosed all the mandatory items.

(v) Company wise rate of disclosure has not been more than 80 percent mark.

(vi) Content analysis shows 80 percent of the sample companies have used more than 51 percent but below 100 percent of sentences to display Directors’ Report.

(vii) Mandatory Item wise disclosure reveals 100 percent disclosure rate for 2 items namely, Financial Results and Particulars of Employees.

(viii) In the same section, two more items namely, Directors’ Responsibility Statement and Composition of Audit Committee have scored 98 percent of disclosure.

(ix) While in content analysis of the mandatory items, two items have high scores at 32 percent (Particulars as to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo) and at 28 percent (Financial Results) of the total count of sentences used in mandatory disclosures.

(x) Mandatory disclosures are associated with company size, age and sector respectively but are not found significant.
Findings of Statistical Analysis

(i) By Company Size

a) Overall moderate deviation in between average values of disclosure is observed.

b) Karl Pearson’s Coefficient of Correlation shows larger companies use more items of mandatory disclosures while the use of sentences for disclosing information decrease for the larger sized companies.

c) The Kendall’s Test also supports the results of Pearson’s Coefficient of Correlation.

d) The associations of mandatory disclosures to company size are not significant as revealed by the Chi-Square Test, Pearson’s Coefficient of Correlation and Kendall’s Coefficient of Concordance respectively at 5 percent level.

(ii) By Company Age

a) A narrow gap in between the score percentages is observed for the companies of the four age groups.

b) In the case of content analysis by sentence count, a wide gap in between score percentages is observed for the four age groups of companies.

c) For the disclosure of mandatory items, Pearson’s R shows a negative but weak correlation and the Kendall’s test shows a weak positive correlation, means the more aged companies disclose less numbers of mandatory items. The correlations are not significant at 5 percent level.

d) The Chi-Square Test in case of mandatory items disclosure, the association is not significant at 5 percent level.
e) In the case of content analysis by sentence count, the Pearson’s R shows a highly negative and the Kendall’s Test shows negative correlation, means that more aged companies tend to use lesser number of sentences to disclose information of mandatory items.

f) In the case of content analysis, the Pearson’s R and Chi-Square values show no significant correlation while the Kendall’s Test finds the correlation significant at 5 percent level.

(iii) By Business Sector

a) The mean score percentages of mandatory items disclosure are moderately dispersed as against business sectors.

b) The correlation coefficient as shown by the Pearson’s R and Kendall’s Test is negative which means that disclosures of mandatory items are less as sectors increase.

c) The correlations are not significant as shown by Pearson’s value, Kendall’s Test and Chi-Square Test respectively at 5 percent level.

d) There exists a considerable gap in between the average scores of use of sentences disclosing mandatory items for the different sectors.

e) The correlation coefficient under Pearson’s R and Kendall’s Test shows a negative association which means as the sectors increase there is a decrease in the use of sentences.

f) There exists no significant association in between use of sentences disclosing mandatory information and business sector as tested by Pearson’s correlation value, Kendall’s test and Chi-Square Test respectively at 5 percent level.
From the above it is seen that the companies under study are not making disclosure of all the mandatory requirements. While item wise disclosures have variations and only two items have been disclosed by all the sample companies, variations in company wise disclosures are also evident. Disclosures are associated with company size, age and sector respectively but statistically not significant.

(c) MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

General Findings:

(i) In the case of company wise disclosure of mandatory items, 62 percent of the sample companies have disclosed 81 percent to 100 percent of the mandatory items.

(ii) Presence of NIL disclosure but in only 6 percent of the sample companies.

(iii) Item wise disclosure shows no full disclosure of any mandatory item.

(iv) One item (Industry Structure and Development) scored 94 percent disclosure while another (Internal Control and Their Adequacy) scored 90 percent disclosure.

(v) Disclosure practices have shown associations with company size, age and sector respectively but are found not statistically significant.

Findings of Statistical Analysis

(i) By Company Size

a) The variation in the score values for company size is moderate while the Low size group is observed to have scored more as compared to Very High size group.
b) The correlation analysis shows that the larger sized companies tend to disclose less numbers of mandatory information.

c) The correlations are found insignificant under the Pearson’s test and the Chi-Square test at 5 percent level while the same is found significant under the Kendall’s test at 5 percent significance level.

(ii) By Company Age

a) The average score values are high and are moderately scattered.

b) The correlation shows that the aged companies are more tend to disclose less items of mandatory disclosure.

c) The Correlation values are not significant as tested by Pearson’s test and Chi-Square test at 5 percent level of significance.

d) The same is found significant by the Kendall’s test at 5 percent significance level.

(iii) By Business Sector

a) Average scores have moderate dispersion with highest in Tea and Agro Product sector and least in Banking and Finance sector.

b) The correlation shows mandatory disclosures are more in case of business sector.

c) The correlations are found insignificant at 5 percent significance level when tested by Pearson’s test, Kendall’s test and Chi-Square test respectively.

Hence, disclosure practice both in case of company wise and item wise is moderate. The association of disclosures are found not significant.
(d) CORPORATE GOVERNANCE REPORT:

General Findings:

(i) In the case of company wise disclosure of mandatory items, it is noticed that most of the sample companies (76 percent) have disclosed 90 percent to 100 percent of the items.

(ii) NIL disclosure is observed but that is only in case of 4 percent of the sample companies.

(iii) As regards non-mandatory disclosure, the companies under the study show lower rates of disclosure.

(iv) The NIL disclosure of non-mandatory items is observed for about 34 percent of the companies.

(v) The percentage of companies disclosing non-mandatory items under three different percent ranges are almost equal.

(vi) In the case of mandatory item wise disclosure it is seen that none of the items has full disclosure.

(vii) In the case of non-mandatory items none of the items could reach at least 50 percent disclosure score except one (Whistle Blower Policy).

(viii) Disclosures of mandatory and non-mandatory disclosures are associated with company size, age and sector respectively but are not statistically significant.
Findings of Statistical Analysis

(i) By Company Size

a) Mandatory disclosure score percentages are moderately dispersed.

b) The association of mandatory disclosure practice with company size is found negative in the cases of both the Pearson’s test and Kendall’s test, meaning thereby, large sized companies disclose less amount of mandatory information.

c) The associations are not significant as found by the Pearson’s test and Chi-Square Test while the Kendall’s test finds the association significant at 5 percent level.

d) In the case of non-mandatory items of disclosure, the score percentages are widely dispersed.

e) The association between the practices of disclosure of non-mandatory items is positive as found by the Pearson’s value and the Kendall’s test, meaning thereby, larger companies tend to disclose more of the non-mandatory items.

f) The association is found no significant by the Pearson’s Test and the Chi-Square Test while the Kendall’s Test finds the association significant at 5 percent level.

(ii) By Company Age

a) The scores of mandatory disclosures are highly uneven against different age group of companies.
b) Mandatory disclosure practice is negatively correlated as to the company age, meaning thereby, more aged companies tend to disclose less mandatory information.

c) This correlation is not significant as tested by Pearson’s Correlation coefficient, Kendall’s Test and Chi-Square Test respectively at 5 percent level.

d) A considerable deviation in scores of non-mandatory disclosure is observed.

e) The correlation in between non-mandatory disclosure practice and company age is positive, that is the more aged companies disclose more non-mandatory items.

f) The correlations are not significant as tested by the Pearson’s value, Kendall’s value and the Chi-Square Test respectively at 5 percent level.

(iii) By Business Sector

a) Mandatory disclosure scores are widely scattered while cent percent score is attained by two sector groups.

b) The correlations indicate a negative relation of mandatory disclosure to business sector, that is, mandatory disclosures are less against business sector.

c) The correlations are not significant as tested by the Pearson’s Correlation Coefficient, Kendall’s Test and Chi-Square Test respectively at 5 percent level.

d) A wide variation in the average score percentages of non-mandatory items are observed among companies group by sectors, while the Pharmaceutical sector scores the highest and the Share Broking sector scores the least.
e) The correlations show that the practice of non-mandatory disclosures is less as against business sectors.

f) The correlations are not significant as tested by the Pearson’s Correlation Coefficient, Kendall’s Test and Chi-Square Test respectively at 5 percent level.

Hence, the practice of disclosing mandatory items is more or less satisfactory but the case of non-mandatory disclosure is not satisfactory. Disclosures have no significant association with company size, age and sector respectively. Disclosure practice needs improvements.

(e) THE AUDITORS’ REPORT:

General Findings:

(i) In case of company wise disclosure of mandatory items it is noticed that maximum number of companies (78 percent) have disclosed mandatory items in between 90 percent and 100 percent.

(ii) The extent of mandatory disclosure shows that most of the sample companies (60 percent) have used 61 percent to 80 percent of the total sentences used.

(iii) Half of the above number of companies (30 percent) used 40 percent to 60 percent of the sentences while only 10 percent of the companies used more than 80 percent of the sentences.

(iv) In case of item wise disclosure of mandatory items it is seen that 5 out of 14 items (36 percent) have shown 100 percent disclosure.

(v) From the above point it is observed that 64 percent of the items have less than 100 percent disclosure score.
(vi) In case of the disclosure content it is seen that only one item (Statutory Dues) has the highest score of 62 percent.

(vii) Disclosures of mandatory points are associated with company size, age and sector respectively but such association is not statistically significant.

Findings of Statistical Analysis

(i) By Company Size

a) The variations among the score values are moderate while cent percent disclosure of mandatory items has been observed in the case of Very High sized companies.

b) The Correlations show a positive association of mandatory items disclosure and company size that is the larger the company by size, the more is the practice of mandatory disclosure.

c) The correlations are not significant as tested by the Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent level of significance.

d) The variation in scores is moderate and the larger companies obtain low scores.

e) The correlation shows that the larger size companies tend to disclose less numbers of sentences to describe mandatory information.

f) The correlations are not found significant under Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent level of significance.

(ii) By Company Age

a) The average value of scores has a marginal variation among themselves while the younger group companies scored the highest.
b) The correlations show that the more aged companies tend to disclose more of mandatory items.

c) The Pearson’s test and the Chi-Square test find the correlations no significant at 5 percent level of significance.

d) The Correlation is found significant by the Kendall’s test at 5 percent level of significance.

e) The variation in scores is moderate, highest score is in the age group of 25 to 50 years age and equal scores by the two Old age groups.

f) Correlation value shown by the Pearson’s test indicates less content disclosure by the more aged companies, while the Kendall’s test shows no correlation at all between content of mandatory disclosure and company age.

g) The correlations are not significant as shown by the Pearson’s test and Chi-Square test at 5 percent level of significance.

(iii) **By Business Sector**

a) The score percentages have moderate variations among themselves.

b) The correlation shows the practice of disclosure of mandatory items is less in case of sector wise companies.

c) The correlations are not significant as tested by Pearson’s test and Chi-Square test at 5 percent significance level but it is found significant under Kendall’s test at 5 percent level.

d) The variations in the scores are moderate.

e) The correlations show that the content of mandatory items of disclosures is displayed more by the companies grouped by sectors.
f) The correlations are not significant as tested by the Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent significance level.

The above findings show that the disclosure rates for both the company wise and item wise disclosures are moderate. Again, content study indicates a high disclosure rate in case of one item but for other items the rate is comparatively low. The reason for the particular item being given more importance is that it deals with Statutory Dues like taxes and dues to the Government. A detailed note on taxes paid and payable is observed to be served under the head “Statutory Dues” in the Auditors’ Report. On the whole, the associations of disclosure with company size, age and sector respectively are found not significant.

(f) FINANCIAL STATEMENTS AND SCHEDULES:

In this case, two sets of analyses are done and interpreted, one is Financial Statements and the other is Schedules.

General Findings:

(i) Most of the sample companies (98 percent) have either disclosed all the character or have nearing full disclosure.

(ii) If item wise disclosure is seen, all the items except “Notes” have 100 percent disclosure.

(iii) Notes in case of Balance Sheet and Profit and Loss Account show 98 percent disclosure whereas, those of Cash Flow Statement shows 64 percent disclosure score.

(iv) As regards Schedules and Notes, there exist two types of expressing serial numbers of the schedules namely, Alphabetic and Numeric.
(v) Expressing in numeric form is more (86 percent) than that of alphabetic form (14 percent).

(vi) Most of the sample companies (92 percent) have a tendency to use more numbers of notes (in between 17 and 29).

(vii) Associations of disclosure are present in relation to company size, age and sector but such associations are not statistically significant.

Findings of Statistical Analysis

Financial Statements

(i) By Company Size

a) A narrow variation in score values.

b) The scores indicate no group could score hundred percent value.

c) The correlation shows less number of information are disclosed by the larger size companies through financial statements.

d) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent significance level.

(ii) By Company Age

a) The variation in scores is narrow while full disclosure is found in the older age group companies.

b) The correlations show that the high aged companies disclose more information through financial statements.

c) Such correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent significance level.
(iii) By Business Sector

a) No sector could score 100 percent. The variation in score values is narrow.

b) The correlation shows more information in financial statements is disclosed by companies sector wise.

c) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent significance level.

Schedules

(i) By Company Size

a) The scores are low and the variation in the score values is narrow.

b) The correlation shows that the large size companies tend to disclose less items through Schedules under Pearson’s method while under the Kendall’s method, the larger size companies are found disclosing more items but in limited way.

c) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent level of significance.

(ii) By Company Age

a) The disclosure scores are low as well as the variation among the values of scores is low.

b) The correlations show more numbers of items are disclosed through Schedules by the high aged companies.

c) The correlations are not significant at 5 percent significance level.
(iii) By Business Sector

a) The score values vary moderately. The highest score is secured by the BPO and IT sector while the lowest score by the Share Broking sector.

b) The correlation shows the items in the schedules are disclosed more by the companies sector wise.

c) The correlations are not significant at 5 percent significance level.

The preparation and presentation of financial statements are guided by Companies Act 1956 particularly for the Balance Sheet and Profit and Loss Account. In case of Cash Flow Statement it is guided by Accounting Standard (AS) 3. The use of vertical form in displaying Balance Sheet is prescribed by the Companies Act 1956 but it is silent about the format of Profit and Loss Account until recently when in the Companies Act 2013 the format for presenting Profit and Loss Account is being prescribed. It is also vertical in shape showing Incomes on top and the Expenditure after it followed by Appropriations, etc. In the present study it is observed that the vertical form of presenting Profit and Loss Account is already in vogue among the companies under study. The use of two sets of figures (Previous Year and Current Year) is also available with all the three parts of financial statements. As regards Notes to Accounts, there are no procedural bindings and as such these are disclosed in the manner as the company finds fit. This is because, the numbers of such notes and schedules are not fixed and secondly the placement in order of the items in the notes is also not chronologically set by any regulation. Accounting Standard (AS) 3 also is silent about how the Cash Flow Statement should be presented. The companies under study are observed to follow vertical form in presenting the Cash Flow Statement using two sets of figures (that is, Current Year and Previous Year figures). In the case of Notes, these are generally displayed through the foot of the
Cash Flow Statement. The companies in this case are in practice of following a method of presenting Cash Flow Statement which is uniform to all the companies.

6.3 IMPORTANT FINDINGS OF OBJECTIVE NUMBER 3

(a) AS 1: DISCLOSURE OF ACCOUNTING POLICIES:

General Findings:

(i) Maximum numbers of the sample companies (62 percent) disclose 41 percent to 60 percent of the items.

(ii) No company has disclosed 100 percent of the disclosing items

(iii) No company is found disclosing less than 20 percent of the items (that is 4 items).

(iv) Item wise disclosure shows no item to have scored a 100 percent mark.

(v) One item out of 22 items under study (4.5 percent) has scored 96 percent disclosure while 4 items (18 percent) have scored 94 percent.

(vi) While of the remaining items others except two items have low scores.

(vii) Those two items (Prior Period & Extra ordinary Items and Joint Ventures) have no disclosures.

(viii) In the case of items disclosed in excess of those taken under study, 82 percent companies disclosed upto 5 items while the others disclosed more than 5 but upto 10 items.

(ix) Associations of disclosure with company size, age and sector are found present but such associations are found statistically not significant.
Findings of Statistical Analysis

(i) By Company Size

General Disclosure

a) The variation in the score values is moderate.
b) The correlation shows less disclosure of general items by large size companies by Pearson’s test while more disclosure of general items by large size companies.
c) The correlations are not significant at 5 percent level of significance.

Extra Disclosure

a) The score values have narrow variation.
b) The correlations show that less disclosure of extra items is made by large size companies.
c) The correlations are not significant at 5 percent level of significance.

(ii) By Company Age

General Disclosures

a) The variation in score values is low.
b) The correlations indicate less numbers of general disclosures are made by the high age companies.
c) The correlations are not significant at 5 percent level of significance.
Extra Disclosures

a) The variation in scores is low.

b) The correlations indicate less disclosure of extra disclosures by high aged companies.

c) The correlations are not significant at 5 percent level of significance.

(iii) By Business Sector

General Disclosures

a) The sector wise score of disclosure is moderate.

b) The correlation shows use of more general disclosure by the sector wise companies.

c) The correlations are not significant at 5 percent significance level.

Extra Disclosures

a) The sector wise score of disclosures is narrow.

b) The correlations show more disclosure of extra items by the sector wise companies.

c) The correlations are not significant at 5 percent level of significance.

Disclosure of accounting policies indicates that whatever policies have been adopted for accounting and presenting of the facts should be properly disclosed through the reports. In an Annual Report this is done through the columns of Significant Accounting Policies just after the disclosure of financial statements. There are no items regarded as mandatory because no regulation has prescribed any set of items compulsory for disclosure. Moreover, Accounting Standard (AS) 1 does not give any exhaustive numbers of points of disclosure. Hence, whatever
disclosure is observed is being disclosed voluntarily by the companies. Thus, there is a moderate rate of disclosure of accounting policies adopted. Statistically the associations of disclosure present with company size, age and sector are insignificant.

(b) AS 2: VALUATION OF INVENTORY:

General Findings:

(i) In the case of application of valuation techniques, 54 percent companies disclosed 100 percent of the techniques recommended.

(ii) In the same case as above 34 percent of the sample companies have disclosed 50 percent of the valuation techniques.

(iii) In the case of the remaining 12 percent of the sample companies, no inventory is found.

(iv) In the case of adoption of valuation method, 80 percent of the companies have adopted “Lower of Cost and Net Realisable Value” method.

(v) In the case of the choice of “Cost” 30 percent of the companies have adopted FIFO method and the similar number (30 percent) have adopted Weighted Average Cost (termed as “Others” in the Table).

(vi) None of the companies have adopted LIFO method.

(vii) In observing the numbers of components of inventory it is found that 24 percent of the sample companies have disclosed 5 components in their inventory.

(viii) The number of inventory components range between zero and 11 shared by the remaining companies.
(ix) There exists certain association of disclosures with company size, age and sector respectively but such associations are not statistically significant.

Findings of Statistical Analysis

(i) By Company Size

Valuation Techniques

a) The score values are moderately deviated.

b) The correlation under Pearson’s test shows disclosure of valuation techniques is not full in case of large size companies while the Kendall’s test shows the large size companies disclose all the valuation techniques.

c) The correlations are not significant at 5 percent significance level.

Break-Up

a) The score values vary moderately.

b) The correlations show that the large size companies disclose less numbers of break-up of inventories.

c) The correlations are not significant at 5 percent significance level.

(ii) By Company Age

Valuation Techniques

a) There is a moderately wide gap in the scores.

b) The correlations show less importance to valuation technique disclosure is given by high aged companies.

c) The correlations are not significant at 5 percent significance level.
**Inventory Break-Up**

a) There is less moderate gap in between scores.

b) The correlations show the less disclosure of inventory break-up by the high aged companies.

c) The correlations are not significant under the 5 percent significance level.

(iii) By Business Sector

**Inventory Valuation**

a) The Pharmaceutical and Petrochemical sectors score 100 percent while the Banking and Finance Sector scores nil. The variation in scores is moderate.

b) The Pearson’s correlation shows more disclosure of valuation techniques by the sector wise companies while the Kendall’s test shows less disclosure of valuation techniques by the sector wise companies.

c) The correlations are not significant at 5 percent significance level.

**Inventory Break-Up**

a) Narrow variation is observed in scores.

b) The correlation under Pearson’s test shows more disclosure of inventory break-up by sector wise companies while the Kendall’s test shows less disclosure of inventory break-up by the sector wise companies.

c) The correlations are not significant at 5 percent level of significance.

Inventory and its proper valuation is an important aspect in any business because proper valuation does not only help in fixing selling price but also in determining profit in correct terms. In the present study, there are six numbers of companies belonging to financing business which have no such inventory of saleable items as
defined under the AS 2. In the case of other companies, choice of cost is based either on FIFO or on Weighted Average Cost. LIFO is not adopted by any company in the sample. This might be due to the nature of business which does not recommend adoption of LIFO. In the case of disclosing inventory, it is found that placement of the disclosure is not always through the same number of Schedule in the serial. Moreover, the numbers of components in the break-up of inventory is also different. The valuation system followed by the companies is satisfactory. The associations of disclosures with company size, age and sector are not statistically significant.

(c) AS 3: CASH FLOW STATEMENT:

General Findings:

(i) The study of the use of selected four distinct characteristics has been done and observed that 64 percent of the sample companies have shown all the four characters while 36 percent of the companies used 75 percent of the four characteristics.

(ii) In observing individual disclosure of the four characters, it is seen that all but one character have 100 percent disclosure.

(iii) The one having 64 percent disclosures relates to Foot Notes.

(iv) The disclosures have associations with company size, age and sector respectively but such associations are not significant statistically except for associations with business sector, where significant association is evident.
Findings of Statistical Analysis

(i) By Company Size

Use of Vertical Form, Current and Previous Year and Indirect Method

a) The mean scores are 100 percent in the cases of all the company sizes.
b) No statistical values could be computed only due to this same value for all cases.

Use of Foot Notes

a) The High size group scores highest value while the variation in scores is moderate.
b) The correlation shows use of foot notes is high in case of high size companies.
c) The correlations are not significant under Pearson’s test and Chi-Square test at 5 percent level of significance. The Kendall’s test finds the correlation significant at 5 percent significance level.

(ii) By Company Age

Use of Vertical Form, Current and Previous Year and Indirect Method

a) The mean scores are 100 percent in the cases of all the company ages.
b) No statistical values could be computed only due to this same value for all cases.
Use of Foot Notes

a) The scores have moderately wide variation.

b) The correlations indicate proper use of foot notes by the high aged companies.

c) The correlations are not significant at 5 percent level of significance.

(iii) By Business Sector

Use of Vertical Form, Current and Previous Year Figure and Indirect Method

a) The mean scores are 100 percent in the cases of all the sector wise companies.

b) No statistical values could be computed only due to this same value for all cases.

Use of Foot Notes

a) The score values are less moderately dispersed.

b) The correlation shows more use of foot notes in sector wise companies under Pearson’s test and on the other hand use of foot notes are less by sector wise companies under Kendall’s test.

c) The correlations are not significant at 5 percent level of significance.

Accounting Standard (AS) 3 requires disclosure of notes from the management relating to the components of cash and cash equivalents. This form of disclosure is not regularly practised by the sample companies. The disclosure is generally done through footnotes after Cash Flow Statement and in some cases through the Significant Accounting Policies. It is already observed from the analysis of AS 1 that the Cash Flow disclosure is present in Significant Accounting Policies. The
preparation and presentation part of Cash Flow Statement is proper and the audit report relating to Cash Flow Statement is clean. Regarding association of disclosure with company size, age and sector, statistically the association is not significant in case of company size and age but is significant in case of business sector.

(d) AS 22: ACCOUNTING FOR TAXES ON INCOME:

General Findings:

(i) The overall rate of company wise disclosure is high.

(ii) Most of the sample companies (90 percent) have scored 100 percent disclosure.

(iii) Of the remaining companies, 4 percent of the companies show 75 percent disclosure while 6 percent of the companies show 50 percent disclosure.

(iv) In the disclosing place wise disclosure, 100 percent disclosure is found in Profit and Loss Account followed by in Balance Sheet at 98 percent and in Cash Flow Statement 94 percent disclosure score is found.

(v) Association of disclosure with company size, age and sector are found but such associations are statistically not significant.

Findings of Statistical Analysis

(i) By Company Size

Disclosure through Significant Accounting Policies

a) The scores are less moderately scattered.

b) The correlations show more information on taxes is disclosed through significant accounting policies by larger size companies.

c) The correlations are not significant at 5 percent level of significance.
Disclosure through Balance Sheet

a) The scores are all 100 percent except for the Low group it is 90 percent.

b) The correlations show that the larger companies disclose more information of taxes through Balance Sheet.

c) The correlations are not significant at 5 percent significance level.

Disclosure through Profit and Loss Account

a) The scores are all 100 percent for the different size groups of companies.

b) The correlation values could not be calculated as the scores are same in all cases.

Disclosure through Cash Flow Statement

a) The scores are 100 percent except for two size groups.

b) The correlation shows more information being disclosed through Cash Flow Statement by the large size companies.

c) The correlations are not significant at 5 percent significance level.

(ii) By Company Age

Disclosure through Significant Accounting Policies

a) The score values are moderately dispersed.

b) The correlations show more aged companies disclose less information on tax information.

c) The correlations are not significant at 5 percent level of significance.
Disclosure through Balance Sheet

a) The scores are all 100 percent except the youngest age group which scores 94.1 percent.

b) The correlations show more aged companies disclose less tax information though Balance Sheet.

c) The correlations are not significant at 5 percent level of significance.

Disclosure through Profit and Loss Account

a) The scores are all 100 percent for the different age groups of companies.

b) The correlation values could not be calculated as the scores are same in all cases.

Disclosure through Cash Flow Statement

a) The scores are all 100 percent except in the younger age group where the score is 88.2 percent.

b) The correlation shows the high aged companies disclose less tax elements through Cash Flow Statement.

c) The correlations are not significant at 5 percent level of significance.

(iii) By Business Sector

Disclosure through Significant Accounting Policies

a) Apart from the sectors showing 100 percent score, the other sectors have moderately distance scores.

b) The correlations are positive showing adequate disclosure of tax element through significant accounting policies by the sector wise companies.

c) The correlations are not significant at 5 percent level of significance.
Disclosure through Balance Sheet

a) One sector scoring less than 100 percent has brought in a moderate difference of other sectors with the one.

b) The correlation under Pearson’s test shows adequate disclosure of taxes through Balance Sheet by companies sector wise.

c) The correlation under Kendall’s test on the other hand shows inadequate disclosure of tax element in the Balance Sheet by the sector wise companies.

d) The correlations are not significant at 5 percent level of significance.

Disclosure through Profit and Loss Account

a) The scores are all 100 percent for the different sector wise companies.

b) The correlation values could not be calculated as the scores are same in all cases.

Disclosure through Cash Flow Statement

a) The scores are 100 percent in case of five sectors and for others there is a moderate difference in score values.

b) The correlations show adequate disclosure of tax element in the Cash Flow Statement in the sector wise companies.

c) The correlations are not significant at 5 percent significance level.

AS 22 requires disclosure of Deferred Tax Assets and Liabilities in the Balance Sheet and current taxes in the Profit and Loss Account. No mention of disclosure of taxes in the Cash Flow Statement is found in the AS 22 but AS 3 requires disclosure of tax element in the Cash Flow Statement. The overall score of
disclosure in this case is observed to be high. Audit report also is clean. No significant association of disclosure with company size, age and sector is seen.

6.4 IMPORTANT FINDINGS OF OBJECTIVE NUMBER 4

(a) DIRECTORS’ REPORT:

General Findings:

i. The overall rate of disclosure of voluntary items is 47 percent.

ii. Most of the companies (88 percent) have used a maximum of 10 pages to disclose Directors’ Report.

iii. Maximum numbers of companies (80 percent) have disclosed a maximum of 10 items.

iv. A few of the companies (2 percent) disclosed a maximum of 30 items.

v. Use of sentences in disclosing voluntary items is moderate.

vi. Disclosures have association with company size, age and sector respectively and such association is not statistically significant.

Findings of Statistical Analysis

(i) By Company Size

a) The mean values of voluntary disclosure items are moderately scattered.

b) The correlation shown by the Pearson’s R value and the Kendall’s Test shows a negative association, means the large sized companies tend to disclose fewer items voluntarily.

c) The correlations for disclosure of items voluntarily are found no significant under the three tests namely, the Pearson’s Correlation Coefficient,
Kendall’s Coefficient of Concordance and the Chi-Square Test at 5 percent level.

d) In the case of content analysis, the mean values of scores are moderately dispersed.

e) The Pearson’s R value and Kendall’s Test shows a positive correlation, means the larger companies use more number of sentences to disclose information voluntarily.

f) The Pearson’s Coefficient of Correlation and the Chi-Square Test show the correlations not significant but the Kendall’s Test finds significant association of sentences to company size at 5 percent level.

(ii) By Company Age

a) The mean values of scores of voluntary items disclosure have fewer gaps in between them although the gap is more in case of youngest age group of companies.

b) The Pearson’s R value shows a negative correlation in between company age and items of voluntary disclosure means the more aged companies disclose comparatively less items voluntarily.

c) The Kendall’s Test shows a positive and weak correlation in between voluntarily disclosed items and company age, means more aged companies disclose comparatively more voluntary items but in lesser volume.

d) The associations between disclosure of voluntary items and company age are not significant as shown by the Pearson’s test, Kendall’s Test and Chi-Square Test respectively at 5 percent level.

e) In the case of content analysis by sentence count, the score percentages have lesser gaps in the more aged groups and those of less aged groups
while a wide gap in the score percentage is observed in between the more aged and less aged group of companies.

f) The Pearson’s R and the Kendall’s Test shows a highly negative correlation in between use of sentences containing voluntary information and company age means more aged companies tend to disclose lesser number of sentences of voluntary information.

g) The Pearson’s test and Chi-Square Test shows the correlations are not significant while the Kendall’s Test finds it significant at 5 percent level.

(iii) By Business Sector

a) In the case of scores of voluntary disclosure items, the gaping among the sector wise scores is less but the individual score is least in case of Share Broking and the highest in Banking and Finance Sector.

b) Both Pearson and Kendall’s Test shows negative correlation in between voluntary disclosure of items and business sector, that is, the disclosure decreases with the sector.

c) The correlations for voluntary items disclosure to business sector are not found significant by Pearson’s, Kendall’s and Chi-Square Tests respectively at 5 percent level.

d) In the case of use of sentences describing voluntary information, the gaping in scores is wide with the highest score in BPO and IT sector while the Share Broking secures the lowest score.

e) The correlations shown by both Pearson’s and Kendall’s tests are positive, means the content enhances with the sectors.
f) The associations as shown for use of sentences describing voluntary information to business sectors is not significant as indicated by Pearson’s, Kendall’s and Chi-Square Tests respectively at 5 percent level.

Disclosures other than those mandatory are regarded voluntary. Voluntary disclosure rate in practice is almost equal to mandatory disclosure. Although the extent of such disclosure is less yet disclosure about the items disclosed by the use of sentence count is moderate. Statistically there is no significant association of disclosure with company size, age and sector.

(b) MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

General Findings:

i. Overall voluntary disclosure rate is 34 percent.

ii. NIL disclosure of any voluntary information is observed for 22 percent of the sample companies.

iii. Only 10 items of disclosure in found in 72 percent of the companies.

iv. Only 6 percent of the sample companies are found to disclose upto a maximum of 30 items.

v. Association of disclosure is present in relation to company size, age and sector respectively but the association is not statistically significant.

Findings of Statistical Analysis

(i) By Company Size

a) Scores are low. The highest score is secured by the Low size group while the lowest score is obtained by High size group.
b) The correlation shows larger the size of companies, the fewer is the numbers of voluntary disclosure.

c) The correlations are not significant as found by the Pearson’s test and Chi-Square test at 5 percent level of significance.

d) The same is found significant in Kendall’s test at 5 percent significance level.

(ii) By Company Age

a) Low score values. The variation in the scores is moderate.

b) Pearson’s Correlation shows high negative association while Kendall’s test shows a weak positive association of voluntary disclosure to company age, that is, if negative correlation is followed than it can be interpreted that more the age of the companies, fewer is the disclosure of voluntary items. If positive correlation is followed then it can be said that the older the companies by age, more is the disclosure of voluntary information but at a low rate.

c) The correlations are not found significant at 5 percent level of significance when tested by Pearson’s test, Kendall’s test and Chi-Square test respectively.

(iii) By Business Sector

a) The scores vary widely, while Petrochemical sector shows the highest score and Pharmaceutical sector shows the lowest score.

b) Pearson’s Correlation shows weak negative association while Kendall’s test shows a weak positive association of voluntary disclosure to company by sector, that is, if negative correlation is followed than it can be interpreted
that fewer is the disclosure of voluntary items by sector. If positive correlation is followed then it can be said that more is the disclosure of voluntary information but in case of the both, the disclosure rate is low.

c) The correlations are not found significant at 5 percent level of significance when tested by Pearson’s test, Kendall’s test and Chi-Square test respectively.

The voluntary disclosure of items is taken as those which are disclosed but not mandatory in nature. Here, the rate of disclosure is not only low but there are some companies also who have no voluntary disclosures. Association with company size, age and sector is not significant.

(c) CORPORATE GOVERNANCE REPORT:

General Findings:

i. Overall disclosure rate under this case is 28 percent of the total disclosure.

ii. It is observed that 76 percent of the sample companies have disclosed upto 5 items.

iii. Remaining 24 percent of the sample companies have disclosed more than 5 items and upto a maximum of 20 items.

iv. The association of disclosure with company size, age and sector respectively is present but is not significant.

Findings of Statistical Analysis

(i) By Company Size

a) A lower rate of variation is observed among the scores of voluntary disclosures.
b) The Pearson’s Coefficient of Correlation shows a negative relation in between voluntary disclosure practice and company size, indicating larger companies are in practice of lesser volume of voluntary disclosure.

c) Contradictory to this result, the Kendall’s test shows a positive relation which indicates more voluntary information are provided by the larger sized companies.

d) The Pearson’s test and Chi-Square test shows no significant association at 5 percent level whereas the Kendall’s test finds the correlation significant at 5 percent significance level.

(ii) By Company Age

a) The gap in between the scores of voluntary disclosure by company age group is moderate.

b) The correlation in between voluntary disclosure and company age is negative which indicates lesser volume of voluntary disclosure is observed for more aged companies.

c) The correlations are not significant as tested by the Pearson’s test, Kendall’s test and Chi-Square test at 5 percent level of significance.

(iii) By Business Sector

a) Score wise, the Petrochemical Sector ranks first and the least score is secured by Share Broking Sector with a moderate variation in the scores among the sectors.

b) The correlations indicate a greater tendency to disclose information voluntarily by entities in different sectors.
c) The correlation is tested to be insignificant at 5 percent level by the Pearson’s test, Kendall’s test and Chi-Square test respectively.

The observed rate of disclosure voluntarily is less. In Corporate Governance Report, there are already a set of mandatory and non-mandatory disclosure items under the relevant regulations. Companies under study are sometimes found to have overlapped an item of one section with that of the other. For instance, a mandatory item of Management Discussion and Analysis Report has been disclosed through Corporate Governance Report (for instance, Risk & Concerns). Likewise an item being mandatory for Corporate Governance Report is being detailed through Directors’ Report (for instance, details about Board Meetings). Such items but could not be regarded mandatory for the specific place is considered voluntary for the present. Items other than overlapping ones that are not mandatory for the Corporate Governance Report are also considered voluntary. It is observed that disclosure rate is low and also less items of voluntary nature are disclosed in case of maximum numbers of companies under study. Disclosures are related with company size, age and sector but are not significant.

(d) AUDITORS’ REPORT:

General Findings:

i. The overall disclosure rate is 39 percent in case of voluntary items.

ii. A maximum of 10 items of voluntary disclosure is seen in 78 percent of the sample companies.

iii. A maximum of 20 items are voluntarily disclosed.

iv. The content analysis shows 54 percent of the sample companies have used 21 percent to 40 percent of total sentence count.
v. 30 percent of the sample companies disclosed 41 percent to 60 percent sentences of the total sentence count of voluntary disclosure.

vi. Only a minimum number of companies (16 percent) have used a maximum of 20 percent sentences.

vii. Disclosures are related with company size, age and sector but are not statistically significant.

Findings of Statistical Analysis

(i) By Company Size

a) The variation in the score values is moderate.

b) The correlation shows larger the companies in size more is the voluntary disclosure.

c) The correlations are not significant as tested by the Pearson’s test and Chi-Square test at 5 percent significance level.

d) The Kendall’s test finds the correlation significant at 5 percent level.

e) The variations in disclosure scores are moderate.

f) The correlations indicate use of sentence to disclose contents of voluntary information are more in case of large size companies.

g) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test at 5 percent significance level.

(ii) By Company Age

a) The variations among scores are moderate.

b) The correlations show that the voluntary disclosure is less in case of more aged companies.
c) The correlations are not significant at 5 percent significance level as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively.

d) The variation in scores is moderate while the highest score (38.4 percent) is being secured by the junior-most age group companies.

e) The correlation in case of Pearson’s test shows that the more aged companies disclose more contents in their voluntary disclosures. In case of Kendall’s test, no correlation is found between use of content in voluntary disclosure and company age.

f) The correlation is not significant as tested by Pearson’s test and Chi-Square test respectively at 5 percent significance level.

(iii) By Business Sector

a) The variation in scores is moderate while the highest score is secured by the Infrastructure and Power Generation sector and two pairs of sectors in the sample show same scores.

b) The correlation shows the voluntary disclosure practice is more in the sector wise group of the companies.

c) The Pearson’s test and the Chi-Square test find no significant association of voluntary disclosure and business sector at 5 percent level of significance.

d) The Kendall’s test in this case finds the correlation significant at 5 percent significance level.

e) The variation in scores is moderate where Share Broking sector tops the scores and the Manufacturing sector scores the least.

f) The correlations show low disclosure of contents in voluntary items by the sectors.
g) The correlations are not significant as tested by Pearson’s test, Kendall’s test and Chi-Square test respectively at 5 percent significance level.

The Auditors’ Report is guided by the Companies Act 1956 and the points to be incorporated in an Auditors’ Report are given by CARO, 2003. Directors disclose the Auditors’ Report through the Annual Report but the preparation of the Auditors’ Report vests upon the Auditors. Since an auditor is expected to disclose all material facts fearlessly and independently, this report can be considered to be carrying the correct message about the business concern, the companies in this case. From the above findings it is observed that there are certain other facts over and above CARO that the auditors need to report upon. The rate of voluntary information is although low yet the content of such information seems moderately high. Associations with company size, age and sector is found present but not statistically significant.

(e) GRAPHS AND DIAGRAMS:

General Findings:

i. Regarding Graphs, 58 percent of the sample companies have used Graphs.

ii. It is seen that 42 percent of the sample companies have not used Graphs.

iii. 56 percent of the companies have disclosed a maximum of 10 graphs.

iv. Only 2 percent of the companies (one in number) have disclosed a total of 30 numbers of graphs.

v. Regarding Diagrams, 52 percent of the sample companies have used diagrams.

vi. It is observed that 44 percent of the sample companies have disclosed a maximum of 10 diagrams.
vii. Only 8 percent companies have disclosed a maximum of 20 diagrams.

viii. The combined analysis of Graphs and Diagrams shows that Graphs account for 37 percent and Diagrams 63 percent of the total disclosure of both.

ix. There are association of disclosure with company size, age and sector but such association is not significant.

Findings of Statistical Analysis

(i) By Company Size

a) There is moderate variation in score values.

b) The correlation under Pearson’s value indicates use of more graphs and diagrams in large size companies.

c) The Kendall’s test does not get any correlation between use of graphs and diagrams with company size.

d) The correlation is not significant at 5 percent significance level.

(ii) By Company Age

a) The score values are in moderate variation while both the highest and least scores are shown by the high aged companies.

b) The correlations show the high aged companies disclose more of graphs and diagrams.

c) The correlations are found insignificant at 5 percent significance level.

(iii) By Business Sector

a) The overall variation in scores is moderate.

b) The Petrochemical sector has no disclosure of graphs and diagrams while the Banking and Finance sector scores the highest.
c) The correlations show the disclosure of graphs and diagrams is more in the sector wise companies.

d) The Pearson’s test and the Chi-Square test does not find any significance in the correlation values at 5 percent significance level while the same has been found significant under Kendall’s test at 5 percent level of significance.

Use of graphs and diagrams in the Annual Reports of the companies under study is less although there is ample scope of disclosing results of the companies through the use of pictorial display. The disclosures are not significantly associated with company size, age and sector.

(f) OTHERS:

General Findings:

i. Overall disclosure rate of items under this head is 22 percent.

ii. Maximum of the sample companies (78 percent) have disclosed maximum of 10 items.

iii. While only 22 percent of the sample companies have disclosed a maximum of 40 items.

iv. Association of disclosure with company size, age and sector is present but such association is not significant statistically.

Findings of Statistical Analysis

(i) By Company Size

a) The variation in score values is moderate, while the highest score is in Very Low size companies.
b) The correlation shows less numbers of other items of voluntary disclosure by the size wise companies.

c) The correlations are found insignificant at 5 percent level of significance.

(ii) By Company Age

a) The variation in score values is narrow. The highest score value (10.6) is observed in the age group 50 to 75 years.

b) The Pearson’s test shows the more aged companies disclose the less numbers of other voluntary disclosures.

c) The Kendall’s test shows the more aged companies disclose more of the other voluntary disclosures.

d) The correlations are not significant at 5 percent significance level.

(iii) By Business Sector

a) The variation in the score values is moderate. The Tea and Agro Products sector and Share Broking sector are the high scoring sectors.

b) The correlations show more items of other voluntary disclosures are made by the sector wise companies.

c) The correlations are not significant at 5 percent level of significance.

It is seen that an overall score of disclosure in this section is also low. Use of other information like photos, product information, Names of Directors, Chairman, Auditors, Share Transfer Agents, Addresses of Registered office, Plant, Proxy form and Attendance Slip, Green Initiative forms, etc. are not available in all the sample companies at a time. These are found sometimes in some of the sample companies only. The analysis shows that upto 10 such items are available in most of the
companies under study (78 percent). Disclosures are related with company size, age and sector but such association is not significant.

(g) CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT:

General Findings:

a) CSR disclosure is found in 62 percent of the sample companies.
b) All the points disclosed in CSR are grouped in to eight groups.
c) Maximum disclosing companies disclosed up to a maximum of 10 items.
d) Priority wise disclosures are Environment, Health and Education.
e) Association is present in disclosures with company size, age and sector but such association is not statistically significant.

Findings of Statistical Analysis

(i) By Company Size

a) The score values are low and the variation in score values is narrow.
b) The correlations show more disclosure of CSR is done by the large size companies.
c) The correlation is not significant at 5 percent significance level under Pearson’s test and Chi-Square Test.
d) The Kendall’s test finds the correlation significant at 5 percent significance level.

(ii) By Company Age

a) The scores are greater in more aged companies in comparison to the less aged companies.
b) The variation in scores is narrow.

c) The correlation shows the more aged companies tend to disclose less items of CSR.

d) The correlations are not significant under Pearson’s test and Chi-Square test at 5 percent level of significance. The same under Kendall’s test is found significant at 5 percent significance level.

(iii) By Business Sector

a) The variation in the scores is moderate where Share Broking sector scores the least and the Petrochemicals sector scores the highest.

b) The correlation under Pearson’s test shows more information of CSR by sector wise companies and the Kendall’s test shows more CSR information by sector wise companies.

c) The correlations are not significant at 5 percent level of significance.

6.4 OVERALL OBSERVATION

The disclosure practice on the gross shows an average state. The disclosure practice in case of mandatory items is high as compared to the voluntary disclosures. Again in case of mandatory items, a 100 percent disclosure is rarely found. Practice of Non-mandatory disclosures in case of corporate governance report is also not found regular. Disclosure of voluntary information is less by quantity and variety. Associations are found in disclosures with company size, age and sector are not encouraging.

The disclosure practice needs to be more active and complete to make the annual reports informative and useful.
6.5 SUGGESTIONS AND CONCLUSION

The findings relate to the observations made in the analysis of the data under the parameters of study undertaken. These findings are indicative of improper and incomplete manner of disclosure practices followed by the sample companies. Some suggestions are offered here as avenues to improve the disclosure practice of the Companies through their Annual Reports. Later, the summary of the observations from the study is projected and conclusions are drawn thereon followed by the scope for further study on the topic.

6.6 SUGGESTIONS

On the basis of the findings of the study, the following points can be offered as suggestions for better reporting practices of companies:

i. Complete disclosure of mandatory items should be made to abide by the regulations in full.

ii. Points that are by regulations identified as non-mandatory should be fully disclosed.

iii. Disclosure about an item relating to mandatory for a particular place of report should be disclosed in its proper place.

iv. In the case of No. iii above, such disclosure practice would help in recognising a mandatory item for a reporting place.

v. The CARO should also include more items of disclosure particularly Auditors observation on Cash Flow Statement in details as is found in the case of Statutory Dues. This is for the purpose of ensuring correct preparation and proper presentation of Cash Flow Statement.
vi. As regards financial statements, the numbers of Schedules and Notes need to be restricted by number.

vii. Notes in case of Cash Flow Statement should be disclosed in proper manner either through the foot of the Cash Flow Statement or through the Schedules and Notes after the Financial Statements.

viii. In the case of a mandatory item of disclosure if an item is being ignored disclosure only because the application of such item is not possible due to the nature of the business of such company, disclosure of the reasons at least must be disclosed (for example, Inventory in Significant Accounting Policies in the case of a financing business).

ix. Although it is being an accepted practice by the sample companies, the vertical form of presenting cash flow statement should be mandated by the concerned authority in the AS 3.

x. AS 1 should also be reviewed in order to accommodate certain items that the companies should disclose mandatorily through the ‘significant accounting policies’.

xi. The companies should give due importance to voluntary disclosure practice by increasing the volume of such disclosure.

xii. Information asymmetry in case of disclosure of voluntary items can be avoided by devising a set of generally accepted common items for voluntary disclosures.

xiii. In the case of the above, the different associations of industries and commerce like FICCI, CII, etc. are to devise a common code of voluntary disclosure.
xiv. In the case of voluntary disclosures, the companies should disclose the historical background and nature of company’s business, which is almost absent in the case of the sample companies.

xv. Information about effects of changes in price level on the profit and valuation of assets should form part of the annual report.

xvi. The application of Human Resource Accounting should be mandated by legislature or otherwise.

xvii. In reporting about human resources and industrial relations, a few lines can be added to disclose about the health, safety and welfare measures undertaken by the company for the benefit of the working personnel.

xviii. Disclosure of graphs and diagrams to show the financial and other enumerative data should become a feature of regular practice by the companies.

xix. More analysis of financial data in ready form from the company’s end is desired to judge the performance of the business.

xx. More non-financial data and information like segment wise nature of company’s business, the organisation chart, duties and responsibilities of managerial personnel, list of the subsidiaries, a few lines about the founder of the company, sources of raw materials, name and location of branches, etc. can be included in the annual report.

xxi. The conflict between the preparers and users relating to the objectives of reporting can be minimised by providing more information voluntarily, but maintaining the principle of materiality.

xxii. Items like Responsibility Accounting through variance analysis can also be displayed.
6.7 CONCLUSION

Annual Reports are one of the powerful mediums of reporting of corporate affairs. By the passage of time, the users of accounting information have not only grown in numbers but also in area. Users of accounting information now belong to different walks of life. This is because business activities now-a-days have crossed the boundaries and have now become global. Due to this the transactions have increased manifold and the necessity of reporting about the affairs of the business has become an important part of a business activity. This is important more in case of companies where the owners are at a distance and the Directors take the charge of steering the affairs of the business on behalf of the shareholders who are the owners. At the end of every financial year the Directors and the Shareholders get a chance to meet at the Annual General Meeting (AGM) wherein the affairs are discussed and policies for future courses of actions are framed. Annual Reports that are prepared by the Directors well ahead of the date of the AGM and being already sent to the Shareholders at their respective addresses are read and discussed in the AGM.

Due to the variety of users of accounting information the variegated needs of the users are to be fulfilled by the Directors through the Annual Report. Apart from this, the recommendations of various laws and rules relating to preparation and presentation of Annual Reports, the report becomes a voluminous one. It had been already discussed in the earlier chapters about the general contents of an Annual Report. For the purpose of the present study, only a portion of the whole report is being taken into account as already highlighted in the introductory chapter. For the sake of recapitulation, following parameters are taken for the study:
• The Chairman’s Speech
• The Directors’ Report.
• The Management Discussion and Analysis Report
• Corporate Governance Report
• Auditors’ Report
• Financial Statements and Schedules
• Application of Accounting Standards (AS) – four standards namely, AS 1, AS 2, AS 3 and AS 22.
• Voluntary disclosures

The findings of the analysis show that the disclosure practice of the items of mandatory nature is not always made completely. It is surprising to note that for mandatory items there are still many areas where the disclosure rate is not 100 percent. Mandatory items are those which the entity (company in this case) must report through the Annual Reports. Of course, there might be certain items of mandatory nature which might not be a characteristic feature of a particular company due to the nature of business activity of the company. Such item is seen to be completely ignored from being disclosed.

Certain non-mandatory items are prescribed (particularly for Corporate Governance Report) by the regulations of SEBI. Although these items are being indicated as non-mandatory, these are as important as mandatory items. The companies under study have been observed to have given less importance to the non-mandatory items of disclosure. It is quite obvious where the mandatory disclosures do not reach 100 percent mark in general, the disclosure of non-mandatory items would not show a satisfactory performance.

In the case of Financial Statements, the Schedules and Notes part is disclosed in a heterogeneous manner. Moreover, the companies have been observed to follow a
vertical form of presenting Profit and Loss Account and the Cash Flow Statement. Proposals had been advanced relating to the presentation of Profit and Loss Account in vertical form but the same has been mandated only in the recent Companies Act of 2013. The companies had been following a vertical form for presenting Profit and Loss Account for some years now. As regards Cash Flow Statement, there is no format as such being prescribed by the AS 3. Still the companies are found using the vertical form for its presentation. This might be due to the computation and presentation of cash flows under three distinct heads namely, Operating activities, Investing activities and Financing activities, which seems easy and prudent also to display through vertical form.

An important part of an Annual Report is the Extended Reporting or the Voluntary disclosures. In the present study certain voluntary disclosure items have been observed. Some of these are observed as extra numbers of items over the mandatory items disclosed or the items disclosed but are not identified as mandatory for that report. Apart from these, some exclusive voluntary disclosures are also observed. It is seen that the disclosure of certain items that are mandatory for reporting in a particular place of report are being reported through another place in the annual report. Due to this haphazard manner of reporting, a mandatory item had by chance been taken as voluntary because of disclosure of the item in a different reporting place. In the case of exclusive voluntary items, the disclosure is very limited on the gross. The reporting about the nature of the business and historical background of the company is an important voluntary item that has not been given due importance by all the sample companies. Graphs and diagrams are also not disclosed by all the sample companies. Again, impact of inflation and accounting for human resources are practically absent from the Annual Reports of
the Sample companies. CEO certifications on corporate governance, etc. are in practice but not by all the companies under study. Reporting about CSR also is found in practice by a good number of the sample companies.

The reasons behind irregular disclosure practice may be (i) Conflict of objectives, (ii) Environmental influences and (iii) Lack of complete understanding of objectives [1]. There is always a clash of objectives between preparers and users. Preparers disclose those facts which they find important whereas the same might not be important from users’ point of view. Environmental factors such as difficulty in measuring business events, limitations of available data, diverse requirements of the users, etc. are also responsible for disclosure asymmetry. Again, there is lack of understanding of the objectives behind presentation of facts through Annual Reports. The primary and other objectives behind preparation of corporate reporting are always not clearly known to the preparers. Further, the interpretation of large mass of data may not be handled by competent personnel. As a result, there is always a deficiency in disclosure practices.

Annual Reports are the silent speakers of the affairs of a company. The more informative it is made by disclosing important events, highlights and analyses, the more resourceful it becomes. In a company form of business where ownership is separated from the management, a package of relevant, timely, understandable, comparable and resourceful information is of utmost importance. In achieving these qualities in reporting, disclosure on all the mandatory points must be made through the Annual Reports. Voluntary disclosures are regarded being as important as mandatory ones. The Annual Reports should also contain different other information that are not mandated by any regulations to aid the users with required facts to take proper decisions.
The disclosure practice in the Annual Reports of the companies need to be improved by making full disclosure about mandatory items and also by providing with other relevant information for the users in decision making. Not only this, the reporting pattern should be remodelled so that the haphazard way of presentation of information can be done away with.

The Institute of Chartered Accountants of India (ICAI) has constituted awards for excellence in corporate reporting. It is now high time that Indian companies should come up in large numbers with highly disclosed reports at least to get the awards. The expectations out of a corporate report are transparency, correctness, understandable, relevance, usefulness and timeliness in reporting practice.

6.8 SCOPE FOR FURTHER RESEARCH

There is enough scope for further research in this area as regards coverage of the study and other fields. Principal areas where this research can be carried out further are – the other sides of voluntary disclosures like the Human Resource Accounting, Economic Value based Accounting, Social Accounting, etc. Moreover, one more important field would be to study of actions taken or not by the various regulatory bodies concerning accounting and reporting through Annual Reports on the companies that are found to have escaped compliance of disclosure norms.
REFERENCES