PREFACE

This study deals with the disclosure of accounting information in annual reports of public companies listed with the Colombo Stock Exchange of Sri Lanka. Disclosure is a research area of accounting, mainly, since 1948. Studies have been carried out by various researchers on disclosure in annual reports of different countries such as the USA, the UK, Canada, Australia, Sweden, Switzerland, Japan, South Africa, New Zealand, Spain, Hong Kong, Czech Republic, India, Bangladesh, Malaysia, Zimbabwe, Mexico and etc. Insufficiency of disclosed information in annual reports of companies has been discovered. The degree of disclosure has varied from country to country.

Under the international economic environment, movement of long-term capital, including supply of equity capital to companies has crossed the national boundaries. In Sri Lanka, almost 50% of the trading activities of the secondary market consist of foreign transactions. Domestic capital formation would not be sufficient for the required rapid economic development of the country to be in par with other developing countries such as Malaysia, Korea, China and etc. Sri Lankan economic environment needs capital for prevailing public companies and for new companies. Political and economic environment of other countries, and terrorist activities taking place in certain parts of northern and eastern provinces of Sri Lanka have adversely affected the share market activities and capital formation of listed companies in Sri Lanka. Almost, all countries of the developing world have encountered similar problems. Sri Lanka is
geographically small in size. The population is 18 million using three languages, Sinhala, Tamil, and English. Solutions to the problems are extraneous to the company domain. The country needs new investments. It is essential for the companies in Sri Lanka to create a national and international favorable public image to retain and attract investments for the benefit of every Sri Lankan. The improvement of disclosure in annual reports of public listed companies in Sri Lanka could be effective in improving capital formation of listed companies in Sri Lanka at national as well as international levels. The knowledge on the current disclosure practice of accounting information is necessary for making operative suggestions to improve the prevailing practice of disclosure in annual reports. The users and suppliers of accounting information, as well as regulatory authorities would benefit from a study on the disclosure practice of accounting information in annual reports.

The study covers accounting information data of latest five years. An index of measurement is developed on the basis of disclosure requirements applied in studies of many countries, which include developing as well as developed. Current practice of disclosure of accounting information in annual reports of public listed companies is examined by reference to latest annual reports of 24 listed companies of the Colombo Stock Exchange in Sri Lanka. Three hundred and forty disclosure sub-items, seventy-eight main items, fourteen group items and three summary disclosure percentage items are applied in analyzing the disclosure. The percentages and descriptive statistics have been used for the purpose. In addition to the analysis, five null hypotheses are tested to understand the current behavior pattern of disclosure of accounting information in the annual reports.