CHAPTER- VII

TIMELINESS

IN

CORPORATE DISCLOSURE

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INTRODUCTION

Every bit of information must be disclosed before it loses its relevance. Timeliness in corporate disclosure has been recognized as an essential feature of adequate disclosure by professional accounting bodies, law and the researchers. If the disclosure of information is to be effective, relevant and useful, it must be timely. The timeliness concept emphasizes the disclosure of the financial as well as non-financial information, as quickly as possible, to assure the availability of current information in the hands of the annual report. This chapter discusses the time taken by the companies to finalise and publish their annual reports.

SIGNIFICANCE OF 'TIMELINESS' IN CORPORATE DISCLOSURE

One cannot over-emphasise the importance of the timely availability of information in investment decisions. It assists the investors in selecting the best portfolio for their investments (Jawaharlal, 1985)\(^1\). Delay in disclosure of information promote ignorance and creates uncertainty. In the absence of timely disclosure of information, capital owners and other users of the annual reports would not be in a position to distinguish between potentially successful and unsuccessful business, because wise decisions cannot be made, except by chance by persons uninformed in accounting, business technology and procedure.

\(^1\) op.cit, p.7.
If the function of allocation of resources is not fulfilled effectively, then financial reporting is non-utilitarian (Smith, 1971)\(^3\).

In general, timely disclosure of information is considered to be the chief means of reducing the uncertainty under which external users make decisions (Subash Chander, 1991)\(^4\). Delay in financial reporting may lead lenders, financial analysts and even regulatory agencies to generate hypotheses regarding impounding distress and the need for additional information search (Whittred and Zimmer, 1984)\(^5\).

The committee on concepts and standards underlying corporate financial statements of the American Accounting Association (AAA) recognized the importance of timeliness in its supplementary statement No.8 and remarked “Timeliness in reporting is an essential element of disclosure” (AAA, 1955)\(^6\). The Accounting Principles Board (APB) of the American Institute of Certified Public Accountants (AICPA) in its statement No.4 argued, “timeliness is or should be one of the qualitative objectives of accounting” (APB, 1970)\(^7\). Though there has been little or no theoretical analysis of the relationship between timeliness and the expected value of information, it is frequently asserted that the value of a financial

\(^4\) op.cit, p.4.
statement varies inversely with the time taken to prepare it (Kenly and Staubus, 1972)\(^8\).

The set of four normative criteria established in 'A Statement Of Basic Accounting Theory (ASOBAT) – relevance, verifiability, freedom from bias and quantifiability', has been modified by Snavely (1967)\(^9\), Mc Donald (1967)\(^10\) and Staubus (1976)\(^11\) to include, amongst other things, the attribute of timeliness. The FASB of AICPA in its statement of financial accounting concept no.2 on 'qualitative characteristics of accounting information' has remarked that timeliness is an ancillary aspect of relevance. If information is not available when it is needed or becomes available only long after the reported events, then it has no value for future action, it lacks relevance and is of little or no use (FASB, 1980)\(^12\).

The Accounting Standard Steering Committee (ASSC) of the Institute of Chartered Accountant in England and Wales (ICAEW) issued a statement on "The corporate report" (1975)\(^13\) observed, "If the reports are to be useful and to fulfill their fundamental objectives, they must possess timeliness as one of the characteristics. The information presented should be timely in the sense that the

date of its publication should be reasonable, soon after the end of the period to which it relates so that it contributes meaningful new information about the entity and in the sense that corporate reports are more useful if they contain up-to-date measures of value”.

**DIMENSIONS OF THE CONCEPT OF ‘TIMELINESS’**

The concept of timeliness in corporate disclosure has three dimensions:

i. The diversity of balance dates, i.e., different companies balance their books of account on different dates (Table 7.1),

ii. The frequency of reporting, i.e., the length of the reporting period, and

iii. The lag between the end of reporting period and the date when the financial statements are issued.

Of these, the third one is the most significant. Courtis (1976)\textsuperscript{14} has divided this lag into five categories.

a) Interval of days between balance date and the date of auditor’s report;

b) Interval of days between auditors’ report and the date of director’s report;

c) Interval of days between the date of the director’s report and the date of notice;

d) Interval of days between the date of notice and the date of the annual general meeting; and

\textsuperscript{14} Courtis, John K. “Relationship Between Timeliness in Corporate Reporting and Corporate Attributes”, Accounting and Business Research, Winter 1976, pp. 45-56.
e) Interval of days between balance date and the date of the annual general meeting.

TIMELINESS AND THE COMPANIES ACT, 1956

The provisions contained in The Companies Act, 1956 regarding disclosure may be considered into two broad heads:

A. Provisions relating to the corporate sector irrespective of the ownership consideration, and

B. Provisions relating to the government companies.

TIME FRAME PRESCRIBED BY THE COMPANIES ACT, 1956

A. PROVISIONS RELATING TO THE CORPORATE SECTOR IRRESPECTIVE OF THE OWNERSHIP CONSIDERATION

Section 210 of the companies Act, 1956 requires the board of directors to present the published accounts of a company at its annual general meeting (AGM). The accounts shall relate:

(i) FIRST AGM

In case of the first AGM of the company, to the period beginning with the incorporation of the company and ending with a day which shall not precede the day of the meeting by more than nine months.
(ii) SUBSEQUENT AGM

In case of any subsequent AGM to the period beginning with the day immediately after the period of the last submitted accounts and ending with a day not preceding the meeting by more than six months. Under section 166(1) however, a maximum time extension of another three months for holding of an AGM, other than the first meeting, may be granted for any special reason. In any case, it should not exceed a maximum period of nine months.

DELIVERY OF PUBLISHED ANNUAL ACCOUNTS

According to the provisions of section 219 of the companies Act, 1956 the annual accounts must be supplied to the shareholders at least 21 days before the AGM. So the maximum permissible time lag between the end of the accounting period and the receipt of accounts by the shareholders is around eight months.

B. PROVISIONS RELATING TO THE GOVERNMENT COMPANIES.

Section 619(A) of the companies Act requires government to prepare an annual report on the working and affairs of a government company within three months of its AGM. So in government companies there is an additional time lag of three months over and above the permissible time lag to non-government companies.

The analytical part of this chapter has been divided into two sections.

Section I. In this section the ‘timeliness’ has been studied with respect to the selected companies in the private sector.
Section II. In this section an attempt has been made to study the association between timeliness and the corporate attributes.

SECTION: I

TIMELINESS IN THE SELECTED COMPANIES FROM THE PRIVATE SECTOR

Timeliness in the selected companies from the private sector has been studied with reference to:

1. Diversity of balance sheet dates; and
2. The lag between the end of reporting period and the date when the financial statements are issued (i.e., five categories of time-lag discussed under the dimensions of the concept of timeliness).

1. DIVERSITY OF BALANCE SHEET DATES

According to the provisions of section 210(4) of the companies Act, 1956 and amended thereafter, the companies are allowed to choose any date to close its books of account, but it should be a period of 12 months. So the diversity in the balance sheet date is obvious. As per the Income-tax Act 1961, every company has to close its books of account on March 31, of every year.

A greater diversity in the balancing dates has been observed in case of the selected companies. Table 7.1 shows the diversity in the balancing dates amongst the selected companies. The table reveals that the majority of the companies
balance their books of accounts on March 31st of every year, which is followed by December 31st. A few companies also balance their books of accounts on September 30th and June 30th. There is only one company, which balances its books of accounts on January 03rd of every year. The fluctuations in the number of companies balancing books of accounts on a particular date for the different years of this study shows that a few companies have even changed their balance sheet dates during the period under study.

<table>
<thead>
<tr>
<th>Year ending date</th>
<th>No of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>95-96</td>
</tr>
<tr>
<td>January-03</td>
<td>1</td>
</tr>
<tr>
<td>February-28</td>
<td>0</td>
</tr>
<tr>
<td>March-31</td>
<td>93</td>
</tr>
<tr>
<td>April-30</td>
<td>0</td>
</tr>
<tr>
<td>May-31</td>
<td>0</td>
</tr>
<tr>
<td>June-30</td>
<td>3</td>
</tr>
<tr>
<td>July-31</td>
<td>0</td>
</tr>
<tr>
<td>August-31</td>
<td>0</td>
</tr>
<tr>
<td>September-30</td>
<td>4</td>
</tr>
<tr>
<td>October-31</td>
<td>0</td>
</tr>
<tr>
<td>November-30</td>
<td>0</td>
</tr>
<tr>
<td>December-31</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
</tr>
</tbody>
</table>

**Source:** Compiled from the annual reports of the selected companies from 1995-96 to 1999-00.
It can be seen from Table 7.1 that the number of companies closing their books of account on December 31\textsuperscript{st} has been reduced from 24 in 1995-96 to only 14 in 1999-00. At the same time, the number of companies closing their books of account on March 31\textsuperscript{st} has been steadily increasing from 93 in 1995-96 to 103 in 1999-00. The rationale behind this may be to comply with the provisions of the Income-tax Act, 1961.

The only company, which balances its books of accounts on January 03\textsuperscript{rd}, is Cadbury India Ltd. ALFA Laval (India) Ltd, BATA India Ltd, E- Merck India Ltd, Goodricks group Ltd, Glaxo India Ltd, Hindustan lever Ltd and whirlpool of India Ltd, are few of the companies which are closing its books of accounts on December 31\textsuperscript{st}. The three companies which balances its books of account on June 30\textsuperscript{th}, are- Proctor& Gamble Hygiene and Health Care Ltd, Gujarat Ambuja Cement Ltd and Finolex Industries Ltd. Sterlite Industries India Ltd, Suraj Diamonds (India) Ltd, Navneet Publications (India) Ltd and MRF Ltd — are the four companies that balance their books of accounts on September 30\textsuperscript{th}.

There may be some implications of this diversity for the investors and the other users of the financial statements. It may be expected that inter-company comparisons of operating results be hindered through not being able to identify the relative progress of firms over the same interval of time. Insofar as this acts as a restriction to the comparability of investment alternative, the investor is
constrained in the exercise of full rationality with respect to his allocation of investible resources (Courtis, 1976)\(^\text{15}\).

2. LAG-PROFILE OF THE SELECTED COMPANIES

Though the lag-profile of companies can be studied with reference to various dates and for all the five years of the study, however, a preliminary survey of the annual reports of the selected companies, revealed that only for the year 1999-00, all the relevant dates for studying the lag profile has been available. In all other years of the study, some of the relevant dates for studying the lag profile, such as the date of the notice and date of actual AGM were not available. Hence, the ‘lag’ has been studied by taking various dates into consideration for only one year of the study, i.e., for 1999-00.

The distribution of companies according to the time (in days) taken by them has been shown in Table 7.2. An analysis of this table reveals that a majority of the companies have taken between 50 to 100 days from the date of balance sheet to the date of auditor’s report. There is only one company, which has a lag of more than 200 days.

A preliminary survey of the annual reports of the selected companies revealed that for most of the companies, the date of auditor’s report and the date of the director’s report is the same. This is correctly reflected in Table 7.2. Time

\(^{15}\)ibid, p.46.
### Table 7.2


<table>
<thead>
<tr>
<th>No of Days</th>
<th>Balance sheet date &amp; date of Auditor's report</th>
<th>No of Companies</th>
<th>No of Companies</th>
<th>No of Companies</th>
<th>No of Companies</th>
<th>No of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance sheet date &amp; date of Auditor's report</td>
<td>Auditor's report date &amp; Date of Director's report</td>
<td>Director's report date &amp; Date of Notice</td>
<td>Date of Notice &amp; AGM Date</td>
<td>Balance sheet date &amp; Date of AGM</td>
<td></td>
</tr>
<tr>
<td>Less than 10</td>
<td>0</td>
<td>108</td>
<td>110</td>
<td>19</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>10 - 25</td>
<td>23</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>25 - 50</td>
<td>29</td>
<td>6</td>
<td>3</td>
<td>42</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>50 - 100</td>
<td>55</td>
<td>8</td>
<td>10</td>
<td>58</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>100 - 150</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>150 - 200</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>200 - 300</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>300 and above</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>125</strong></td>
<td><strong>125</strong></td>
<td><strong>125</strong></td>
<td><strong>125</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Compiled from the annual reports of the selected companies for the year 1999-00.
lag between the date of auditor's report and the date of director's report in most of the companies has been less than 10 days.

There are 110 companies, for which the time-lag between the date of director's report and the date of notice has been less than 10 days. According to the provisions of section 219 of the companies Act, 1956, the notice for the AGM must be sent to the shareholders at least 21 days before such a meeting. Table 7.2 reveals that there are 19 companies which violates this provisions of the companies Act by giving less than 10 days notice. A majority of the companies have given from 50 to 100 days notice.

According to the provisions of section 210 of The Companies Act, 1956, the companies must hold the AGM within a period of six months from the date of submission of accounts. Table 7.2 reveals that 121 companies out of 125 companies selected for the study have complied with this provision of the companies Act. Only 4 companies have violated this provision. But if these 4 companies have taken permission under section 166(1) for an extension of three months, i.e., a maximum period of nine months, then all 125 selected companies have complied with this provision of the companies Act.

It may be inferred from this analysis that most of the companies report their published accounts within the maximum time limit as allowed under the companies Act.
### Table: 7.3


<table>
<thead>
<tr>
<th>Days</th>
<th>Balance sheet date &amp; date of Auditor's report</th>
<th>Auditor's report date &amp; Date of Director's report</th>
<th>Director's report date &amp; Date of Notice</th>
<th>Date of Notice &amp; AGM Date</th>
<th>Balance sheet date &amp; Date of AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min days</td>
<td>11 SATYAM COMPUTER SERVICES LTD 0 103 companies</td>
<td>0 98 companies</td>
<td>9 ARVIND MILLS LTD</td>
<td>53 INDO GULF CORPORATION LTD</td>
<td></td>
</tr>
<tr>
<td>Max days</td>
<td>216 FERRO ALLOYS CORPORATION LTD 88 VASHISTI DETERGENTS LTD</td>
<td>96 ARVIND MILLS LTD</td>
<td>124 VAM ORGANIC CHEMICALS LTD</td>
<td>266 FERRO ALLOYS CORPORATION LTD</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Compiled from the annual reports of the selected companies for the year 1999-00.
LAG- RANGE

The minimum and the maximum lag in case of the selected Indian companies for the year 1999-00 has been exhibited in Table 7.3. The table also shows the names of the companies, which have minimum and maximum lags during these years. A glance at this table reveals that Satyam Computer Services Ltd and the Indian Smelting and Refining Company Ltd has taken only 11 days between the date of balance sheet and the date of auditor’s report. The maximum lag of 216 days has been taken in case of Ferro Alloys Corporation Ltd.

In case of 103 companies, the date of auditors report and the date of director’s report are on the same date. The maximum lag of 88 days has been taken in case of Vashisti detergent Ltd, between the date of auditor’s report and the date of director’s report.

In case of 98 companies, the date of director’s report and the date of notice are on the same date. The maximum lag of 96 days has been taken in case of Arvind Mills Ltd, between the date of director’s report and the date of notice.

It can be seen from Table 7.3 that Arvind Mills Ltd has taken only 9 days between the date of notice and the date of the AGM. The maximum lag of 124 days has been taken in case of Vam Organic Chemicals Ltd, between the date of notice and the date of the AGM.
A glance at Table 7.3 reveals that Indo Gulf Corporation Ltd has taken only 53 days between the date of balance sheet and the date of the AGM. The maximum lag of 266 days has been taken in case of Ferro Alloys Corporation Ltd.

From this analysis of the lag profiles of the selected companies, the following conclusions may be drawn:

1. Of all the companies only one company, i.e., Ferro Alloys Corporation Ltd, has mentioned the reasons for delay in the finalisation of its annual accounts for the year 1999-00. It has mentioned that due to employee problems and subsequent lock out, accounts could not be prepared for three months from January 1, 2000 to March 31, 2000. On the basis of some information available with the Head office, the figures were estimated and the accounts were prepared. This had caused the delay.

2. The volume of the notice has been varying from company to company. It varies from 2 pages to 18 pages. The notice of the Apollo tyres Ltd and Asian hotels Ltd has been very detailed.

3. In most of the cases, the date of the auditor’s report and the date of the director’s report are on the same date.

4. 19 companies have violated the provision of the companies Act, regarding the issue of 21 days notice before the AGM, by giving less than 10 days notice.

5. Most of the companies, report their published accounts within the maximum time limit as allowed under the companies Act.
SECTION II

ANALYSIS OF TIMELINESS IN DISCLOSURE AND THE CORPORATE ATTRIBUTES

There is a general belief that timeliness in disclosure is influenced by some corporate attributes such as the size of the business, profitability, age, turnover etc (Subhash Chander, 1992)\(^{16}\). The researchers have normally devoted very little effort in studying the impact of the corporate attributes on timeliness. However, a few attempts have been made in this regard in foreign countries and in India.

Courtis (1976)\(^{17}\), carried out a study of 204 listed New Zealand public companies to find out the diversity of accounting balance dates in use, the interval of time between balance date and selected other dates of events; and the relationship between the delay in releasing audited financial statements and corporate profitability, size of the company, age of the company, number of shareholders, length of the annual report and the nature of the industry. The following conclusions were drawn from the study.

a) There appeared to be an unusually high diversity of New Zealand corporate balance dates;

\(^{16}\)op.cit, p.211.
\(^{17}\)ibid.
b) The average interval of time between balance date and date of the AGM was 18 weeks, out of which 12 weeks were absorbed by the audit process of corporate accounts;

c) Slow reporters were unusually less profitable than the fast reporters;

d) The other corporate attributes such as size of the company as measured by net assets, capital and net sales; age of the company, the number of shareholders and the length of the report did not have much impact on timeliness.

*Davies and Wittred (1980)*\(^{18}\) conducted a study to investigate the impact of some corporate attributes on timeliness in reporting. They considered the size of the company, year end closing date, relative profitability, size of the audit firm, magnitude of the extraordinary items and changes in the audit firm as variables affecting the timeliness in financial reporting. The total lag was defined as, the interval of the number of days from the year end to the receipt of the published annual report by the Sydney Stock Exchange. It was concluded that the company size was a determinant of the total reporting lag and the financial year end, relative profitability, audit firm and change in the audit firm had little influence on the reporting lag.

*Wittred and Zimmer (1984)*\(^{19}\) studied the relationship between timeliness of financial reporting and financial distress. They selected 35 companies, which had failed between 1964 and 1978 and another 35 non-failed


\(^{19}\) ibid, pp. 287-295.
companies, which matched with respect to industry and year for which the required auditor’s signature dates were available. They concluded that companies entering financial distress experienced longer auditor’s signature lags— at least three years prior to failure.

Subhash Chander (1992)\(^\text{20}\) studied the relationship between timeliness in disclosure and the corporate attributes. The conclusions drawn by him are:

(a) There exists an inverse association between the reported time lag and profitability of a company.

(b) The association of a company with a business house also influences the reported time lag.

(c) The size of a company, as measured by its net tangible assets, does not have much impact on the reported time-lag.

For the purpose of studying whether any relationship exists between some corporate attributes and the reported time lags, five variables viz., asset size, capital, age, turnover and ROI of a company, have been selected. These attributes have been selected not because they are likely to have any causal property per se, but on the grounds that each is likely to be a surrogate for variables, which induce changes in the reporting behavior.

1. ASSET— SIZE AND TIME — LAG IN REPORTING

Different hypotheses have been put forward on the possible relationship between the asset—size and the reported time lags. One such hypothesis is that

\(^{20}\) op.cit, pp.201-224.
Table 7.4

Asset size and Time-lag in Reporting

<table>
<thead>
<tr>
<th>Spearman's Rank Correlation Co-efficient</th>
<th>Balance sheet date &amp; date of Auditor's report</th>
<th>Auditor's report date &amp; Date of Director's report</th>
<th>Director's report date &amp; Date of Notice</th>
<th>Date of Notice &amp; AGM Date</th>
<th>Balance sheet date &amp; Date of AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.3993</td>
<td>-0.2568</td>
<td>0.3627</td>
<td>-0.2307</td>
<td>-0.2615</td>
</tr>
<tr>
<td>T-Test</td>
<td>0.0449</td>
<td>0.0446</td>
<td>0.0446</td>
<td>0.0449</td>
<td>0.0453</td>
</tr>
<tr>
<td>Probability</td>
<td>0.9642</td>
<td>0.9645</td>
<td>0.9645</td>
<td>0.9643</td>
<td>0.9639</td>
</tr>
</tbody>
</table>

Source: Compiled from the annual reports of the selected companies for the year 1999-00.
the larger the corporation, the greater the outside interest in its affairs. Increasing outside interest may be met with reduced time lag, so as to eliminate more quickly uncertainty in the market for the company’s shares (Davies and Whittred 1980). The opposite hypothesis is that big companies are normally more complex in structure and simply take longer to audit (Courtis, 1976). So to find out the exact relationship between the asset – size and the reported lags the following null hypothesis has been formulated:

**Ho 7.1 – The asset- size of the companies has no association with their reported time lag.**

To test this hypothesis ‘spearman rank correlation co-efficient has been calculated for the year 1999-00. Table 7.4 shows the correlation co-efficient and the t-values for the year 1999-00. This table reveals that a positive correlation (though insignificant) has been observed only for the date of director’s report and the date of notice. For the remaining selected other dated events, there is a negative correlation between the asset- size and the reported lag.

The **negative correlation** between asset- size and the reported lag signifies that as the **asset size increases the reported lag decreases**. This can be also observed in Appendix XX, the mean time lag between the date of balance sheet and the date of auditors report for the companies having less than Rs.2000

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21 ibid, p.50.
22 ibid, p.47.
lakhs asset size is 87.63, whereas, for the companies having asset size of more than Rs.100000 lakhs, the time lag is only 61.19 days.

The t-values for all the selected dated events are not significant at 5 per cent level. Thus, the null hypothesis has been accepted at 5 per cent level of significance.

2. CAPITAL SIZE AND TIME LAGS IN REPORTING

To find out the exact relationship between the capital size of the company and the reported lags, the following null hypothesis has been formulated:

\[ H_0^{7.2} \] The capital size of the companies has no association with their reported time lag.

To test this hypothesis spearman rank correlation co-efficient has been calculated for the year 1999-00. Table 7.5 shows the correlation co-efficient and the t-values for the year 1999-00. In case of two selected dated events, i.e., auditor's report date & date of director's report and director's report date & date of notice there is a positive correlation (though insignificant). For the remaining three selected other dated events, there is a negative correlation between the capital size and the reported time lag.

Appendix XXI reveals that, the mean time lag between the date of balance sheet and the date of auditor's report for the companies having the capital range of Rs. 1000 lakhs to Rs. 5000 lakhs is 79.85, whereas, for the companies
### Table 7.5

**Capital size and Time-lag in reporting**

<table>
<thead>
<tr>
<th>Spearman's Rank</th>
<th>Balance sheet date &amp; date of Auditor's report</th>
<th>Auditor's report date &amp; Date of Director's report</th>
<th>Director's report date &amp; Date of Notice</th>
<th>Date of Notice &amp; AGM Date</th>
<th>Balance sheet date &amp; Date of AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-efficient</td>
<td>-0.2745</td>
<td>0.0895</td>
<td>0.2355</td>
<td>-0.4562</td>
<td>-0.5535</td>
</tr>
<tr>
<td>T-Test</td>
<td>0.0891</td>
<td>0.0887</td>
<td>0.0887</td>
<td>0.0891</td>
<td>0.0896</td>
</tr>
<tr>
<td>Probability</td>
<td>0.9290</td>
<td>0.9294</td>
<td>0.9294</td>
<td>0.9291</td>
<td>0.9287</td>
</tr>
</tbody>
</table>

**Source:** Compiled from the annual reports of the selected companies for the year 1999-00.
having more than Rs. 100000 lakhs capital size, the time lag is only 54.19 days. This clearly indicates that the companies, with less capital size takes more days to disclose or to complete the formalities. The bigger the capital size the lesser the reported lag.

The negative correlation between capital size and the reported lag signifies that as the capital size increases the reported lag decreases.

The t-values are not significant at 5 per cent level for all the selected dated events. Thus, the null hypothesis has been accepted at 5 per cent level of significance.

3. AGE OF THE COMPANIES AND THEIR REPORTED TIME LAGS

The variations in the disclosure time lag of the different companies may be because of the difference in their age. It is generally argued that old companies disclose information faster than the new companies. This may be that with maturity the companies become aware of the benefits of timely disclosure. So to find out the exact relationship between the age of the companies and the reported lags, the following null hypothesis has been formulated:

Ho 7.3 - The age of the companies has no association with their reported time lag.

To test this hypothesis spearman’s rank correlation co-efficient has been calculated for the year 1999-00. Table 7.6 shows the correlation co-efficient and
### Table 7.6

**Age and Time-lag in reporting**

<table>
<thead>
<tr>
<th>Spearman's Rank Correlation Co-efficient</th>
<th>Balance sheet date &amp; date of Auditor’s report</th>
<th>Auditor’s report date &amp; Date of Director’s report</th>
<th>Director’s report date &amp; Date of Notice</th>
<th>Date of Notice &amp; AGM Date</th>
<th>Balance sheet date &amp; Date of AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.5874</td>
<td>-0.3589</td>
<td>-0.0498</td>
<td>0.5126</td>
<td>-0.5571</td>
<td></td>
</tr>
<tr>
<td>0.0023</td>
<td>0.0084</td>
<td>0.0121</td>
<td>0.0236</td>
<td>4.30E-07</td>
<td></td>
</tr>
<tr>
<td>0.9981</td>
<td>0.9933</td>
<td>0.9903</td>
<td>0.9812</td>
<td>1.0000</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Compiled from the annual reports of the selected companies for the year 1999-00.
the t-values for the year 1999-00. This table reveals that in case of four of the selected dated events there is a negative correlation between the age of the companies and the reported time lag for the year 1999-00. For the remaining only one selected dated event, a positive correlation has been observed.

The influence of the age of the companies on the time lag between date of notice and the date of the AGM is positive. Almost 51 per cent of this particular dated event has been influenced by the age of the companies. This can be noticed in Appendix XXII. The companies with the age of less than 10 years old took 46.83 days lag, whereas, the companies with the age range of 50 years to 60 years took 59.06 days lag. This implies that as the age increases the reported lag also increases.

In case of four selected dated events, there is a negative correlation between the age of the companies and the reported time lag. This signifies that as the age increases the reported lag decreases. This is evident in Appendix XXII. The companies with the age of less than 10 years old have taken 150.83 days time lag between the date of balance sheet and the date of the AGM, whereas, the companies with the age range of 50 years to 60 years have taken only 128.12 days lag. This implies that as the age increases the reported lag decreases.

The t-values are not significant at 5 per cent level for all the selected dated events. So it can be concluded that although no strong association has been found between the age of the companies and the reported lag, yet the relationship seems to be slightly different.
4. TURNOVER OF THE COMPANIES AND TIME LAGS IN REPORTING

A number of possible reasons have been advanced in the literature in support of a priori expectations that the timeliness in corporate reporting is positively associated with the turnover of the firm (Courtis, 1976\textsuperscript{23}; Davies and Wittred, 1980\textsuperscript{24}). One such reason is that large firms are likely to collect the information needed for corporate report disclosure, for their internal management systems and hence in a short time such information can be reported to outside users of the annual report. So to find out the exact relationship between the turnover of the companies and the reported lags the following null hypothesis has been formulated:

\begin{center}
Ho 7.4 – The size of the companies as measured by their turnover has no association with their reported time lag.
\end{center}

To test this hypothesis spearman’s rank correlation co-efficient has been calculated for the year 1999-00. Table 7.7 shows the correlation co-efficient and the t-values for the year 1999-00. This table reveals that in the case of only one selected dated event, a positive correlation (though insignificant) has been observed. The influence of turnover of the companies on the time lag between the director’s report date and the date of notice is positive, but not significant. Only 17 per cent of this particular dated event has been influenced by the turnover of

\textsuperscript{23}ibid.
\textsuperscript{24}ibid.

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Table 7.7

Turnover and Time-lag in reporting

<table>
<thead>
<tr>
<th>Spearman's Rank</th>
<th>Balance sheet date &amp; date of Auditor's report</th>
<th>Auditor's report date &amp; Date of Director's report</th>
<th>Director's report date &amp; Date of Notice</th>
<th>Date of Notice &amp; AGM Date</th>
<th>Balance sheet date &amp; Date of AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-efficient</td>
<td>-0.5183</td>
<td>-0.2913</td>
<td>0.1713</td>
<td>-0.1256</td>
<td>-0.6101</td>
</tr>
<tr>
<td>T-Test</td>
<td>0.0449</td>
<td>0.0446</td>
<td>0.0446</td>
<td>0.0449</td>
<td>0.0453</td>
</tr>
<tr>
<td>Probability</td>
<td>0.9642</td>
<td>0.9645</td>
<td>0.9645</td>
<td>0.9643</td>
<td>0.9639</td>
</tr>
</tbody>
</table>

Source: Compiled from the annual reports of the selected companies for the year 1999-00.
the companies. This can be noticed in Appendix XXIII. The companies with the turnover range of Rs. 2000 lakhs to Rs. 5000 lakhs has taken 0.83 day lag, whereas, the companies with the turnover range of Rs. 50000 lakhs to Rs. 100000 lakhs has taken 10.42 days lag. This clearly implies that as the size of the turnover increases the reported lag also increases.

For the remaining four selected dated events there is a negative correlation between the turnover of the companies and the reported lag. This indicates that as the turnover increases the reported lag decreases. This is evident in Appendix XXIII. The companies with the turnover of less than Rs. 2000 lakhs have taken 166.75 days time lag between the date of balance sheet and the date of AGM, whereas, the companies with the turnover range of Rs. 50000 lakhs to Rs. 100000 lakhs have taken only 138.38 days time lag. This implies that as the turnover increases the reported lag decreases.

It can be seen from Table 7.7 that the t-values are not significant at 5 per cent level for all the selected dated events. So it can be concluded that although no strong association has been found between the turnover of the companies and the reported time lag, yet the relationship seems to be slightly different. This finding is in confirmation with the one reported by Courtis (1976)\(^\text{25}\).

\(^{25}\)ibid.
5. ROI AND TIME LAGS IN REPORTING

Profitability may be another variable, which may influence the reported time lags. It has been observed that, "bad profit news takes longer to reach public than good profit news" (Davies and Whittred, 1980)\(^{26}\). In other words, we can say that the companies with high profitability take usually lesser time in reporting in comparison to the companies with lower profitability or losses. Another opinion is that in case of companies, where losses or inferior results have occurred, certain delays must be expected, while divisional managers explain their results (Courtis, 1976)\(^{27}\). The association between the profitability (ROI) and the time lag has been tested on the basis of the following null hypothesis:

**Ho 7.5** – The profitability of the companies as measured by their Return On Investment has no association with their reported time lag.

To test this hypothesis, spearman’s rank correlation co-efficient has been calculated for the year 1999-00. Table 7.8 shows the correlation co-efficient and the t-values for the year 1999-00. This table reveals that in case of only one selected dated event, a positive correlation (though highly insignificant) has been observed. The influence of profitability of the companies on the time lag between auditor’s report date and the date of director’s report is positive, but not significant. Only 0.55 per cent of this particular dated event has been influenced

\(^{26}\)ibid, p.50.  
\(^{27}\)ibid, p.47.
### Table 7.8

ROI and Time-lag in reporting

<table>
<thead>
<tr>
<th>Spearman's Rank</th>
<th>Balance sheet date &amp; date of Auditor's report</th>
<th>Auditor's report date &amp; Date of Director's report</th>
<th>Director's report date &amp; Date of Notice</th>
<th>Date of Notice &amp; AGM Date</th>
<th>Balance sheet date &amp; Date of AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-efficient</td>
<td>-0.7340</td>
<td>0.0055</td>
<td>-0.6816</td>
<td>-0.1641</td>
<td>-0.8760</td>
</tr>
<tr>
<td>T-Test</td>
<td>9.5E-09</td>
<td>0.3706</td>
<td>0.6678</td>
<td>7.1E-08</td>
<td>3.0E-10</td>
</tr>
<tr>
<td>Probability</td>
<td>1</td>
<td>0.7113</td>
<td>0.5049</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Compiled from the annual reports of the selected companies for the year 1999-00.
by the profitability of the companies. The influence of the variable is much below 1 per cent. This can be noticed in Appendix XXIV. The companies with the loss has taken 6.16 days time lag, whereas, the companies with the ROI range of 15 to 20 per cent has taken 6.48 days time lag. This implies that as the ROI increase the reported lag also increases.

It can be seen from Table 7.8 that for the remaining four selected dated events; there is a negative correlation between the profitability of the companies and the reported time lag. This signifies that as the profitability increases the reported lag decreases. This is evident in Appendix XXIV. The companies, which has been incurring losses has taken 152.74 days time lag between the date of balance sheet and the date of the AGM, whereas, the companies with the ROI range of 15 to 20 per cent has taken only 128.72 days reported lag. This implies that as the profitability improves the reported lag decreases.

It can be noticed from Table 7.8 that the t-values are not significant at 5 per cent level for all the selected dated events. So it can be concluded that although no strong positive association has been found between the profitability of the companies and the reported time lag, yet the relationship seems to be somewhat special.

**CONCLUSION**

On the basis of the aforementioned analysis of the association between the reported time lag and the corporate attributes, it may be concluded that there exists an *inverse association* between the selected dated events and the five selected corporate attributes.