SUGGESTIONS

Following are the some of the suggestions to improve the corporate disclosure practices in India.

1. The ICAI should take steps to lay down standard accounting practices in other areas that have not yet been covered by it.

2. To ensure greater compliance of standards, legal backing should be provided for these standards. For this, the companies Act may be amended.

3. The preparers of the corporate annual report [company] should consider the informational needs of various users of the annual report.

4. Companies should avail the benefit of information technology, to supply the relevant information in time, to the various users of the annual report.

5. Legal provisions, regulations, guidelines, enforcing authorities and information technology are of no use in improving the corporate disclosure practices, unless the attitude of the supplier of information [company] change positively, to disclose more and relevant information in a timely manner.

6. It is an acknowledged fact that most Indian companies have not taken adequate steps to modernize their plants. The point at issue is whether the disclosure requirements in respect of fixed assets can be so modified as to bring out the extent of modernization of plant achieved by the companies. The information should bring out the extent to which replacement of
existing obsolete machinery has been done. A comparative statement about the capacities represented by replaced machinery and the new machinery may bring out the extent of modernization achieved.

7. As per the amendments made to section 219 of the companies Act, 1956 [in 1988], the listed companies have been given the choice either to send detailed annual report or an abridged annual report to their shareholders. It is very intriguing to observe that the government and other regulatory authorities, such as, ICAI and SEBI propagate expanded disclosure in annual reports on the one hand, but at the same time the government through this amendment has encouraged the companies to disclose the minimum possible information. The consequences due to this contradictory approach may lead to poor disclosure practices in India. To avoid this, the government should make ‘multi-purpose annual report’ format mandatory to all the listed companies.

8. It is observed from the present study that in recent years an undesirable tendency to sink significant details in a sea of notes to accounts has developed. Companies are escaping from their responsibility of disclosing the effect of these transactions in the books of account, by placing the same in the notes to accounts. As an effective deterrent to permissive practices in regard to notes to accounts, a statutory obligation may be cast upon management to include a supplementary statement showing the effect of those notes, which have an impact on the real and fair profits in a comprehensive presentation.
9. The companies should show some of their operational results by calculating some important informational ratios. This will help the users of the annual report in understanding, analyzing and interpreting the company's performance in a more precise way.

10. Annual report should be presented well, by including more statistical information, charts, graphs, diagrams, pictures of the company's product and photo gallery, which displays important events of the company during the last financial year.

11. In case of long-term and medium-term liabilities, the terms showing repayment dates, the method of repayment [on premium, at discount, installment] and rate of interest, should be disclosed.

12. All intangible assets like goodwill, patents trademarks, leases and so on should not be clubbed with tangible fixed assets. Intangible assets should be grouped under a separate sub-head and shown at cost less amortization.

13. As per the companies Act, 1956 section 211, part I, Schedule VI, the debtors are to be shown in two categories, namely debtors outstanding for more than six months and less than six months. One cannot understand the exact logic behind in fixing six months as a limit. To serve some purpose, it would be more effective, if the debtors are classified as outstanding for a period more or less than the credit period allowed.

14. There are companies like, ACC Ltd, Reliance Industries Ltd, Bajaj Auto Ltd and so on, which have two types of annual report printed for a year. One is printed at high expenses and the other one is economically printed.
The differences are only in printing quality and the paper used for printing, but the subject matter remains almost same in both the types of annual reports. In order to avoid heavy cost involved in the printing of annual reports, other companies can also go for the above stated practice, rather than going for abridged annual report.

15. Some companies like, Reliance Industries Ltd, have separate section called 'investor's guide'. This is very useful to the investors. Likewise, annual reports should have several specialized sections to cater to the needs of various user groups of the annual reports.

16. The companies Act, 1956 section 211, part I of schedule VI, clearly states the format of the balance sheet. But part II of the same section states the contents of profit and loss account. It nowhere mentions the prescribed format for the profit and loss account. Therefore different companies follow different profit and loss account format. The profit, which is considered for calculation of different ratios are different from the one stated in the profit and loss account. This unnecessarily creates confusion in the minds of various users of the annual report. Therefore, the government should prescribe an informative and analytical format for the profit and loss account.

Disclosure of information on these suggested lines would not only raise the standard of financial reporting, but will also benefit the suppliers of the
CONTRIBUTION OF THE STUDY

The findings of this study, as discussed above, may be of great use in the following ways:

1. In general, it may be of great use to the government, ICAI, SEBI, the management of the different companies and various users of the annual report.

2. It provides guidelines for the government in making more disclosure laws, as per the expectations of the users of the annual reports.

3. It highlights the avenues of disclosure regarding which some accounting standards or guidelines needs to be issued by SEBI or ICAI.

4. It helps the management of different companies in making their disclosure polices more effective, informative and a timely one.

5. This study also helps in highlighting the utility of corporate reporting to the user groups of corporate annual reports.

6. The findings of the present study helps the academician in understanding the various aspects of corporate disclosure practices followed by the companies in India at the end of 20\textsuperscript{th} century.

SCOPE FOR FURTHER RESEARCH

Though some studies, including the present study have been conducted on corporate disclosure in India, but still there is much potential for research in this
area. Corporate disclosure is such a vast and dynamic area of research which expands
day by day by the introduction of new standards, guidelines, rules, various
informational demands from the users of the annual report, globalisation and
liberalization, that no single study can cover different dimensions related to it. Further
research in this area can be carried out as mentioned below:

(i) Almost all the studies in corporate disclosure have concentrated only on
annual report as a medium of disclosure. One can study the existing disclosure
practices and requirements in offer documents [prospectus], in the light of
Malegam committee recommendations.

(ii) In the year 2001, the ICAI has issued a number of accounting standards. Of
these, few are directly influencing the corporate disclosure practices, like
segment reporting, consolidation of accounts and so on. So one can study the
corporate disclosure practices in India – with reference to the new accounting
standards issued at the beginning of 21st century.

(iii) A comparative study of corporate disclosure practices at the end of the 20th
century and at the beginning of 21st century can also be carried out.

(iv) A study can also be carried out to make the cost benefit analysis of the
detailed annual report and abridged annual report.

(v) A comparative study of ‘corporate disclosure practices of multinational
companies and the companies operating only in India’ can be carried out to
know the significant difference if any in their disclosure practices.