Laws and practices do differ from one country to other so far as the financial reporting is concerned. The contents and methods of presentation of information in annual accounts also vary substantially from country to country. In some countries, certain information is required to be disclosed in documents other than financial statements. For instance, the United Kingdom Companies Act requires an analysis of turnover and profit or loss duly classified under various heads and that is to be disclosed in the directors' report. For India, we have already studied and analysed the existing legal requirements and current reporting practices in the previous chapters and here it is proposed to present a comparison of current legal requirements and current practices of financial reporting followed by various
countries. The object of such comparison is to analyse and comment upon the reporting practices in India vis-a-vis other countries, and to draw suitable inferences to modify Indian corporate reporting practices.

United Kingdom

In United Kingdom, there are two main requirements:

i) Requirements of a statutory nature which are included in the United Kingdom Companies Act,

ii) Requirements of regulatory agencies given by the Securities and Exchange Commission in the United States.

Statutory Requirements

The statutory requirements in the United Kingdom are contained in the Companies Acts 1948 and 1967 which require directors to state in the directors' report:

a) The principal activities of the company and any significant changes in those activities in the year.

b) The turnover and profit or loss before taxation for each class of business in respect of companies which, in the opinion of the directors, have two or more classes of business that differ significantly from each other.

The amount of information required here is largely at the discretion of the board of directors because the Act has not given any definition of the terms "Principal Activities" or classes of business. However, Banking or discount companies are not required to comply with the
requirements given in paragraph (b).

The value of goods exported from the United Kingdom:

This requirement is made compulsory only for those companies having total turnover exceeding £ 2,50,000 for the financial year.

Section 150 of the Companies Act 1948 prescribes certain circumstances in which subsidiary companies need not be consolidated. One such circumstance is where, in the opinion of the directors, the business of group companies is so different that they cannot be reasonably treated as a single undertaking. In such circumstances and with the approval of the Department of Trade, the accounts of subsidiaries may be omitted from the group accounts.

Section 151(2) of the Companies Act 1948 permits group accounts to be prepared in a form other than consolidated accounts and in particular in the form of more than one set of consolidated accounts, or of separate accounts dealing with each of the subsidiaries. Such presentation is permitted if, in the opinion of the directors, the accounts so presented can be better appreciated by the company's members in this form.

Regulatory Requirements

The Stock Exchange Listing Agreement requires listed companies to provide, with the annual report of the directors, a geographical analysis of turnover and of contribution to trading results of those trading operations carried out by
the company outside the United Kingdom. This analysis need not necessarily be presented countrywise but may be presented by broad geographical areas.

The Quotations Department of the Stock Exchange has determined that profits or losses for this purpose are those arising on goods manufactured abroad and on the marketing of exports from the United Kingdom, exclusive of the manufacturing profit earned in the United Kingdom on goods exported. The Department has also decided that normally:

a) no analysis of turnover is required unless overseas turnover is more than 10% of the total turnover; and

b) no analysis of the contribution to trading results is required unless the profit contribution from a specific area is out of line with the normal ratio of profit turnover.

United States of America

In the United States, all companies except public utility holdings and investment companies which are governed separately by the Public Utility Holding Companies Act of 1933 and Investment Companies Act of 1940, respectively, are governed by three basic laws:

i) Corporation Law of the States in which it has been incorporated;

ii) The Securities Act of 1933; and

To protect the interest of investors and the public, the authority enforcing Securities Act known as Securities and Exchange Commission (S.E.C.) has a great influence. Unless its requirements are complied with, the company's shares cannot be dealt with on a stock exchange. Under the S.E.C. rules, every such corporation is required on registration, and annually thereafter, to file financial statements for the parent company and subsidiaries on a consolidated or on an individual basis.

The S.E.C. has laid down the minimum requirements under its regulations called Regulatory Requirements. In accordance with regulations introduced in 1970, the annual report-form (10-K) which each quoted company must file with the S.E.C. is required to include an analysis of turnover and profit and loss before taxation for each line of business which contributed 10% or more of the total turnover or profit or loss before taxation.

The S.E.C. (10-K) report also requires disclosure of the size and relative profitability of operations, if the company or its subsidiaries are engaged in significant overseas operations. With the approval of the S.E.C., companies may be exempted from compliance with the above requirements. It also requires that the above information should also be provided in the accounts sent to the shareholders.
The S.E.C. regulations do not define what is to be regarded as a line of business or class of similar products or services for the purpose of their disclosure requirements, although they state that appropriate consideration should be given, inter alia, to the rates of profitability, degrees of risk and opportunity for growth of the different activities while deciding the basis of analysis. In the release announcing the regulations, the S.E.C. stated that, in view of the numerous ways in which companies are organised to do business, the variety of products and services and the diversity of operating characteristics such as markets, raw materials, manufacturing processes and competitive conditions, it is not deemed feasible to be more specific in defining a line of business. It is further stated that management, because of its familiarity with company structure, was in the most informed position to separate the company into components on a reasonable basis for reporting purposes and accordingly have allowed management the discretion to determine the most appropriate basis for the provision of analysed information.

Article 4 of the regulations, governs the form and content of financial statements filed with S.E.C. It also requires separate accounts to be filed in respect of significant financial activity carried on by subsidiary company. Financial activity, as defined in the regulation, includes insurance, underwriting, finance houses and banking
activities. The S.E.C. introduced this regulation because the special S.E.C. disclosure requirements for financial activities made it inappropriate to consolidate the accounts of such financial activities with those of the other commercial activities.

Canada

The Canada Corporation Act 1965, statutorily requires companies to provide an analysis of the turnover of different classes of business as a note to the accounts. It is only when the turnover of any class of business exceeds 10% of the total turnover. Under the Canada Business Corporations Act 1975, which replaces the Canada Corporations Act 1965, the provisions relating to the contents of accounts are set out in regulations rather than in the Act itself.

Australia

In Australia the power to frame laws affecting incorporation and managements of companies is vested with the constituent states. As Australia is a federation of six sovereign states, each state has its own separate company law based upon the Uniform Companies Act, 1961 prepared by Attorneys General of all the six states.

The form and contents of the annual reports are affected by two main considerations: (i) by the requirements of the Ninth Schedule and (ii) by the statutory provisions that the accounts shall give a true and fair view of the state of affairs of the company and of its profits and losses. Besides them, in case, companies have their securities
listed on a stock exchange, they are further influenced by the stock exchange regulations which require generally more information than the minimum fixed by the company law. However, no standard form, either of the profit and loss account or of the balance sheet has been laid down.

The wholesome feature of the Australian Companies Act has been to provide a detailed disclosure about the emoluments paid to each director and/or auditor when a requisition is served on the company by at least 10% of the members or by members holding at least 10% shares.

The New South Wales Corporations Acts also require the directors' report of holding companies to disclose separately the contribution made by the subsidiary company in the consolidated profit and loss account. The Australian Associated Stock Exchanges require a company to provide with its consolidated accounts the name of subsidiaries if they incurred a loss and the amount of such loss. Other than this, there are no statutory or other requirements in Australia for the provision of analysed information.

France

Various accounting principles have been developed in France, some of which are compulsory for every corporation. A fair measure of influence on the presentation of accounts is achieved by the fiscal authority, known as Plan Comptable,
the tax inspector of which has a great authority. Almost all companies present their accounts under a uniform basis as laid down by the Plan Compatible because Société Anonyme\(^1\) which complies with their recommendations can expect to pay less tax than those who do not conform with it; and it has been made compulsory for all those companies which have revalued their balance sheet, which too has been compulsory for firms having an annual turnover of more than 5 millions Francs.

The most peculiar feature of the provisions of company law in France has been that the effect of rising prices has been allowed to be shown in the accounts presented by the companies which is known as 'System of Complementary Depreciation'. It has been permitted by the fiscal authority to revalue the tangible assets and relating accumulated depreciation on them and shareholdings in other companies with the government set of indices.

**South Africa**

The South African Companies Act 1973 requires the directors' report to contain a statement of the estimated proportion of profit or loss attributable to the various classes of business of the company if this is material to the appreciation of the state of the company's affairs by its members. The auditor is required under the terms of the Act to satisfy himself that the statements made by the

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1 All companies in France are known as 'Société Anonyme'
directors in their annual report do not conflict with a fair interpretation, or distort the meaning of the annual financial statements and accompanying notes. There was no specific regulatory or professional requirements or recommendations in respect of the provision of analysed information.

U.S.S.R.

In U.S.S.R., there is a standardised system of financial reporting followed by the companies. The system has been imposed upon them by the Central Statistical Administration and the Ministry of Finance which permits a generalisation about the description of accounting system in particular industry. All types of industries have to submit monthly, quarterly and yearly reports in standardised form.

The primary function of management in U.S.S.R. companies is to control cost. All enterprises instead of making any contribution to the state on account of profits pay their whole profit as tax. Thus no profit has been shown in financial accounts by the company. The depreciation is charged compulsorily by all companies on the basis of replacement cost of the assets and not on the basis of original cost. Thus all the fixed assets are revalued from time to time by all the companies.

The practices followed by different countries regarding disclosure of various items have been classified
into seven categories as per the analysis done by Price Waterhouse Ltd. and the same has been taken here too.

Evaluation

The present study compares (Tables 1, 2, 3 and 4) the reporting practices followed by sample countries with India. The first table contains items shown on the liabilities side of Balance Sheet; second is meant for items shown on the assets side of Balance Sheet; third lists items included in Profit and Loss account and the last table consists of other items which are neither included in Balance Sheet nor in the Profit and Loss Account but disclosure of which seem to be very useful for the investors' point of view.

2 An international survey of Accounting Principles and Financial Reporting Practices was conducted by Price Waterhouse International, Canada during 1979. The results of the survey were published during the same year. The survey was compiled from information provided by officers of the worldwide Price Waterhouse Organisation. In some countries there was a lack of publicly available information from which the degree of conformity could be discerned; the responses represented the best assessment of current practices that Price Waterhouse could make in these countries. The number of countries selected for study is 64.

3 The sample countries are:

"Argentina, Australia, Austria, Bahamas, Belgium, Bermuda, Bolivia, Botswana, Brazil, Canada, Chile, Columbia, Costa Rica, Denmark, Dominican Rep. Ecuador, El Salvador, Fiji, France, Germany, Greece, Guatemala, Honduras, Hong Kong, India, Iran, Ireland, I. of, Italy, Ivory Coast, Jamaica, Japan, Jersey, Channels Is., Kenya, Korea, Malawi, Malaysia, Morocco, Mexico, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Senegal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Trinidad and Tobago, United Kingdom, United States, Uruguay, Venezuela, Zaire, Zambia, Zimbabwe Rhodesia".
<table>
<thead>
<tr>
<th>Items</th>
<th>Required</th>
<th>In India</th>
<th>Not Accepted</th>
<th>Rarely or not found</th>
<th>Required</th>
<th>Not Applicable</th>
<th>Required</th>
<th>Pre-dominant practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Shareholders' Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Share Capital</td>
<td>39</td>
<td>(60.96)</td>
<td>(15.63)</td>
<td>1</td>
<td>(7.81)</td>
<td>(35.94)</td>
<td>(1.56)</td>
<td>(32.13)</td>
</tr>
<tr>
<td>ii) Dividend equity</td>
<td>3</td>
<td>(4.69)</td>
<td>(4.89)</td>
<td>3</td>
<td>(25.00)</td>
<td>(6.25)</td>
<td>(6.25)</td>
<td>(28.13)</td>
</tr>
<tr>
<td>ii) Cumulative dividend</td>
<td>32</td>
<td>(23.44)</td>
<td>(14.06)</td>
<td>15</td>
<td>(9.63)</td>
<td>(4.69)</td>
<td>(4.69)</td>
<td>(28.13)</td>
</tr>
<tr>
<td>02 Long-Term Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Amount outstanding</td>
<td>5</td>
<td>(7.81)</td>
<td>(18.18)</td>
<td>3</td>
<td>(15.25)</td>
<td>(34.38)</td>
<td>(6.25)</td>
<td>(26.56)</td>
</tr>
<tr>
<td>ii) Interest rates</td>
<td>5</td>
<td>(7.81)</td>
<td>(18.18)</td>
<td>5</td>
<td>(7.81)</td>
<td>(31.25)</td>
<td>(6.25)</td>
<td>(23.44)</td>
</tr>
<tr>
<td>ii) Terms of each issue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) General reserve</td>
<td>1</td>
<td>(1.56)</td>
<td>(32.81)</td>
<td>1</td>
<td>(32.81)</td>
<td>(32.81)</td>
<td>(32.81)</td>
<td>(32.81)</td>
</tr>
<tr>
<td>ii) Movements in reserve</td>
<td>42</td>
<td>(59.38)</td>
<td>(27.13)</td>
<td>42</td>
<td>(27.13)</td>
<td>(27.13)</td>
<td>(27.13)</td>
<td>(27.13)</td>
</tr>
</tbody>
</table>
Application of the principle or practice is required by a pronouncement of a professional accountancy body or by law.

Application of the principle or practice is considered so fundamental by the profession in the country that, even though there is no professional or statutory pronouncement, lack of adherence to it can normally be expected to give rise to a qualified audit opinion.

The principle or practice may be the only one followed or, if there are alternatives, the one which is more frequently followed; or, if the proposition relates to disclosure, disclosure of the particular information is generally made.

The principle or practice is followed less frequently than an alternative; or, if the proposition relates to disclosure, disclosure of the particular information is found but not in the majority of cases.

The principle or practice is not followed in financial statements or is found in isolated examples only; or the principle or practice is followed by a particular industry only.

The inverse of INSISTED UPON; application offends a fundamental principle and can normally be expected to cause the profession in the country to issue a qualified opinion.

Application of the principle or practice is prohibited by a pronouncement of a professional accountancy body or by law.

Comparative Position in India regarding disclosure of various items. The figures in the brackets of each column show the percentage of countries giving the information in the annual accounts.

<table>
<thead>
<tr>
<th>Item</th>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
<th>f</th>
<th>g</th>
<th>h</th>
</tr>
</thead>
<tbody>
<tr>
<td>04 Contingent Liabilities</td>
<td>42</td>
<td>1</td>
<td>11</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(65.63)</td>
<td>(1.56)</td>
<td>(17.19)</td>
<td>(15.63)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Note: a) Required : Application of the principle or practice is required by a pronouncement of a professional accountancy body or by law.

b) Insisted Upon : Application of the principle or practice is considered so fundamental by the profession in the country that, even though there is no professional or statutory pronouncement, lack of adherence to it can normally be expected to give rise to a qualified audit opinion.

c) Predominant Practice : The principle or practice may be the only one followed or, if there are alternatives, the one which is more frequently followed; or, if the proposition relates to disclosure, disclosure of the particular information is generally made.

d) Minority Practice : The principle or practice is followed less frequently than an alternative; or, if the proposition relates to disclosure, disclosure of the particular information is found but not in the majority of cases.

e) Rarely or not found : The principle or practice is not followed in financial statements or is found in isolated examples only; or the principle or practice is followed by a particular industry only.

f) Not accepted : The inverse of INSISTED UPON; application offends a fundamental principle and can normally be expected to cause the profession in the country to issue a qualified opinion.

g) Not Permitted : Application of the principle or practice is prohibited by a pronouncement of a professional accountancy body or by law.

h) In India : Comparative Position in India regarding disclosure of various items. The figures in the brackets of each column show the percentage of countries giving the information in the annual accounts.
DISCLOSURE PRACTICES

LIABILITIES SIDE

- Predominant Practice 19.62%
- Required 36.98%
- Insisted Upon 6.08%
- Not Permitted 3.82%
- Not Accepted 4.34%
- Rarely or Not Found 10.24%
- Minority Practice 18.92%
The analysis based on Table 7.1 is as follows:

**01 Shareholders' Equity**

As regards disclosure of shareholders' equity, the principal amount of share capital, along with rights and preferences to dividends available to each shareholder have been disclosed in 39 out of 64 countries selected for study. The number of countries giving this information is significant because the disclosure of this item is required by a pronouncement of a professional accountancy body. India is one of those countries in which the disclosure of this item is made compulsory. 10.94% of the countries have followed the predominant practice in making disclosure regarding share capital while in 15.63% countries it is minority practice to give information on share capital. Besides this, in case of 5 countries, the disclosure of this item is found noticed as rare practice. The amount of dividends in arrears have been disclosed by 50% of the countries including India as disclosure of it is required by law. In addition to this, 15 countries have considered the disclosure of this item so fundamental that even though there is no statutory requirement but because of fear of audit objection, they have disclosed the same in their annual reports. In case of 20.31% sample countries, the practice of disclosing the amount of arrears of dividend is rarely followed by companies.

**02 Long-Term Liabilities**

Information on long-term liabilities, such as amount outstanding on each issue of long-term debt, has been found
revealed in 20 countries as it is statutorily required. 5 countries have disclosed the information to avoid audit objection though it is not compulsorily required in those countries. For 20 other countries, it has been noticed that the practice of disclosing the outstanding amount of debt is pre-dominant one. India is among those countries in which companies are following pre-dominant practice in respect of this item. Among 28.13% of the countries, the practice of showing the outstanding amount of debt in the annual reports is less frequently followed by companies.

The interest rate on each issue of long-term debt is compulsorily required to be disclosed by companies in their annual accounts almost among 30% of the countries. Five countries are those where companies disclose this information perhaps because of fear of audit objection, though there is no compulsory requirement in those countries.

In 15 countries, it is a pre-dominant practice of companies to mention the rate of interest on each issue of long-term debt in their financial statements. In India, certain big concerns usually disclose this information in their annual accounts. In case of 34.38% countries, the practice of disclosing the rate of interest is less frequently followed. That is, this practice is followed by big concerns in those countries and not found in majority of the cases.

Disclosure regarding the term of each issue of long-term debt in the financial accounts are statutorily required
by 19 countries out of a sample of 64. In 17 countries, the companies frequently follow this practice of disclosing the information. India is among one of those countries where this practice is pre-dominantly followed by big concerns. In case of 31.25% countries, this item is found disclosed less frequently by the companies in the annual accounts. Further, in a few sample countries, the practice is not followed in financial statements or if it is followed it is done by a particular industry only.

03 Reserves

Disclosure regarding general reserve is not compulsorily to be made in financial statements of companies almost among all the sample countries except India. In India, it is binding upon the companies according to Schedule VI of the Companies Act 1956 to show all types of reserves specifying the nature of each reserve and their respective amount in the annual accounts. Our study shows that each Indian concern is strictly adhered to this statutory requirement. Among 23.44% of the countries, it is a pre-dominant practice followed by companies. In 21 countries, the disclosure of information on reserve is generally not given by companies, if it is given it is shown by a particular industry only. Further, among certain countries named below, the disclosure of this information in annual account, is prohibited by a pronouncement of a professional accountancy body:

"Bermuda, Canada, Brazil, Colombia, France, Germany, Greece, Hong Kong, Ireland, Rep. of, Italy, Japan,
Movements in reserves i.e. increase or decrease in reserve during the year have been disclosed among more than 50% of the sample countries as an application of this practice is required by law in those countries. In India also, each company is bound by law to disclose every movement in reserve in their annual accounts. Among 16 countries, the information of change in reserve is generally given by companies in the annual accounts. Further, the disclosure of this information is found, but not in annual accounts of majority of the cases. In 6.25% countries, companies generally, do not disclose this fact in their annual accounts or sometimes it is disclosed only by a few companies.

04 Contingent Liabilities

An obligation relating to an existing condition or situation which may arise in future depending on the occurrence or non-occurrence of any uncertain future event is known as contingent liability. Our analysis shows that information on contingent liability has been disclosed among large number of sample countries. For instance, in 65.63% countries, the companies are statutorily bound to disclose the amount of contingent liabilities in the final account. India is one of those countries where it is obligatory on the part of
each company to disclose the exact amount of contingent liabilities in the annual report. In 11 countries, it is pre-dominant practice followed by companies, to give this information. In certain other countries, like Brazil, Colombia, Greece, Hongkong, Italy, Ivory Coast, Morocco, Portugal, Senegal, Spain etc. this practice is less frequently followed by companies.

Table 7.2 exhibits the international disclosure practices of items of assets side of Balance Sheet.

The analysis based upon Table 7.2 is as follows:

**Fixed Assets**

The basis on which fixed assets are stated has been shown by a significant number of countries under study as this information is required to be disclosed compulsorily by a pronouncement of a professional accountancy body. India is above those countries where companies are statutorily bound by law to disclose the basis of valuation in respect of each asset in final accounts. In 6 countries, companies disclose this information because of fear of audit objection though there is no statutory obligation upon them. In case of 10.94% countries, this practice is less frequently followed by companies.

Category-wise details about fixed assets i.e. major categories of fixed assets like land, building, plant and equipment etc. have been given by more than 50% of the countries including India, as it is statutorily required.
# Table 7.2
## International Disclosure Practices
### Assets Side of Balance Sheet

<table>
<thead>
<tr>
<th>Items</th>
<th>Required</th>
<th>Insisted upon</th>
<th>Pre-dominant practice</th>
<th>Minorities practice</th>
<th>Rarely of not found</th>
<th>Not Accepted</th>
<th>Not Permitted</th>
<th>In India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>01 Fixed Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Basis of valuation</td>
<td>39</td>
<td>6</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(60.94)</td>
<td>(9.38)</td>
<td>(14.06)</td>
<td>(10.94)</td>
<td>(4.69)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii) Details</td>
<td>37</td>
<td>7</td>
<td>13</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(57.81)</td>
<td>(10.94)</td>
<td>(26.56)</td>
<td>(4.69)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii) Cost less depreciation</td>
<td>22</td>
<td>6</td>
<td>34</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(34.38)</td>
<td>(9.38)</td>
<td>(53.13)</td>
<td>(3.13)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv) Depreciation charge</td>
<td>42</td>
<td>4</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(65.63)</td>
<td>(6.25)</td>
<td>(14.06)</td>
<td>(6.25)</td>
<td>(7.81)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v) Accumulative depreciation</td>
<td>45</td>
<td>10</td>
<td>-</td>
<td>4</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(70.31)</td>
<td>(15.63)</td>
<td></td>
<td>(6.25)</td>
<td>(7.81)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi) Systematic depreciation</td>
<td>31</td>
<td>10</td>
<td>21</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(48.44)</td>
<td>(15.63)</td>
<td>(32.81)</td>
<td>(3.13)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii) Methods of depreciation</td>
<td>37</td>
<td>2</td>
<td>10</td>
<td>9</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>Pre-dominant Practice</td>
</tr>
<tr>
<td></td>
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<td>(3.13)</td>
<td>(15.63)</td>
<td>(14.06)</td>
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</tbody>
</table>

## Investments

<table>
<thead>
<tr>
<th>Items</th>
<th>Required</th>
<th>Insisted upon</th>
<th>Pre-dominant practice</th>
<th>Minorities practice</th>
<th>Rarely of not found</th>
<th>Not Accepted</th>
<th>Not Permitted</th>
<th>In India</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Basis of valuation</td>
<td>45</td>
<td>2</td>
<td>8</td>
<td>5</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(70.31)</td>
<td>(3.13)</td>
<td>(12.50)</td>
<td>(7.81)</td>
<td>(6.25)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii) Market value of Investment</td>
<td>27</td>
<td>3</td>
<td>8</td>
<td>14</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(42.19)</td>
<td>(4.69)</td>
<td>(12.50)</td>
<td>(21.88)</td>
<td>(18.75)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03 Receivables</td>
<td>2</td>
<td>16</td>
<td>41</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(3.13)</td>
<td>(25.00)</td>
<td>(64.06)</td>
<td>(1.56)</td>
<td>(1.56)</td>
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</tr>
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</table>

*Contd...*
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The converse of INSISTED UPON; application offends a fundamental principle and can normally be expected to cause the profession in the country to issue a qualified opinion.

Application of the principle or practice is prohibited by a pronouncement of a professional accountancy body or by law.

Comparative Position in India regarding disclosure of various items. The figures in the brackets of each column show the percentage of countries giving the information in the annual accounts.

<table>
<thead>
<tr>
<th>Item</th>
<th>04 Contingent Assets</th>
<th>05 Pledged Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Required</td>
<td>15 (23.44)</td>
<td>37 (57.81)</td>
</tr>
<tr>
<td>b) Insisted Upon</td>
<td>1 (1.56)</td>
<td>2 (3.13)</td>
</tr>
<tr>
<td>c) Predominant Practice</td>
<td>4 (6.25)</td>
<td>11 (17.19)</td>
</tr>
<tr>
<td>d) Minority Practice</td>
<td>16 (25.00)</td>
<td>11 (17.19)</td>
</tr>
<tr>
<td>e) Rarely or not found</td>
<td>28 (43.75)</td>
<td>3 (4.69)</td>
</tr>
<tr>
<td>f) Not Accepted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>g) Not Permitted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>h) In India</td>
<td>- Rarely or not found</td>
<td>- Minorities Practice</td>
</tr>
</tbody>
</table>


Note: a) Required: Application of the principle or practice is required by a pronouncement of a professional accountancy body or by law.
b) Insisted Upon: Application of the principle or practice is considered so fundamental by the profession in the country that, even though there is no professional or statutory pronouncement, lack of adherence to it can normally be expected to give rise to a qualified audit opinion.
c) Predominant Practice: The principle or practice may be the only one followed or, if there are alternatives, the one which is more frequently followed; or, if the proposition relates to disclosure, disclosure of the particular information is generally made.
d) Minority Practice: The principle or practice is followed less frequently than an alternative; or, if the proposition relates to disclosure, disclosure of the particular information is found but not in the majority of cases.
e) Rarely or not found: The principle or practice is not followed in financial statements or is found in isolated examples only; or the principle or practice is followed by a particular industry only.
f) Not Accepted: The converse of INSISTED UPON; application offends a fundamental principle and can normally be expected to cause the profession in the country to issue a qualified opinion.
g) Not Permitted: Application of the principle or practice is prohibited by a pronouncement of a professional accountancy body or by law.
h) In India: Comparative Position in India regarding disclosure of various items. The figures in the brackets of each column show the percentage of countries giving the information in the annual accounts.
DISCLOSURE PRACTICES

ASSETS SIDE

INSISTED UPON 8.98%

REQUIRED 49.22%

NOT ACCEPTED 1.69%

RARELY OR NOT FOUND 7.03%

MINORITY PRACTICE 10.16%

PREDOMINANT PRACTICE 22.40%
In 7 countries, application of this practice is considered so necessary by the companies, that even though there is no legal binding upon them, a few of the progressive concerns still give the details of fixed assets in their final accounts presuming that lack of adherence to it may sometimes raise objection from the auditors of the companies. In 17 countries, it is pre-dominant practice of the companies to give all details regarding fixed assets. Further, among a few sample countries, like, Ivory Coast, Senegal, Spain etc. this fact is less frequently disclosed by the concerns in their annual reports. Amount of depreciation provided during the year on fixed assets are compulsorily required to be disclosed in the annual accounts by companies among 42 countries including India. In 4 countries, companies disclose the depreciation charge perhaps because of the fear of objection from auditors, though they are not bound by law. In 14.06% countries, it has been noticed that companies frequently disclose the total amount of depreciation in their accounts. Further in 9 countries this practice is followed by a few companies.

Methods of providing depreciation on fixed assets that is, whether it is a straight line or diminishing cost etc. should be disclosed in the annual report so that the investors can judge whether a particular company possesses adequate finance to replace the assets or not. Our analysis shows
that in 57.81% sample countries, companies are statutorily bound to disclose the method of depreciation adopted by concerns. Among 10 countries, this information is generally given by companies in the final records. Further in case of 14.16% countries, this information is given by a few concerns and in majority of the case, it is not found disclosed. India is among those countries where the disclosure regarding method applied for providing depreciation on fixed assets is generally made by a few progressive concerns like Tata Group of companies, Gwalior Rayon, National Organic Chemicals Ltd. etc. In case of 6 countries, this disclosure is generally not made in financial statements or if it is, it is done by a particular industry only.

02 Investments

Information on investments i.e. the basis on which investments are stated or the basis of valuation of investment has been given by companies in 45 sample countries as it is required by a pronouncement of a professional accountancy body in those countries. India is among those countries where it is obligatory by law upon each company to mention whether its investment is valued at cost price or market price. Among 8 countries, this information is generally made by all the companies in the annual reports. Further, in case of 7.81% countries, a few concerns give this information and a majority of the companies do not bother.

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to disclose the fact. In case of 6.25% countries, the methods of valuation of investment is disclosed rarely by a company in the annual accounts.

Similarly, if the investment of any company is quoted on any stock exchange, and the market value is greater than the cost price, the disclosure must be made by the companies in their final accounts which is statutorily required in case of 42.19% countries including India. Among 4.69% countries, companies voluntarily give this information in the annual accounts presuming that the lack of it might raise objection from auditor/auditors, though there is no legal compulsion upon the companies. In case of 8 countries, it is pre-dominant practice among companies to give this information in their accounts. And in 14 other sample countries, this information is rarely mentioned by companies.

03 Receivables

Information on bills receivables such as basis of valuation etc. should be given by companies in the final accounts. Usually they are valued at their realisable value because there is hardly any possibility of the market value going above cost. The only exception may be in case of foreign bills and debtors whose valuations may sometimes be above the cost (book figure) because of a fluctuations in exchange rate. Our study shows that disclosure regarding receivables is compulsorily required in case of 2 countries including India out of sample of 64. Among 25% countries,
companies generally make a mention of the fact in the annual accounts—though there is no statutory requirement in these countries. Further, in case of 64.06% countries, the information is given only by a few companies.

04 **Contingent Assets**

An asset the existence or value of which may be known or determined only on the occurrence or non-occurrence of one or more uncertain future events is known as contingent assets. Disclosure regarding these assets should be made in the annual records of companies. Our analysis shows that among 15 countries, this information is statutorily required to be disclosed by companies in the annual accounts. In case of 6.25% countries, it is a predominant practice followed by companies. In 16 countries, the practice of showing these items in the annual accounts is less frequently followed by companies. Further, among 43.75% sample countries, the information on contingent assets is rarely disclosed in the annual reports of companies including India.

05 **Pledged Assets**

The information regarding pledged assets such as nature and extent of hypothecation etc. should be given by companies in the annual accounts. Our data show that information on pledged assets has been given by the companies in more than 50% of the sample countries, as it is required by a pronouncement of a professional body of accountancy in
these countries. Among 11 countries, the information is generally given by companies. India is among those countries in which certain big concerns mention this fact to whom it is applicable. Further, in 17.19% sample countries, the information is rarely disclosed by companies in their annual records.

Table 7.3 presents the international disclosure practices of items relating to Profit and Loss Account.

The analysis based on Table 7.3 is as follows:

**Inventories**

Information on inventories, such as, basis of valuation, breakdown and its market value have been given by a significant number of sample countries as it is statutorily required in almost all the countries. India is among one of those countries where each company is bound by law to show the same in the annual reports. In 10 countries, this practice is predominantly followed by companies. The break-down of inventory by types, such as finished goods, work-in-progress and materials, is required to be disclosed compulsorily in India as well as in 35 other countries. In 23% of the sample countries, this practice is pre-dominantly followed by the companies. The principle is followed less frequently by companies in 12 countries. The market value of inventories, that is, net
### Table 7.3
INTERNATIONAL DISCLOSURE PRACTICES
PROFIT AND LOSS ACCOUNT

<table>
<thead>
<tr>
<th>Items</th>
<th>Required</th>
<th>Insisted upon</th>
<th>Pre-dominant Practice</th>
<th>Minorities Practice</th>
<th>Rarely or not found</th>
<th>Not Accepted</th>
<th>Not Permitted</th>
<th>In India</th>
</tr>
</thead>
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<td><strong>01 Inventories</strong></td>
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<td></td>
</tr>
<tr>
<td>i) Basis of valuation</td>
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<td>2</td>
<td>10</td>
<td>6</td>
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<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(68.75)</td>
<td>(3.13)</td>
<td>(15.63)</td>
<td>(9.38)</td>
<td>(3.13)</td>
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<tr>
<td>ii) Break-down</td>
<td>36</td>
<td>2</td>
<td>14</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(56.25)</td>
<td>(3.13)</td>
<td>(21.88)</td>
<td>(18.75)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii) Market-Value</td>
<td>18</td>
<td>5</td>
<td>25</td>
<td>12</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>Rarely or not found</td>
</tr>
<tr>
<td></td>
<td>(28.13)</td>
<td>(7.81)</td>
<td>(39.06)</td>
<td>(18.75)</td>
<td>(1.56)</td>
<td>(4.69)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>02 Sales and Revenue</strong></td>
<td>37</td>
<td>4</td>
<td>21</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>(57.81)</td>
<td>(6.25)</td>
<td>(32.81)</td>
<td>(3.13)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>03 Cost of Sales</strong></td>
<td>16</td>
<td>5</td>
<td>15</td>
<td>20</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(25.00)</td>
<td>(7.81)</td>
<td>(23.44)</td>
<td>(31.25)</td>
<td>(12.50)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>04 Research and Development Cost</strong></td>
<td>3</td>
<td>-</td>
<td>53</td>
<td>7</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>Pre-dominant Practice</td>
</tr>
<tr>
<td></td>
<td>(4.69)</td>
<td></td>
<td>(82.81)</td>
<td>(10.94)</td>
<td>(1.56)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>05 Income Tax</strong></td>
<td>45</td>
<td>4</td>
<td>7</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(70.31)</td>
<td>(6.25)</td>
<td>(10.94)</td>
<td>(7.81)</td>
<td>(4.69)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>06 Net Income</strong></td>
<td>24</td>
<td>4</td>
<td>31</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>Required</td>
</tr>
<tr>
<td></td>
<td>(37.50)</td>
<td>(6.25)</td>
<td>(48.44)</td>
<td>(4.69)</td>
<td>(3.13)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

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The figures in the brackets of each column show the percentage of countries giving the information in the annual accounts.

<table>
<thead>
<tr>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
<th>f</th>
<th>g</th>
<th>h</th>
</tr>
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<tr>
<td>Extra-ordinary items</td>
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<td>5</td>
<td>11</td>
<td>8</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(62.50)</td>
<td>(7.81)</td>
<td>(17.19)</td>
<td>(12.50)</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>


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DISCLOSURE PRACTICES

PROFIT AND LOSS ACCOUNTS

- INSISTED UPON 5.38%
- REQUIRED 45.49%
- NOT ACCEPTED 0.52%
- RARELY OR NOT FOUND 2.95%
- MINORITY PRACTICE 13.02%
- PREDOMINANT PRACTICE 32.47%
realisable value defined as estimated selling price less reasonably predictable costs of completion and disposal, is statutorily required to be disclosed in the annual reports of companies in 18 countries. Among 39.06% countries, the practice of giving the market value of inventory is pre-dominantly followed by companies, but in 12 other countries, disclosure of this information is found but not in majority of the companies. In India, the information is given by a negligible number of companies.

02 Sales and Revenue

Disclosure of sales and other revenues are required by a pronouncement of a professional accounting body or by law among more than 50% of the sample countries. India is one of those countries, where disclosure of this information is compulsorily required. In 4 countries, companies present this fact voluntarily presuming that absence of the same in the annual reports may raise objection from auditor. In case of 33% sample countries, the item is, generally, shown almost by all companies in the final reports. Among 3 other countries the item is disclosed only by a few companies.

03 Cost of Sales

Cost of sales of various goods should be disclosed by companies in their annual accounts. This requirement is made compulsory in 16 countries by law. 23.44% countries are those where the practice of disclosing the cost of sales
is pre-dominantly followed by companies and in 32% countries, the disclosure of this information is rarely revealed by the companies in their annual reports. In India, as there is no statutory binding upon companies, the real cost of sales is given by certain big concerns only.

04 Research and Development Cost
Expenditure on research and development projects etc. are compulsorily required to be disclosed in the final accounts by companies only in case of 3 countries. In almost 50% sample countries, the information is generally given by the companies. In India, certain progressive concerns, do the same in the annual reports. Further, our analysis shows that in 15% sample countries, the fact is disclosed only by a few companies and in 8 other countries, the fact is found mentioned in rare cases.

05 Income Tax
Provision for income taxes on the current period's profit should be shown separately before determining net income by companies in their annual reports. Our data show that the disclosure of the information is made by companies in the annual reports in majority of sample countries including India as it is statutorily required among those countries. This practice is pre-dominantly followed by companies in 11% countries. In 4 sample countries, companies disclose this information perhaps, because to avoid audit objection though there is no such requirement by law. Further, in case of 4 sample countries, this fact is rarely found
in the annual accounts.

06 **Net Income**

Net income including all gains and losses should be disclosed by companies in their annual reports. Our study reveals that in 24 countries the disclosure of this information is statutorily required by companies. India is among those countries where it is obligatory on each company to disclose net income in its annual report. Among certain sample countries, it is pre-dominant practice followed by companies regarding disclosure of this item in their profit and loss account. The number of countries where this practice is pre-dominantly followed is 31.

07 **Extra-Ordinary Items**

Companies are supposed to give information i.e. gains and losses on all unusual and extra-ordinary items in the annual accounts. The disclosure of this fact is required by a pronouncement of a professional accountancy body in case of majority of sample countries. In India also, like other countries, each company is bound by the provisions of Companies Act to disclose this item in the final accounts. In case of 5 sample countries, companies give this information because of fear of audit objection, though there is no statutory requirement in these countries. In addition to these, among 18% sample countries, it is observed that almost all companies do this; whereas in 8 other countries, this information is rarely seen in the annual reports of companies.
Table 7.4 discloses the international disclosure practices of items, other than Profit and Loss Account and Balance Sheet.

The analysis based on Table 7.4 is as follows:

01 **Comparative Figures**

With the inclusion of the figures of the previous year in the financial reports, management has been made capable to show how far they have been successful and efficient in managing the affairs of the company and how the company's position stands at the end of this year in comparison to previous year. Our study shows that in almost half of sample countries, companies are statutorily required to show the previous year figures in the final accounts. In India also, it is obligatory on the part of each company (vide Schedule VI of the Companies Act 1956) to give previous year figures along with current year while preparing financial statements. In 2 sample countries, companies do this presuming that lack of adherence to it, may give rise to audit objection. In the case of 28% countries, companies voluntarily care for this without any legal obligation.

02 **Subsequent Events**

Events or transactions occurring just after the preparation of final accounts which have material effect on
<table>
<thead>
<tr>
<th>Items</th>
<th>Required</th>
<th>Insisted Upon</th>
<th>Pre-dominant practice</th>
<th>Minorities practice</th>
<th>Rarely or not found</th>
<th>Not Accepted</th>
<th>Not Permitted</th>
<th>In India</th>
</tr>
</thead>
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<td>01 Comparative Figures</td>
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<td>18 (28.13)</td>
<td>12 (18.75)</td>
<td>2 (3.13)</td>
<td>-</td>
<td>-</td>
<td>Require</td>
</tr>
<tr>
<td>02 Subsequent Events</td>
<td>27 (42.19)</td>
<td>9 (14.06)</td>
<td>12 (18.75)</td>
<td>13 (20.31)</td>
<td>3 (4.69)</td>
<td>-</td>
<td>-</td>
<td>Require</td>
</tr>
<tr>
<td>03 Inflation Accounting</td>
<td>2 (3.13)</td>
<td>-</td>
<td>3 (4.69)</td>
<td>-</td>
<td>55 (85.94)</td>
<td>1 (1.56)</td>
<td>3 (4.69)</td>
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</tr>
<tr>
<td>04 Accounting Policies</td>
<td>25 (39.06)</td>
<td>20 (31.25)</td>
<td>15 (23.44)</td>
<td>2 (3.13)</td>
<td>2 (3.13)</td>
<td>-</td>
<td>-</td>
<td>Require</td>
</tr>
<tr>
<td>05 Changes in Accounting</td>
<td>33 (51.56)</td>
<td>8 (12.50)</td>
<td>11 (17.19)</td>
<td>7 (10.94)</td>
<td>5 (7.81)</td>
<td>-</td>
<td>-</td>
<td>Require</td>
</tr>
<tr>
<td>06 Earning Per Share</td>
<td>12 (18.75)</td>
<td>1 (1.56)</td>
<td>7 (10.94)</td>
<td>21 (32.81)</td>
<td>-</td>
<td>-</td>
<td>23 (35.94)</td>
<td>Rarely not found</td>
</tr>
<tr>
<td>07 Fund-Flow Statement</td>
<td>27 (42.19)</td>
<td>2 (3.13)</td>
<td>11 (17.19)</td>
<td>14 (21.88)</td>
<td>2 (3.13)</td>
<td>-</td>
<td>-</td>
<td>Pre-dominant Practice</td>
</tr>
<tr>
<td>08 Foreign Currencies</td>
<td>-</td>
<td>-</td>
<td>1 (1.56)</td>
<td>26 (40.63)</td>
<td>27 (42.19)</td>
<td>6 (9.38)</td>
<td>2 (3.13)</td>
<td>Rarely or not found</td>
</tr>
</tbody>
</table>

Contd....
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The principle or practice is not followed in financial statements or is found in isolated examples only; or the principle or practice is followed by a particular industry only.

The converse of INSISTED UPON; application offends a fundamental principle and can normally be expected to cause the profession in the country to issue a qualified opinion.

Application of the principle or practice is prohibited by a pronouncement of a professional accountancy body or by law.

Comparative Position in India regarding disclosure of various items. The figures in the brackets of each column show the percentage of countries giving the information in the annual accounts.
DISCLOSURE PRACTICES

OTHER ITEMS

- INSISTED UPON 7.03%
- REQUIRED 27.19%
- NOT APPLICABLE 1.25%
- NOT PERMITTED 0.78%
- NOT ACCEPTED 4.69%
- RARELY OR NOT FOUND 23.91%
- MINORITY PRACTICE 20.94%
- PREDOMINANT PRACTICE 13.91%
the financial position or results of operation, should be reflected in the financial statements. Our analysis shows that in 42% sample countries including India the disclosure of this fact in the annual accounts is required by a law. Among 9 countries, companies consider the disclosure of these items so fundamental that even though there is no statutory pronouncement, still they do so, perhaps, to avoid audit objection.

In 18% of the sample countries, it has been noticed that his information is generally disclosed by all companies. In 3 other countries, the item is rarely seen in the annual accounts of companies.

03 **Inflation Accounting**

The effects of changes in the general price level should be disclosed in annual reports. Our study shows that in only 2 countries namely Brazil and Canada, it is statutorily required by companies to do so in the annual reports. It is shocking that in majority of the sample countries i.e. in 87%, no emphasis has been given by companies on preparation of inflation adjusted accounts. In India, also, the analysis (done in the previous chapters) shows that not even a single company has bothered to throw light on this aspect. Further, it has been noticed that in 1 sample country, this practice is not accepted by law. In case of 3 countries, the application of the principle or practice is prohibited by a pronouncement of professional accountancy body.
04 Accounting Policies

The accounting policies that a company chooses to follow have a tremendous influence upon state of affairs and on the profit and loss account of that company. Disclosure of significant accounting policies is necessary if the view presented is to be properly appreciated. Thus, it is statutorily required by companies among 25 countries including India, to disclose significant accounting policies in their annual report in order to help the readers in understanding of the operational results and financial position of companies.

05 Changes in Accounting Policies

Any departure or change, from the historical cost convention, made in accounting policy is statutorily required by companies to reflect in their annual accounts among 52% countries. India is among one of those countries where it is obligatory on the part of each company to disclose any change in accounting policies in the annual accounts. In
8 countries, the disclosure of change in accounting policies is considered so fundamental by the profession in the countries that even though there is no professional or statutory pronouncement, the companies give the information thinking that lack of it may give rise to a qualified audit opinion.

Further, in case of 18% countries, it has been noticed that the information is found disclosed in almost all the annual reports of companies without any legal requirement. Companies in 5 sample countries, disclose the fact in very isolated cases.

06 Earning Per Share

In order to attract the investors to invest, it is necessary for a company to give earning per share in its annual accounts every year. Our data show that among certain sample countries, disclosure of this information is required by a pronouncement of a professional accountancy body. For instance, in 12 countries the disclosure of earning per share in annual reports of companies is must by law. These countries may be listed as below:

"Bermuda, Brazil, Canada, Hong Kong, Ireland, Jamaica, Phillippines, Peru, South Africa, United Kingdom, United States, Venezuela and Zimbabwe Rhodesia".

In case of 11% of sample countries, companies generally disclose this fact in the annual reports without any statutory restriction. Among 21 countries, the disclosure is less frequently made by companies. It has, further, been
observed that 36% of sample countries do not appreciate the disclosure of earning per share in the annual accounts, perhaps, when the same is low as per their expectations.

07 Statement of Changes in Financial Position

A statement of changes in financial position should be included in financial statement as it provides an important information relating to a company's financial requirements and dividend paying ability by summarising the financing and investing activities. The study reveals that in more than 50% sample countries, it is statutorily binding upon the companies to prepare this and included the same in financial statements. In India, although there is no statutory compulsion, yet a number of industrial giants like Tata Group of Companies, Gwalior Rayon, Larson and Toubro Ltd., Reliance Textile Ltd., National Organic Chemicals, etc. have started preparing this statement along with other statements in order to give clearer picture of their financial position to their investors. Among certain sample countries, the practice of preparing statement of changes in financial position is usually followed by all companies. For instance, in 11 countries, it is a pre-dominant practice to prepare this statement; whereas in 14 countries, it is noticed as a rare practice. In Austria, Belgium, Colombia, Greece, Italy, Japan and Malaysia, this practice is not being followed by even a single company.
Segmental Disclosure

A company which engages in different product lines should make reporting for its each individual segment. This will help the investors to know the amount of sales and net income derived from a particular segment of the company which otherwise is not possible in the consolidated statements. Disclosure of this fact in the annual account should be made compulsory by law. It is shocking to note a very poor performance of this fact in most of the countries. For instance only among 5 countries (Argentina, Canada, Pakistan, United Kingdom and United States), the importance of disclosure of this item is recognised by law.

In 8 other countries, it is a pre-dominant practice followed by companies regarding disclosure of this item. In 41% of sample countries, the item is less frequently disclosed by companies and in 24 other countries, a negligible number of companies do the same. In case of India, it is sad that not a single company out of a sample of 51 have cared to touch the item.

On the basis of the analysis made earlier, the following conclusions are drawn:

The items relating to balance sheet (both liabilities and assets sides) and profit and loss account have been shown almost by all the countries. Since, these items are compulsorily required to be disclosed by law almost in
all the countries. The other items are disclosed by some of the economically advanced countries like United Kingdom; United States; Hong Kong; Canada; Singapore; Switzerland; Argentina, Sweden etc.

Certain information, useful to investors, have been disclosed in financial statements voluntarily though there is no legal obligation even by some economically backward countries like:

"Bahamas, Bermuda, Nigeria, Venezuela, Portugal, South Africa, Fizi and Bolivia etc".

We have observed during the course of study that there are certain other items which are required to be disclosed compulsorily in foreign countries, and which are so important in nature that their disclosure should be made compulsory in our country too like—inflation accounting, segmented disclosure, funds-flow statement etc.