CHAPTER SUMMARY

In this chapter, an attempt is made to empirically evaluate whether there is any univariate and multivariate differences between investor and managerial employees in perceiving the importance of corporate annual reports, status of mandatory and voluntary disclosures, usefulness of CFR (Corporate financial reporting) and level of satisfaction with various aspects of corporate annual report. One way ANOAVA and discriminant analysis is used to explore univariate and multivariate differences between two groups respectively. The results of ANOVA and discriminant analysis exposed the existence of significant difference in perception of each attribute / component and linear composite perception score of all attributes / components measuring importance, mandatory / voluntary disclosure, usefulness and satisfaction. Overall, it became evident that the respondents in investor and managerial employee groups are not identical in level of importance of corporate financial reporting, perceived status of mandatory and voluntary disclosure in corporate annual reports, usefulness of corporate financial reporting and satisfaction with some aspects of corporate annual report.
CHAPTER VIII
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

8.1 INTRODUCTION

In the previous three chapters, various aspects of corporate accounting practices based on the perception of investors in corporate stocks and also based on the perception of managerial level employees in corporates are analyzed. From the interpretation of the results, many findings are emanated. The major findings from the discussion of the results in the analysis of chapters are listed followed by suggestions and conclusions in this chapter.

8.2 FINDINGS

Investors’ Investment Characteristics

1. The years of experience in stock market investments are 4 years and above for more than half of the investors.

2. Less risk is the most important factor for the investors followed by liquidity and wealth creation from making investments in stock market.

3. The time frequency of investments is weekly and monthly for more than two-thirds of the investors

4. It is found that the most important source of information about companies listed in stock exchange is advice from stockbrokers / specialists followed by media coverage and interviews and corporate annual reports. The newspapers / business magazines, interim reports of the company and market rumours are also sources of information about company to considerable extent for the investors.
5. The important sources of information for investors about companies listed in stock exchange is inconsistent and vary with variation in socio-demographic and economic status of the investors.

**Qualitative Characteristics and Importance of Corporate Annual Reports – Investors’ Perspective**

1. It is found that corporate accounting information is capable of making a difference in investment decision of the investors and it is available on a timely basis. It is however found that corporate accounting information does not faithfully represent what really happened or existed; and accounting practices and methods are not consistent over time.

2. All items in corporate annual reports are important but income and expense statement is rated as the most important followed by pictorial statements, statement of financial position and auditor’s report.

3. The perceived importance to various items in corporate annual reports differs with difference in the levels of gender.

**Status of Mandatory Disclosure in Corporate Annual Reports – Investors’ Perspective**

1. There are six major components of mandatory disclosure in corporate annual reports, viz., disclosure of income and expense items, disclosure of balance sheet items, disclosure of cash / fund flow with auditor’s report and disclosure of accounting policy with income tax information.
2. The disclosure of balance sheet items, income and expense items, cash / fund flow with auditors reports is good but the level of disclosure of balance sheet items are relatively better than the disclosure income / expense items and cash / fund flow with auditor’s reports.

3. The disclosure of accounting policy with income tax information is found to be much higher than moderate level and the disclosure of entire mandatory corporate accounting reports is good according to the investors.

4. Both male and female investors have on the average perceived the disclosure of balance sheet items and cash / fund flow with auditor’s reports as good, but the degree of good opinion among female investors is significantly higher than their male counterparts.

5. The mandatory disclosure of corporate annual reports pertaining to income and expense, balance sheet, cash / fund flow with auditor’s report is good but the investors with different age level have different level of good opinion on income and expense, balance sheet, cash / fund flow with auditor’s report in turn indicating the inconsistency in the disclosure of mandatory corporate annual reports. At the same time, the investors regardless of the difference in age levels are consensus in perceiving mandatory disclosure of accounting policy with income tax information as moderate.

6. The level of good opinion about mandatory disclosure of income / expense items, balance sheet items, cash / fund flow with auditor’s reports and disclosure of all items is associated with job status and income levels of the investors.
Voluntary Disclosure in Corporate Annual Reports – Investors’ Perspective

1. According to investors, voluntary disclosure of corporate annual reports consist of six major components, viz., Information on employees, social responsibility & environmental policy, Information on board structure, Financial information, Forward-looking information, General corporate information and Audit committee information.

2. The voluntary disclosure of information on financial aspects is ranked first followed by disclosure of forward-looking information, disclosure of information on employee, social responsibility & environmental policy and general corporate information perceived as good by investors.

3. The voluntary disclosure of information by corporates on board structure is above moderate whereas that of audit committee is below moderate according to investors.

Importance of Corporate Annual Reports – Perspective of Managerial Employees

1. According to managerial employees in the sample, statement of financial position is the most important corporate accounting disclosure followed by pictorial statements, income and expense statement, auditor’s report, and management discussion and analysis. The chairman’s message though important is considered last next to accounting policies and profile of board of directors.
2. There is no similarity in importance given to various corporate annual reports except pictorial statement between male and female managerial employees.

3. It is found that all types of corporate annual reports are considered important but the degree of importance is significantly associated with age levels of managerial employees.

4. There is significant difference in perception among managerial employees with different levels of education in respect of all reports except chairman’s message, directors’ report, reports on changes in owners’ equity, accounting policies and profile of board of directors in turn indicating inconsistency in their perceived importance of these reports.

5. The levels of job status of the managerial employees tend to influence their level of importance given to corporate reports such as chairman’s message, auditor’s report, income and expense statement, statement of cash flow and fund flow, and pictorial statements.

6. It is found that perceived levels of importance placed by managerial employees on various corporate annual accounting reports such as directors’ report, auditor’s report, statement of financial position, income and expense statement, statement of cash flow and fund flow, accounting policies, notes to the financial statements and pictorial statements is associated with levels of their monthly income.

7. The degree of importance placed by managerial employees upon director’s report, managerial discussion and analysis, statement of financial position, reports on changes in owner’s equity, and profile of board of directors is
associated with their work experience and therefore it is perceived that importance given by the managerial employees on these corporate accounting reports is not decisive for the investors.

Status of Mandatory Disclosure in Corporate Annual Reports – Perspective of Managerial Employees

1. It is found from the perception of managerial employees that mandatory disclosure of ‘cash / fund flow with auditor’s report tops with good rating followed by good rating of accounting policy with income tax information, balance sheet items and income / expense items. In general, entire components of mandatory disclosure of corporate accounting is good according to managerial employees in the sample.

2. There is no uniformity in rating of mandatory disclosure of income / expense statements and balance sheet items whereas other two major components of mandatory disclosure, viz., cash flow / fund flow with auditor’s report and accounting policy with income tax information are rated consistently as good by male and female employees.

3. There is significant difference in the level of rating all components of mandatory disclosure except disclosure of accounting policy with income tax information across respondents groups with four different age levels.

4. There is dissimilarity in the level of good rating assigned to mandatory disclosure of corporate accounting by management employees of different educational status in the sample in turn indicating discrepancy in the mandatory disclosure of accounting by corporate companies.
5. The rating of accounting policy with income tax information as good is independent of the job status whereas rating of other components as well as entire items of mandatory account disclosure as good is significantly associated with job status of the management employees.

6. The level of good opinion about disclosure of cash / fund flow statement with auditor’s report and accounting policy with income tax information is independent of levels of income whereas rating of other disclosure components and disclosure of entire items when taken together is significantly associated with income levels of the managerial employees.

7. The work experience of managerial employees affects their level of good opinion about mandatory disclosure of various corporate accounting reports.

**Status of Voluntary Disclosure in Corporate Annual Reports – Perspectives of Managerial Employees**

1. The good level of board structure disclosure is followed by such level of disclosure on employee information, social responsibility and environmental policy, general corporate information, forward-looking information and financial information whereas disclosure of audit structure is neither poor nor good according to managerial employees in the sample.

2. The managerial employees’ perception about the disclosure status of voluntary items in corporate annual reports is moderately affected by levels of gender, levels of age, educational status, job status, levels of income and years of work experience.
Usefulness of Corporate Financial Reporting

1. Corporate financial reporting (CFR) is useful for decision making tasks, investor to gather more information for decision making, as a communication system enabling investor to make more informed decision, enables accessing information for investment decision making task more quickly and it is very useful that investors do not need sources of information other than corporate financial reporting for investment decisions.

2. It is found that the perceived level of various usefulness of corporate financial reporting is independent of the perceived level of mandatory and voluntary corporate disclosures among management employees in the sample.

Satisfaction with Corporate Financial Reporting

1. The managerial employees are much satisfied with usability and overall quality of CFR followed by their satisfaction with reporting format, level of details, timelines, relevance of information, transparency and reliability.

2. The managerial employees’ satisfaction level with various aspects of CFR is independent of their perceived status of mandatory and voluntary corporate accounting disclosures.
Status of Corporate Accounting Practices – Comparison of Perception between Investors and Managerial Employees

1. The managerial employees in the sample considered all corporate accounting reports as more important than investors and differ significantly in respect of all but income / expense statement. Regarding the disclosure status of income / expense statement both respondent groups have given equal importance.

2. Managerial employee group differs from investor group by attributing low importance to corporate financial reports in terms of profile of board of directors, auditor’s report, director’s report and statement of financial position in corporate financial report.

3. There is significant univariate difference in the level of good opinion about various components as well as entire components of mandatory disclosure in corporate annual reports between investor and managerial employee groups.

4. It is found that investor group scoring high on mandatory disclosure of income and expense items and balance sheet items are different from managerial employee group with high scoring on mandatory disclosure of cash / fund flow with auditor’s report and accounting policy with income tax information.

5. The level of good ranking about various aspects of voluntary disclosure in corporate annual reports differs between investors and managerial employees.
6. There is multivariate difference in level of perception about disclosure of voluntary items in corporate annual reports between investors and managerial employees in such a way that the level of good opinion about voluntary disclosure of board structure is more among investors than with managerial employees whereas level of good opinion about voluntary disclosure of financial information in corporate annual reports are higher among managerial employees than investors.

7. There is multivariate difference between two respondent groups in linear combination both mandatory and voluntary components in corporate annual reports, that is the two respondent groups differ from each other in respect of their level of good perception about voluntary disclosure of board structure, mandatory disclosure of income / expense items and balance sheet items in corporate annual reports when all components of mandatory and voluntary disclosure are taken into account simultaneously.

8. The managerial employees are differentiated from investor groups in terms of their high perception about usefulness of CFR in enabling to access information for investment decision making task more quickly; and usefulness of relevant information contained in CFR for decision-making tasks.

9. It is found that there is univariate difference in the level of satisfaction with usability, reporting formats, level of details and overall quality of corporate annual reports between investors and managerial employees. It is however found that both respondent groups expressed similar level of satisfaction with transparency, reliability, relevance of information and timeliness of the corporate annual report.
10. The managerial employees with more satisfaction with usability and reporting formats are well differentiated from investors who are less satisfied with these two aspects of corporate accounting disclosure.

8.3 SUGGESTIONS

The following are a few suggestions based on the findings from the study.

1. The investors have stated that corporate accounting information is capable of making a difference in their investment decision but it does not faithfully represent what really happened or existed. So, corporates take this into account in the public annual reports. That is, reporting of corporate financial accounting should develop confidence among the investors.

2. According to investors’ reporting of income / expense items and cash flow / fund flow information were not so good as the reporting of balance sheet items in mandatory corporate annual reports. So, corporates should give much attention in giving detailed information about income and expenses as well as about cash flow and fund flow in the annual reports.

3. There were remarkable differences in the opinion levels about various components of mandatory disclosures in corporate annual reports across different socio-demographic and economic categories of investors and managerial employees in the sample that was likely to be inconsistent in the annual reports. So, the corporates should provide an unabridged form of annual reports in order to improve the consistency.
4. It is necessary for the corporates to disclose more and more about themselves under voluntary disclosure in annual reports so that investors do not need other sources of information other than corporate financial reporting to meet the ever increasing needs of the investors for investment decisions.

5. In order to make the stakeholders (investors & others who are interested in growth of corporates) feel that annual reports are reliable, the corporates must focus on communicating the reports in an open and transparent way.

6. The corporates must follow genuine policies and standards in presentation of annual reports for the welfare of the investors and other stakeholders as well as for the welfare of entire economy of our country as a whole.

7. Information considered relevant for decision making when the information was disclosed before loses its capacity to influence decisions after sometime. So, publication of annual reports on internet by entire companies in the country should be done to provide the best information on time to the investors and other stakeholders.

8. The voluntary information such as future projects likely to be undertaken, the risks they are exposed to in the market due to competition and likely changes in the industry / sector as a whole can be disclosed in the annual reports.

9. The investors are less satisfied with reporting formats of the reports and differ significantly from managerial employees in this regard. So, the corporate should give extra emphasis on reporting formats.
10. The pictorial statements and auditors’ reports were rated as important by both investors and managerial employees. As these two types of reports are likely to give a quick and easy understanding of important information about company, all companies (corporates) should use these innovative methods to present the information in their annual reports.

8.4 CONCLUSION

The present study has focussed on evaluating the status of corporate financial reporting (CFR) in Indian context based on the views of corporate investors and employees in corporate companies at managerial position. It is understood that all items in the disclosure are important but income and expense statement is rated as the most important followed by pictorial statements, statement of financial position and auditor’s report. Though both investor and managerial group have considered all disclosures as important, the level of importance differs between two groups.

Both investors and managerial employees have grouped the disclosure of mandatory items in corporate annual report into four major components, viz., disclosure of income and expense items, disclosure of balance sheet items, disclosure of cash / fund flow with auditor’s report and disclosure of accounting policy with income tax information and both respondent groups have perceived the entire component of mandatory disclosure as good but with notable difference in such levels. The socio-demographic and economic status of the respondents in both groups play a significant role in influencing the perception level regarding mandatory disclosure.
The voluntary disclosure in corporate annual reports is grouped into six major components by both respondent groups. They are: Information on employees, social responsibility & environmental policy, Information on board structure, Financial information, Forward-looking information, General corporate information and Audit committee information. Majority of the respondents in both groups have rated the disclosure status of all these six components as good but the level of such good opinion differs between the two groups. The corporate financial reporting is considered useful by both investors and managerial employees. Further, majority of the respondents in both groups are satisfied with all aspects of CFR but with remarkable difference in the level of satisfaction. On the whole, from the entire study, it is concluded that CFR is important for investors and disclosure status of most of the mandatory and voluntary items in corporate annual reports was good but with significant difference in such opinion level between two groups which may be attributed to inconsistency in the disclosures.

8.5 SCOPE FOR FUTURE RESEARCH

The present study on corporate financial reporting practices of Indian companies have been confined to only on mandatory and voluntary disclosure practices. Following are the scope for further research

2. A study of corporate accounting standards and practices of companies in Tamilnadu
3. A study of corporate financial statement - A study with reference to listed and unlisted companies.
4. Corporate value based management practices of Indian companies in Tamilnadu