

## MANDATORY CORPORATE ACCOUNTING DISCLOSURE PRACTICES: AN INVESTORS VIEW

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### ABSTRACT

*Corporate accounting disclosure is of great significance to accomplish financial accounting objectives as well as to contribute to the efficient allocation of resources through healthy economic decisions. The disclosure of accounting practices have developed in accordance with the changing economic, political, technological and social environments to fulfill the objectives of financial reporting. As business enterprises have increased all over the world in number and size, the supply of the capital and related risk taking have also increased correspondingly, in turn creating considerable public interest in participating in business activity by making investments. To evaluate the corporate financial reporting practices, the data were collected from investors from the samples regarding mandatory disclosure of corporate accounting, usefulness of various accounting formats, usefulness of corporate financial reporting and level of satisfaction in various aspects of corporate finance reporting. The total sample respondents are 435 and Simple random sampling technique was adopted. The data are subjected to frequency / percentage analysis, descriptive analysis such as mean, standard deviation along with independent t-test and one-way ANOVA. The investors 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 the respondent group have perceived the entire component of mandatory disclosure as good but with notable difference in such levels.*

**KEYWORDS:** *Corporate Accounting Disclosure, Mandatory Disclosure, Corporate Annual Reports*  
*JEL Classification: M48, M49.*

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### Introduction

Accounting aims to provide financial information about a business enterprise to various interested groups for decision making. It is a process of identifying, measuring and communicating economic information to permit informed judgment and decisions by the users of information.<sup>1</sup> It is a service activity and its function is to provide quantitative information, primarily financial in nature, about economic entities, that is intended to be useful in making economic decisions.<sup>2</sup> The supply of information by the corporate entities, on their affairs and performance, to the external users is variously termed as 'corporate reporting', 'corporate disclosures', 'external reporting', or 'public reporting'. Ever increasing importance of the corporate sector in the national economy has necessitated a complete and analytical disclosure of accounting information as a whole. The accepted form of financial reporting is the annual report. The essential and important components of the annual reports are the balance sheet, which depicts the financial position of the business at a specific point of time, and the income statement, which depicts the performance of the same organization over a specific period of time. Balance sheet and profit and loss account should fully, fairly and adequately meet the informational needs of the parties involved.

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1 American Accounting Association. Committee to Prepare a Statement of Basic Accounting Theory. (1966). *A statement of basic accounting theory*. American Accounting Association.

2 Board, A. P. (1970). Statement No. 4: Basic concepts and accounting principles underlying financial statements of business enterprises. *New York: AICPA*.

Public interest in the efficient operation and conduct of corporate enterprises has been increasing and therefore, a custodian of public funds should present the annual report in an appropriate manner to investors, creditors, consumers, government, and the public at large so as to fulfill their curiosity regarding the working and performance of the enterprise. This chapter describes the overall objectives of corporate disclosure and evaluates the company annual report as a source of information.<sup>1</sup>

### Review of Literature

**Singh, B. (2017),<sup>2</sup>** Opinions that corporate disclosure plays an important role in the fulfillment of financial accounting objectives. Companies have started using the internet, to disclose or communicate all necessary information, to inform present and potential investors and other stakeholders. The paper attempts to investigate the level of internet financial reporting practices of Indian companies, towards disclosure of financial and non-financial information, on their web sites. The paper also studies the influence of company characteristics on their disclosure score. The result shows that there is a positive association between company size and profitability, with internet financial reporting practices of the companies; it is also observed that there is a great deal of variation in content and presentation of the information, disclosed on the web sites and terminology used for describing the information. The paper reveals that no consistent pattern could be used, to access multiple websites, by different users.

### Objectives of the Study

- To examine the major components of mandatory disclosure of corporate accounting disclosure practices of Indian companies.
- To explore the role of socio demographic characteristics of the investors in determining their perceived status of mandatory disclosure of CADP.
- To analyze the level of satisfaction with various aspects of corporate annual report disclosure among investors.

### Hypothesis of the Study

- H<sub>01</sub>** The perceived status of mandatory disclosure items in CADP is independent of the socio-demographic characteristics of the investors.
- H<sub>02</sub>** The major components of mandatory disclosure items in CADP are independent of the socio-demographic characteristics of the investors.
- H<sub>03</sub>** There is no significant relationship between investor perceived importance of CADP and their socio-demographic characteristics.

### Research Methodology

#### • Sources of Data

The present study comprises of both primary and secondary data. The **Primary data** is collected by conducting questionnaire based survey among the population of corporate investors in Chennai Region. The **Secondary data** consist of information from various publications, Annual reports, Statutory books, Standard text books, Journals, Magazines, Seminar materials, Published and Unpublished reports, websites and libraries pertaining to Corporate Financial Reporting Practices in India.

#### • Sample Size and Sampling Technique

The respondents for survey from population of corporate investors are selected by simple random sampling method. This sampling technique is a widely adopted technique when the size of target population is quite large and unknown. As sample is quite large and unknown, corporate investors sample size for the present research work is determined based on following formula as referred by Osisioma *et al.* (1974).

$$n = \frac{Z^2 r / 2}{4 e^2}$$

<sup>1</sup> Vethirajan, C., Banupriya, K. (2018). Perceived status of CFR Practices among investors and managerial employees. Indian Journal of Finance, 12(10) , 33-45

<sup>2</sup> Singh, B. (2017). Internet financial reporting practices in India: A study of selected Indian companies. SMART Journal of Business Management Studies, 13(2), 84-92.

Where,  $n$  is sample size,  $Z$  is standard value corresponding to 95% confidence level, and  $e$  is the proportion of sampling error in a given situation (allowance of error in sampling considered for the present study is 5%). Thus, using the formula, the sample size is arrived at 384. So, the sample size of anything above 384 is quite acceptable. For this study, the total sample respondents are 435.

- **Statistical Techniques Used**

The statistical techniques used for analyzing the data vary from descriptive to multivariate. The details of the statistical tools are Frequency distribution analysis, Descriptive statistics like mean, standard deviation, One sample t-test, Independent sample t-Test, One way ANOVA (also Called as F test), Principal Component Factor Analysis

Mandatory Disclosure	
Quantitative Disclosure	Qualitative Disclosure
Profit and Loss Account	Directors' Report
Balance Sheet	Auditors' Report
Cash flow statement	Notes of Accounts
Abstract of Balance sheet and general business profile	Accounting Policies
Consolidated Financial Statement	Corporate Governance
Annual Reports of Subsidiary Companies	Notice of AGM
Segment Reporting	Management Discussion and Analysis(MDA)
Research and Development	Auditors' Report on Cash Flow Statement
	Related Party Disclosure
	Disclosure on EPS
	Disclosure on Dividend
	Compliance Certificate
	Employee's Statement under Section 217 (2A)

## Results and Discussion

- **Profile of the Investors**

Table 1 shows the results of the analysis distributing the investors in the sample by socio-economic characteristics. As shown in the table, the total number of respondents from investor population is 433, and out of this, 295 respondents (67.8%) are male and the remaining 140 respondents (32.2%) are female.

**Table 1: Distribution of Respondents in the Sample by Socio-Economic Characteristics**

Socio-Economic Characteristics	Number of Respondents	% to Total
<b>Sex</b>		
Male	295	67.8
Female	140	32.2
<b>Age</b>		
25 – 35	99	22.8
36 – 45	169	38.9
45 – 55	97	22.3
> 55	70	16.1
<b>Education</b>		
Higher Secondary School	139	32.0
Graduate	135	31.0
Post-Graduate	102	23.4
Professional Course	59	13.6
<b>Job Status</b>		
Self-Employed	115	26.4
Government Employee	111	25.5
Private Employee	103	23.7
Professional	106	24.4
<b>Monthly Income</b>		
Up to Rs.25000	126	29.0
Rs.25001-50000	117	26.9
Rs.50001-75000	103	23.7
> Rs.75000	89	20.5
<b>Total Sample</b>	<b>435</b>	<b>100.0</b>

Source: Primary Data.

Majority of the respondents are in the age group of 36 to 45 years (38.9%), followed by the respondent group with age level of 25 – 35 years (22.8%) and 45 – 55 years (22.3%). The respondents aged above 55 years constitute 16.1 per cent (70 out of 435) of the total sample. The respondents who have completed their higher secondary school are the highest occupying 32.0 per cent of the total sample followed by graduates with 31.0 per cent, post-graduates with 23.4 per cent and professionally educated with 13.6 per cent. Being self-employed is the job status for 26.4 per cent of the respondents. Next to this, government employee constitutes 25.5 per cent of the sample followed by 24.4 per cent and 23.7 per cent of the sample with job status as private employee and professional respectively. The monthly income is up to Rs.25000 for 29.0 per cent, Rs.25001-50000 for 26.9 per cent, Rs.50001-75000 for 23.7 per cent and above Rs.75000 for 20.5 per cent of the respondents in the sample.

**Table 2: Important Sources of Information about Company:  
Comparison between Male and Female Investors**

Sources of Information about Company	Sex		t Value (DF = 433)
	Male	Female	
Corporate Annual Report	3.84 (1.16)	3.05 (1.21)	6.56**
Company's Web Site	3.35 (1.28)	2.63 (1.28)	5.47**
Interim Reports of the company	3.51 (1.22)	2.84 (1.29)	5.19**
Newspapers / Business Magazines	3.60 (1.12)	3.10 (1.07)	4.38**
Market Rumours	3.39 (1.25)	2.64 (1.26)	5.83**
Advice from Friends	2.91 (1.44)	2.20 (1.24)	5.03**
Advice from Stockbrokers / Specialists	3.99 (1.05)	3.35 (1.32)	5.43**
Media coverage and interviews	3.87 (1.09)	3.29 (1.34)	4.88**

Source: Primary Data. Figures in brackets are standard deviations. \*\*Significant at 1% level.

It can be seen from the table 2 Shows that the female investors in the sample have scored on the average in somewhat important range on all sources of information (Mean scores ranges from 2.20 to 3.35) and differ significantly from male counterparts who have perceived corporate annual report (Mean = 3.84), interim reports of the company (Mean = 3.51), newspapers / business magazines (Mean = 3.60), advice from stockbrokers / specialists (Mean = 3.99) and media coverage and interviews (Mean = 3.87) as important. Though the male investors have perceived the remaining sources of information as somewhat important (Mean scores > 2.50 and < 3.50), the magnitude of such perception among male group is significantly higher compared to that of female group. On the whole, it is found that degree of importance given to various sources of information about company by male investors is significantly higher compared to that of female investors. The respondents' perception on important sources of information about company on the average is compared by their age levels using one-way ANOVA and the results of the analysis are exhibited in Table 3 From the perusal of the table, it is understood that the investors aged between 25-35 years have valued all sources of information except company's website, market rumours and advice from friends as the important whereas the investors aged 35-45 years have valued corporate annual report, advice from stockbrokers / specialists and media coverage and interviews as important while other two higher age groups have valued only advice from stockbrokers / specialists as important sources of information to know about company.

Moreover, there is no consensus about the degree of importance of all sources of information except market rumours among different age groups (F values for the difference in group means are significant). Regarding market rumours, the investors in the sample regardless of the difference in age levels have equally rated as somewhat important (Mean values are > 2.50 and <= 3.50 and F value f is not significant).

**Table 3: Sources of Information about Company: Comparison by Age Levels of Investors**

Sources of Information about	Age (in years)				f Value (DF = 3, 431)
	25 - 35	36 – 45	45 - 55	> 55	
Corporate Annual Report	4.01	3.59	3.28	3.41	6.60**
	(1.08)	(1.30)	(1.27)	(1.07)	
Company's Web Site	3.38	3.34	2.80	2.63	8.35**
	(1.23)	(1.28)	(1.34)	(1.35)	
Interim Reports of the company	3.64	3.22	3.08	3.27	3.51*
	(1.22)	(1.27)	(1.36)	(1.21)	
Newspapers / Business Magazines	3.72	3.36	3.44	3.21	3.26*
	(1.06)	(1.11)	(1.15)	(1.18)	
Market Rumours	3.36	3.11	2.96	3.21	1.70 <sup>NS</sup>
	(1.30)	(1.31)	(1.29)	(1.27)	
Advice from Friends	3.07	2.71	2.36	2.51	4.60**
	(1.44)	(1.41)	(1.32)	(1.42)	
Advice from Stockbrokers / Specialists	4.07	3.74	3.64	3.69	2.68*
	(1.07)	(1.16)	(1.25)	(1.27)	
Media coverage and interviews	3.90	3.83	3.49	3.29	5.42**
	(1.09)	(1.16)	(1.28)	(1.24)	

Source: Primary Data.

Figures in brackets are standard deviation. \*Significant at 5% level; \*\*Significant at 1% level

Hence, it is deduced that the perceived importance of various sources of information other than market rumours about company tends to decline with increase in age level of the investors. Table 4 presents the results of the analysis comparing the perceived importance between male and female investors. An examination of the table reveals that the statement of financial position, income and expense statement and pictorial statements are equally important for both male and female investors (Mean scores are in important and very important range and the differences in group means do not differ as t-values are not significant). The male investors have rated all corporate annual reports as important whereas the female investors have rated Chairman's message, accounting policies and profile of board of directors as neither unimportant nor important (neutral). Further, there are significant differences in the perceived degree of importance between two groups in respect of all corporate annual reports except three reports mentioned earlier which are given equal importance

**Table 4: Importance of Different Corporate Annual Reports: Comparison between Male and Female Investors**

Annual Reports	Sex		t Value (DF = 433)
	Male	Female	
Chairman's Message	3.82	3.42	3.89**
	(0.91)	(1.13)	
Directors' Report	3.82	3.54	2.56**
	(1.07)	(1.08)	
Management Discussion and Analysis	4.02	3.81	2.06*
	(0.96)	(1.04)	
Auditor's Report	4.14	3.88	2.88**
	(0.88)	(0.91)	
Statement of Financial Position	4.31	4.35	0.46 <sup>NS</sup>
	(0.88)	(0.88)	
Income and Expense Statement	4.54	4.40	1.82 <sup>NS</sup>
	(0.70)	(0.78)	
Statement of Cash Flow and Fund Flow	3.92	3.66	2.49*
	(0.96)	(1.06)	
Reports on Changes in Owners' Equity	3.97	3.66	3.15**
	(0.93)	(1.00)	
Accounting Policies	3.80	3.44	3.58**
	(0.94)	(1.01)	
Notes to the Financial Statements	3.93	3.64	3.03**
	(0.90)	(0.92)	
Pictorial Statements	4.33	4.34	0.11 <sup>NS</sup>
	(0.91)	(0.97)	
Profile of Board of Directors	3.63	3.40	2.17*
	(1.00)	(1.06)	

Source: Primary data; Figures in brackets are standard deviations. \*Significant at 5% level; \*\*Significant at 1% level

To sum up, it is found that the degree of importance given to different annual reports by male investors is significantly higher than that of female investors in turn indicating male investors highly rely on corporate annual reports before making investments compared to female investors. To test the sampling adequacy (adequacy of the sample size to run the factor analysis), Kaiser-Meyer-Okin (KMO) measure is widely used one which can signal in advance whether the sample size is large enough to reliably extract factors (Field, 2009). When the KMO is near 0, it is difficult to extract a factor and when the KMO is near 1, a factor or factors can probably be extracted. Generally, KMO "values between 0.5 and 0.7 are mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb." To ascertain whether the items do not correlate too lowly (otherwise, correlations among the items are sufficient enough to group under common factor) or too high, Bartlett's test is used. If the Bartlett's test gives a significant result with chi-square distribution, we can assume that the items are correlated with each other and they can be grouped into common factor. The results of KMO and Bartlett's test are presented in Table 5.

**Table 5: Results of KMO and Bartlett's Test for Investor Perception Data on Mandatory Disclosure Items**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.9079
	Approx. Chi-Square	6221.20
Bartlett's Test of Sphericity	Df	276
	Sig.	0.0000

From Table 5, it can be observed that the KMO measure is 0.9079, in turn indicating that the data set falls within superb range. Also, Bartlett's test chi-square is very highly significant ( $\chi^2(276) = 6221.20, p < 0.01$ ). Both KMO and Bartlett's test results have clearly revealed that the investor dataset on mandatory corporate account disclosure are sufficient both in sample size and inter-item correlations to run the factor analysis. Table 6 is reported with possible factors underlying the mandatory disclosure dataset for investors along with initial eigenvalue and eigenvalues after varimax rotation for each factor.

**Table 6: Eigenvalues of Factors Underlying Mandatory Disclosure Items Based on Investors' Perception**

Factor	Before Varimax Rotation			After Varimax Rotation		
	Eigenvalue	% of Total Variance	Cumulative % of Total Variance	Eigenvalue	% of Total Variance	Cumulative % of Total Variance
1	6.9191	28.83	28.83	6.5287	27.20	27.20
2	3.8934	16.22	45.05	3.5566	14.82	42.02
3	2.8401	11.83	56.89	3.4321	14.30	56.32
4	2.2843	9.52	66.40	2.4195	10.08	66.40
5	0.8332	3.47	69.88			
6	0.7079	2.95	72.83			
7	0.5906	2.46	75.29			
8	0.5490	2.29	77.57			
9	0.4968	2.07	79.64			
10	0.4782	1.99	81.64			
11	0.4662	1.94	83.58			
12	0.4060	1.69	85.27			
13	0.4008	1.67	86.94			
14	0.3752	1.56	88.50			
15	0.3699	1.54	90.04			
16	0.3433	1.43	91.48			
17	0.3324	1.39	92.86			
18	0.3031	1.26	94.12			
19	0.2866	1.19	95.32			
20	0.2778	1.16	96.48			
21	0.2515	1.05	97.52			
22	0.2282	0.95	98.47			
23	0.1938	0.81	99.28			
24	0.1725	0.72	100.00			

Source: Primary Data

The number of possible factors underlying a dataset will always be equal to the number of items in the measurement scale. Though there are as many number of factor as the number of items, only the factor which can explain more variance than a single item can explain in the dataset will be considered as valid factor. The extent of variance explained by each factor in the actual dataset is exposed by eigenvalue (eigenvalue is a measure of explained variance).

If the eigenvalue of a factor is greater than 1.0, then the factor is capable of explaining more variance than any single item would explain in the dataset and considered as valid factor. Thus, in the results reported in the table have revealed four factors with eigenvalue more than one altogether explaining 66.40 per cent of the variance in the actual set (more than 50 per cent of the variance in the actual set is accounted for by these four factors). So, it is found that mandatory corporate accounting disclosure is comprised of four major components (factors) as postulated by the investors. The characteristics of each one of these four components is explored by items' factor loadings presented in Table 7.

An examination of the table presented with factor loadings indicates that the first factor, which explains 27.20 per cent of the variance in the actual data, included 9 items (item 7 – 15) with factor loadings ranging from 0.765 to 0.882. Out of 9 highly loaded items with first factor, the loading of item 13 is the highest followed by that of item 10. The entire items grouped under first factor possesses characteristics of income and expense disclosure by the corporates. Hence this factor is identified as "disclosure of income and expense items."

**Table 7: Rotated Component Matrix for Valid Factors Underlying Investors' Perception on Mandatory Disclosure Items**

Description of Measurement Items	Extracted Factors			
	1	2	3	4
Different sources of revenue in detail	<b>0.834</b>	0.058	0.071	0.043
Amount and breakdown of operating expenses	<b>0.854</b>	0.058	0.096	0.073
Cost of Production	<b>0.848</b>	0.037	0.069	0.041
Revenue from sale of investments and fixed assets	<b>0.874</b>	-0.017	0.073	0.053
Information about depreciation	<b>0.850</b>	0.085	-0.014	0.027
Dividend proposed & paid	<b>0.765</b>	0.080	0.004	-0.016
Profitability of the year	<b>0.882</b>	0.035	0.080	0.059
Earnings per share	<b>0.810</b>	0.008	0.016	0.064
Previous year income statement with comparison	<b>0.848</b>	0.021	0.036	0.044
Disclosure of assets into fixed, current & tangible	0.110	<b>0.734</b>	0.019	-0.019
Fair value of investments and their breakdown	0.034	<b>0.785</b>	-0.016	0.033
Gross and disaggregated value of current, long-term and contingent liabilities	-0.002	<b>0.775</b>	0.068	-0.002
Details of Shareholders' equity	0.023	<b>0.750</b>	0.145	0.006
Provisions for doubtful & bad debts	0.108	<b>0.793</b>	0.124	0.031
Comparative balance sheet of previous year	0.062	<b>0.702</b>	0.078	0.067
Statement of sources and application	0.087	-0.071	<b>0.735</b>	0.126
Director's reports	-0.061	0.184	<b>0.701</b>	0.011
Auditor's report	0.213	0.031	<b>0.781</b>	0.022
Cash flow statement	-0.031	0.173	<b>0.741</b>	0.002
Age-wise analysis of financial accounting	0.238	0.003	<b>0.769</b>	0.088
Information about CSR	-0.040	0.147	<b>0.752</b>	0.008
Basis of accounting disclosure	0.103	0.027	0.041	<b>0.894</b>
Policy relating to investments	0.082	0.008	0.042	<b>0.917</b>
Information relating to income tax	0.018	0.027	0.047	<b>0.851</b>
Factor Label	Disclosure of Income	Disclosure of Balance Sheet Items	Managerial Reports & Other	Accounting

Source: Primary Data

The second factor explaining 14.82 per cent of the total variance includes six items with factor loadings from 0.702 to 0.793. Items loaded on this factor reveals the investors' perception on balance

sheet aspects (provision for doubtful & bad debts, fair value of investments and their breakdown, gross and disaggregated value of current, long-term & contingent liabilities, details of shareholders' equity, disclosure of assets into fixed, current & tangible, etc.). Therefore, this factor is labelled as "**disclosure of balance sheet items.**" The third factor also includes six items all pertaining to reports of director, auditor, fund flow, cash flow and historical information. The loadings of items third factor range between 0.701 and 0.781. This factor accounts 14.30 per cent of the total variance in the data (after rotation). This factor is labeled as "**disclosure of cash / fund flow with auditor's report**". The fourth factor comprises of three items with item 23 (policy relating to investments) has the highest loading (0.917) followed by item 22 (basis of accounting disclosure) (0.894) and item 24 (information relating to income tax) (0.851). This factor accounts for 10.08 per cent of total variance in the original data. Based characteristics of highly loaded items, the fourth factor are identified as "**disclosure of accounting policy with income tax information**". In sum, it is found that mandatory disclosure of corporate annual reports comprises of 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.

The disclosure status of each major aspect (factor) of mandatory corporate annual report is evaluated by descriptive analysis and one-sample t-test. The t-test and one-way ANOVA is also done on the perception score of each factor to ascertain whether there is any discrepancy in the perception among the respondents (investors in the sample) with difference in socio-demographic characteristics or not. The significant difference in the perception by difference in socio-demographic status, (if the investors with different socio-demographic characteristics perceive the mandatory disclosure of corporate annual reports differently, i.e., if there is no consensus among the respondents of different socio-demographic status), reveals the lack of consistency in the corporate' reporting of mandatory accounting information to the investors. The score for each factor is calculated by averaging the perception scores of items belong to the factor. As the respondents' responses on disclosures are obtained using 5-point Likert scale with value ranging from 1 for not disclosed, 2 for poor, 3 for moderate, 4 for good and 5 for very good, the perception of the entire respondents or a respondent group on disclosure is considered as "not disclosed", "poor", "moderate", "good" and "very good" if calculated mean score is < 1.50, >= 1.50 and < 2.50, >= 2.50 and < 3.50, >= 3.50 and < 4.50, and >=4.50 respectively. For one sample t-test, the value 3 for moderate is used as hypothetical mean. Table 8 presents the results of descriptive analysis and one-sample t-test on investors' perception scores of factors underlying mandatory disclosure of corporate annual reports.

**Table 8: Status of Mandatory Corporate Accounting Disclosure as Perceived by Investors**

Major Components of Mandatory Disclosure	Mean	SD	t-Value
Income and Expense items	4.14	0.78	30.70**
Balance Sheet Items	4.33	0.71	39.10**
Cash / fund flow with auditor's report	3.86	0.72	24.80**
Accounting Policy with income tax Information	3.35	1.05	6.90**
All Mandatory Disclosure Items	4.02	0.47	44.80**
***Significant at 1% level.			

As presented in the table, the investors have scored a high of 4.33 on the average on disclosure of balance sheet items, which falls in "good" range. Next to this, scoring of investors on income and expense items is high and in good range (Mean = 4.14) followed by disclosure on cash / fund flow with auditor's report (Mean = 3.86). The mean scores of all these three mandatory disclosure aspects are well above and significantly much higher than 3, the value for moderate. Regarding disclosure of accounting policy with income tax information, the mean perception score of the investors falls in moderate range but significantly above the hypothetical mean of 3, value for moderate, in turn indicating that the investors have perceived the disclosure of this mandatory aspect near good. The mean perception score of the investors on entire mandatory disclosure items, 4.02 also falls in good range and significantly much higher than moderate value of 3.

Overall, it is found that disclosure of balance sheet items, income and expense items, cash / fund flow with auditor's reports is good but the level of disclosure balance sheet items are relatively better than the disclosure income / expense items and cash / fund flow with auditor's reports. 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. The



investors' perception on four major components as well as on entire items of mandatory disclosure of corporate annual reports is compared by their age levels using one-way ANOVA and the results of the analysis are exhibited in Table 9.

**Table 9: Status of Mandatory Corporate Accounting Disclosure: Comparison by Age Levels of Investors**

Major Components of Mandatory Disclosure	Age (in years)				f Value (DF =3, 431)
	25 - 35	36 – 45	45 - 55	> 55	
Income and Expense items	3.80	4.30	4.13	4.27	9.75**
	(0.97)	(0.67)	(0.74)	(0.62)	
Balance Sheet Items	4.25	4.37	4.33	4.34	0.62 <sup>NS</sup>
	(0.76)	(0.75)	(0.57)	(0.71)	
Cash / fund flow with auditor's report	3.86	3.94	3.62	3.95	4.82**
	(0.74)	(0.71)	(0.77)	(0.58)	
Accounting Policy with income tax information	3.13	3.40	3.37	3.51	2.17 <sup>NS</sup>
	(1.06)	(1.08)	(1.03)	(0.96)	
All Mandatory Disclosure Items	3.84	4.12	3.96	4.11	8.72**
	(0.55)	(0.43)	(0.45)	(0.40)	

Source: Primary Data.

Figures in brackets are standard deviation. NS-Not significant; \*\*Significant at 1% level

It can be observed from the results of the analysis comparing investors' opinion about various aspects of mandatory disclosure of corporate annual reports by age that there are good opinion about disclosure of income and expense items, balance sheet items and cash / fund flow with auditor's report among the investors of all ages but the degree of good opinion vary significantly with variation in the age levels in respect of mandatory disclosure of income / expense item (F value = 9.75,  $p < 0.01$ ), cash / fund flow with auditor's report (F value = 4.82,  $p < 0.01$ ). About disclosure of all 24 items of mandatory disclosure, the investors in the sample have expressed good opinion but such level of opinion is not same for respondent groups with different age levels (F value = 8.72,  $p < 0.01$ ).

The investors in the sample aged up to 55 years have scored on the average in moderate range while those with age above 55 years have scored in good range in respect of mandatory disclosure of accounting policy with income tax information but the above observed difference is just by chance and not due to age of the investors as F value for the difference in group means is insignificant. In sum, it is found that 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 in turn indicating the inconsistency in the disclosure of mandatory corporate annual reports. However, there is consensus among the investors in perceiving mandatory disclosure of accounting policy with income tax information as moderate.

#### Findings of the Study

- 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
- The disclosure of balance sheet items, income and expense items, cash / fund flow with auditor's 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.
- 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.
- 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.
- 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.

- 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.

#### **Suggestions of the Study**

- 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, corporate take this into account in the public annual reports. That is, reporting of corporate financial accounting should develop confidence among the investors.
- 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, corporate 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.

#### **Limitations of the Study**

The present study is limited to investors in Chennai region. So, the findings of the study cannot be generalized for the entire population of investors in other parts of State of Tamil Nadu.

#### **Implications of the Study**

There is a consensus that veracious fiscal uncovering operates a weighty role in winning investors' credit and betroths the weal of financial fair. 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, corporate take this into account in the public annual reports. That is, reporting of corporate financial accounting should develop confidence among the investors.

#### **Conclusion**

The presents study has focused on evaluating the status of corporate financial reporting (CFR) in Indian context based on the views of corporate investors. 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. The investors 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. The socio-demographic and economic status of the respondent groups plays a significant role in influencing the perception level regarding mandatory disclosure.

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