Web-based Corporate Reporting – An Innovative Mode of Reporting

Rajiv Sharma
Research Scholar CMJ University, Meghalaya

Abstract

Web based corporate reporting has emerged as a new mode of communication between companies and stakeholders. Corporate Websites provide a major platform for firms to transmit information to customers and conduct transactions in business markets. In commonly known business-to-business and business-to-consumer e-commerce models, firms typically use the Internet to market their products. This paper explores the theoretical framework of web-based corporate reporting practices and explores various concepts that have been used in analysis process.

Keywords: Corporate Reporting, Financial Information, Online Reporting, Corporate Governance, Financial Reporting Index.

Introduction

One of the most rapidly growing areas of internet technology is the World Wide Web, which is used for business communication in various forms. It has the potential to be used in almost all the functional areas of management and business. Recently, the companies have started reporting their financial results and other information relating to the business on their website. The internet technology provides a new platform for disseminating all this information. It is a technology that has the potential to exhibit distinctive and attractive features of information which makes it an efficient and cost effective measure as compared to the traditional methods of printed media. It offers users the facilities to access documents containing multimedia mixtures of text, graphics, sound and video in a standard format which is open to everyone. It is a fast, cheap and increasingly used media of information in business world today.

Corporate reporting is the process of communicating both financial and non financial information relating to resources and performance of a company. Corporate reporting refers to presenting data to internal and external users such as management, shareholders, regulatory authorities, general public and various specific stakeholder groups. The process of reporting varies depending on target audience and the basic purpose of reporting is developing closer alignments between various stakeholders and decision makers. In present times, the increased economic, market and regulatory pressures are forcing companies to accumulate and publish information regarding financial performance, social and environmental issues, corporate governance, and marketing ads well as other information with more frequency, detail and a variety of formats. Web based corporate reporting has become quite popular during present times. Almost every company maintains its website. It has rather become mandatory with every organization to disclose information on website

Corporate reporting is a voluntary public presentation of information about an organisation's financial and non-financial performance which includes economic, environmental, social and other relevant aspects of business. A report may be published as a stand-alone document on a company website or incorporated into an annual report. Corporate reporting promotes transparency and accountability aspects for an organisation.

Corporate reporting has been recognized as an important mechanism for improving corporate image and performance. It is based on generating business value through measurement and management of environmental risk and opportunities, and reporting this information in a fashion that responds to the growing expectations of customers, business partners, investors and the wider community.

The conceptual framework of corporate reporting is generally based upon

a) timeliness of communication

b) reliability of information communicated

c) materiality of the information

d) relevance of the information to users, and

e) forms of presentation.

At the end of each financial year, a company has to prepare financial statements, that is, profit and loss account and balance sheet and other related information. These financial statements are duly audited and certified by the auditors. Such statements are communicated to owners and third parties such as creditors, customers, banks, financial institutions, government authorities, community, and researchers.

Corporate reporting provides a medium for an organization to communicate with diverse stakeholders. It provides various types of tangible and intangible benefits to the organisations. It strengthens external relationships by publically sharing information on economic, environmental and social performance of business. It helps reducing wastage and operating cost by reducing inefficiencies and improving management system. It provides information to investors and helps in attracting potential investors by informing them about financial and other highlights of the company. Reporting also helps in improving the supply chain relationships with the suppliers, intermediaries and distributors. It helps in gaining confidence of the regulatory bodies and also improving goodwill of the business. Good corporate reporting practices help improving the competitive advantages of the business. It enhances the global presence of an organization. It provides many internal benefits as well external benefits such as attaining and retaining high-quality employees by enhancing staff motivation and strengthening management systems and bringing efficiency and effectiveness in the organisation.

Rogers (2003), the diffusion of innovation theory argues that an *innovation* (which refers to an idea, practice or object that is perceived as new by an individual or other unit of adoption) progresses through different communication channels over time among the members of a social system. *Diffusion* is a special type of communication involving messages about an innovation. Individuals are observed as having different degrees of willingness to adopt innovations and the portion of the population adopting an innovation is approximately normally distributed over time (Rogers 2003).

Ashbaugh et al. (1999) made a study on corporate reporting on Internet on 290 companies. It was found that corporate size was statistically significantly correlated with Internet financial reporting. Craven and Marston (1999) examined the extent of financial information disclosure on the Internet by the largest companies in the UK in 1998. The study found that there was no significant association between industry type and disclosure.

Debreceny and Gray (1999) studied financial reporting on the Internet and its implications for external audit by surveying forty five large listed UK, French and German corporations.

Web-based Corporate Reporting

[a] The Concept of Web-based Corporate Reporting

One of the most rapidly growing areas of information technology is the World Wide Web (abbreviated as WWW or web), which is used for business communication in various forms. It has the potential to be used in almost all functional areas of management and business. In the past few years, rapid developments in Information Technology (IT), particularly in communication, electronic service network, multimedia, websites, e-mail, video conferencing, e-commerce, chatting, file transfer applications have opened up new opportunities for the corporates. All these are contributing towards new and effective ways of processing business transactions, integrating business processes, transferring payments and delivering services.

Web-based corporate reporting allows businesses to provide financial and non-financial business information through their websites. Web-based corporate reporting is a voluntary practice rapidly adopted by many companies now-a-days. It is also known as voluntary reporting, Internet reporting, web reporting, Internet disclosure, web disclosure by companies. Almost all companies now provide information through their websites. It is an emerging field of accounting theory.

Web-based corporate reporting includes both financial reporting and non-financial reporting. The financial reporting includes some statutory reports like profit and loss account, balance sheet, cash flow statement, statement of changes in financial position, director‘s report, auditor‘s report and interim reports. In addition to this there are some non statutory financial reports also which includes value added statements, summarized financial statements, current cost accounts, human resources accounting, social accounting, financial highlights, segment reporting, financial ratios, economic value added, price level accounting, etc. Non-financial reporting has its own value to evaluate a firm‘s performance in this dynamic and competitive environment. This non-financial information includes information on corporate governance, corporate social responsibility, corporate history, environmental reporting, sustainable development reporting, etc. The websites report a large amount of non-financial information also which is useful for the stakeholders.

[b] Benefits of Web-based Corporate Reporting

The WWW offers numerous benefits for corporate reporting over conventional print media. Its mass communication and global reach abilities allow information to be disseminated to a wide range of stakeholders. The WWW facilitates two-way interaction and feedback through discussion forums, bulletin boards, and email lists.

Another important benefit offered by the Internet is its time dimension. Web casting is a possible tool that could be utilized to disseminate information conveniently and on a timely basis to multiple stakeholders. This involves a live broadcast of an event through the WWW. A common example is a web cast of an annual general meeting.

Similarly, improved presentation and navigation through graphics, hyperlinks, and search facilities is possible through the WWW. The WWW also allows an increased information flow at a low cost. Archived information such as annual reports for multiple years can be displayed on corporate websites. WWW tools can also be used to record and track users of websites. This is possible through the hit counter facility as well as log analysis software.

Thus, organizations are not only aware of how many users have accessed their website but also when they had used the website and what type of information was accessed.

The WWW could allow a company to integrate all aspects of corporate communication. For instance, triple bottom line (financial, social, and environmental) information could be provided on a website and linked together by utilization of hyperlinks.

WWW allows users to pull information (pull-based technology); push-based technology can also be used to disseminate information to users. This could be feasible through utilization of email lists and alerts (Financial Accounting and Standards Board, 2000), which would provide timely information to stakeholders.

While the downside of such reporting may lead to disparities between large and small size companies or developed and developing countries, the increased costs for website expertise and maintenance may lead to security risks and authentication problems. However, with the improvements in technology it is hoped that the limitations would be alleviated over the time. Furthermore, companies would assume responsibility to provide information to external stakeholders on the website through extensive site promotion and also train users in the use of WWW technology.

Online selling of goods and services is possible through websites. A company can market its products through Internet and consumers sitting at any place can order the products and make the payments electronically. Overall web-based corporate reporting will increase transparency and accountability in the system. It has now become inevitable to survive in global competition and companies, which have good websites and adopt good reporting practices, hold a competitive advantage in comparison to their competitors.

[c] Print Media vs. WWW Media for Corporate Reporting

It is evident from the table I given below that the benefits of corporate reporting on the WWW are more than that of print media. This provides support to the notion that WWW is a rich media for disclosing corporate information. In addition, it has the advantage of being a cost effective medium for disseminating information—one that could reduce the consumption of paper. The WWW allows companies to disclose corporate information instantly (immediacy) to numerous stakeholders (multiple addressability) and possibly engage and seek the views of their stakeholders (concurrency). Various approaches to presenting the information (multiple cues) based on different formats (language variety) and needs (personal source) can be used. Information can be well organized through hyperlinks and search tools in order to allow ease of navigation for stakeholders (computer processable memory). The extent to which various stakeholders have used such information can also be accessed by WWW technology (externally recordable) while archived information can also be disclosed.

Table I: WWW Media compared with Print Media for Corporate Reporting

Basis	**Print media**	**WWW media**
Updation	Historical information.	Information can be supplied on a timely basis and updated regularly.
Multiple cues	Limited ways of presenting information in hardcopy form.	Presentation flexibility and visibility can provide multiple cues for disseminating information.
Language variety	Restricted to a general report.	Information can be organized through hyperlinks, increased information can be provided, and different file formats can be used for downloadable information.
Personal source	Information is for a general audience.	Hyperlinks can provide information for different stakeholders, information can be pushed to stakeholders through email lists, and automatic feedback forms can also be utilized.
Multiple addressability	Accessibility is often limited due to geographic barriers; the addressability of information is often to the more “powerful” stakeholders.	Anyone with WWW access can receive information due to the global reach and mass communication potential of the WWW.
Externally recordable	Manual ways of tracing the users of the disclosed information.	Log analysis software and the hit counter facility can be utilized to keep a record of users of the website. Reports for multiple years can be archived on a website.
Computer process able memory	Manual searching.	Navigation and management of information on website is possible through hyperlinks, menus and search engines. Integration of information is also possible through hyperlinks to another section, page, or website.
Concurrency	Simultaneous interaction is not possible.	Allows two-way interactions through discussion forums, emails and bulletin boards.

The benefits of using Internet or WWW as a medium to disclose corporate information are so many that most of the companies have started adopting web reporting voluntarily. The above table depicts the comparative advantages of both these modes of communication.

It is expected that in the years to come, business reporting to stakeholders will move entirely from the current primarily print-based mode to the web mode. The web-based corporate reporting has a bright future and the practices in web reporting need to be standardized.

Corporate Reporting Standards in India

The paradigm shift in the global economic environment during last few years has led to increasing attention being devoted to accounting standards as a means towards ensuring potent and transparent financial reporting by corporates. Accounting Standards are formulated with a view to harmonise different accounting policies and practices in use in a country. The objective of Accounting Standards is, therefore, to reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, thereby ensuring comparability of financial statements of different enterprises with a view to provide meaningful information to various users of financial statements to enable them to make informed economic decisions.

The Institute of Chartered Accountants of India (ICAI) being a member body of the then International Accounting Standards Committee (IASC), constituted the Accounting Standards Board (ASB) on 21st April, 1977, with a view to harmonise the diverse accounting policies and practices in use in India. After the adoption of liberalisation and globalisation in the Indian economy in early _90s, the Accounting

Standards have assumed more importance. While formulating accounting standards, the ASB takes into consideration the applicable laws, customs, usages and business environment prevailing in the country. The ASB also gives due consideration to International Financial Reporting Standards/ International Accounting Standards issued by IASB and tries to integrate them, to the extent possible, in the light of conditions and practices prevailing in India.

The composition of the ASB is broad-based with a view to ensuring participation of all interest groups in the standard-setting process. These interest- groups include industry representatives of various departments of government and regulatory authorities, financial institutions and academic and professional bodies like Associated Chambers of Commerce (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI), Reserve Bank of India, Ministry of Company Affairs, Central Board of Direct Taxes, Comptroller & Auditor General of India, Controller General of Accounts, Securities and Exchange Board of India and Central Board of Excise and Customs are represented on the ASB. Apart from these interest groups, members of the Central Council of ICAI are also on the ASB.

The main objectives of the Accounting Standards Board are:

(i) To conceive of and suggest areas in which Accounting Standards need to be developed.

(ii) To formulate Accounting Standards with a view to assisting the Council of the ICAI in evolving and establishing Accounting Standards in India.

(iii) To examine how far the relevant International Accounting Standard/International Financial Reporting Standard can be adapted while formulating the Accounting Standard and to adapt the same.

(iv) To review, at regular intervals, the Accounting Standards from the point of view of acceptance or changed conditions, and, if necessary, revise the same.

(v) To provide, from time to time, interpretations and guidance on Accounting

Standards.

(vi) To carry out such other functions relating to Accounting Standards.

Web-based Corporate Reporting Practices in India

A website is a user-friendly page which contains updated information relating to a particular organization. It includes graphics, text, objects, multimedia, hypertext and hypermedia, which allow users to access any information by click of a mouse. A website is open to all users and any one can get relevant information from a website. In India, growth of Internet has been very rapid. Because of global competition, international presence of Indian companies, boom in the stock markets, increased professionalism, convergence to international accounting standards, wide markets and presence of global customers, Indian companies are using Information technology in the best possible way. Almost all Indian companies have web presence by creating their websites. But the type of information disclosed on the websites varies from website to website. Some companies are disclosing a lot of information on the website and they are updating their websites as soon as any new information comes to them. But some other companies are not disclosing much information through the websites.

The disclosure of information on websites of Indian companies can be broadly classified as financial reporting and non-financial reporting. Financial reporting covers the complete annual reports that are provided on the websites. Interim statements of the current year, annual and interim statements of the past years are also available on website of a company. Information about the current share prices, dividend paid, financial review, and ratio analysis is also a part of financial disclosure. Some companies also present their annual reports as per International Accounting Standards (IAS) and US GAAP. The financial disclosure on the website is available under the heading of financials or investors relations on a company‘s website. But, everything disclosed is a voluntary exercise to have advantages from its reporting.

Non-financial Reporting or economic reporting can be further classified as corporate governance, corporate social responsibility, investor relations, and e-commerce. These are discussed as under:

- **Corporate Governance:** Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered and controlled. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. This would include information with regard to history of the company, organizational structure, vision, mission, board of director information, remuneration of the management, code of corporate governance, citizen‘s charter, etc.
- **Corporate Social Responsibilities (CSR):** Corporate social responsibility is a concept, which emphasizes that organizations are under an obligation to consider the interests of customers, employees, shareholders, communities and ecological considerations in all aspects of their operations. CSR is closely linked with the principles of sustainable development, which argues that enterprises should make decisions based not only on

financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of their activities. So, CSR reporting includes environmental policy statement, product quality and safety information, social and community contribution information, CSR initiatives, contribution to educational institutions, research and employment opportunities, etc.

- **Investors Relations:** Investor relations are a set of activities that relate to the way in which a company discloses for regulatory compliance and good investment judgement to shareholders and the wider financial markets. Most public quoted companies now have dedicated IR officers or managers who looks after the company's investor relations activities and deal with buy-side and sell-side investment professionals or other investors wishing to know more about the company. Functions of investor relations‘ personnel often include collection of information on competitors and dissemination of information via press conferences, one-on-one briefings, investor relations‘ sections of company websites, and company annual reports. In particular, it must be able to assess the likely impact or reaction of any announcements (or any research reports issued by financial analysts) to be made on the share price of a company. Thus information related to investor relation officer is available under investor relations‘ page. In some websites financial information also becomes a part of investor relations page.

- **E-Commerce** - Electronic Commerce means buying and selling of goods and services across the Internet. An e-commerce site can be as simple as a catalog page with a phone number, or it can range all the way to a real time credit and processing site where customer can purchase downloadable goods and receive them on the spot. Because of numerous benefits of online buying and selling many companies have started adopting it. The websites would contain detailed information about the goods and services, which can be purchased. An order form would be available to be filled in by the buyer, payment mechanism is specified and the security aspect is taken care of.

Conclusion

In conclusion we can say that corporate reporting in the form of financial and non financial reporting has become essential for any organization. Financial reporting is mandatory to be disclosed in the form of printed annual reports to various stakeholders. But with the technological and economic reforms that have taken place in the economy web-based corporate reporting is becoming popular.Information technology has significant potential for corporate communication, but there are certain limitations associated with it that could impede its usefulness and practical usage by organizations. There is an urgent need to improve the functionality, accessibility and regulation for the WWW so that the full potential of this phenomenal technology is not restricted by security, cost, information technology literacy, digital divide, and authentication problems. Thus, regulatory and operational improvements are needed to bridge the gap between the theoretical potential of the IT and its practical use.

References:

Dou, W., Nielsen, U.O. & Tan, C.M. (2002). Using corporate Websites for export marketing. *Journal of Advertising Research*, **42**(5), 105-115.

Rogers, E.M. (2003). *Diffusion of innovations.* (5th ed.). New York, NY: Free Press.

Debreceny, R., G. L. Gray, and A. Rahman (2002), The Determinants of Internet Financial Reporting, *Journal of Accounting and Public Policy*, 21: 371-394.

Ashbaugh, H., K. M. Johnstone and T. D. Warfield (1999), Corporate reporting on the Internet, Accounting Horizons, 13(3): 241- 257.

Divya Verma Web-based Business Reporting in Indian Corporate Sector, Journal of Knowledge Management Practice, Vol. 11, Special Issue 1, January 2010