

CORPORATE DISCLOSURE DISSEMINATION: BETWEEN INDIA AND UK

***Ramita Verma Research Scholar**

****Dr. (Prof.) Vimal Aggarwal**

**Research Scholar, Punjab Technical University, Kapurthala, Punjab, India*

ABSTRACT

Corporate disclosure and financial reporting are the important means for management to communicate firm performance and governance to outside investors. The extent and quality of disclosure with these published reports may vary from company to company and also from country to country. Corporate transparency is determined by the information it discloses in its financial Report. The current global financial and economic crunch has resulted in increased attention to improve and enforce financial reporting disclosures worldwide in order to reform global economy. This paper highlights the important elements contained in India's and UK's annual Report of listed companies.

Keywords: Disclosure, Mandatory & Voluntary Disclosure, Annual Report

DISSEMINATE INFORMATION FOR DISCLOSURE

In this dynamic economic and social scenario, an intimate interaction between Industry/business on the one hand and the society on the other hand has become essential. For this there, should be adequate Corporate Disclosure, which is most useful and effective channel for the flow of information from the enterprise to the interested parties. The term Disclosure means release of economic and non-economic information in the Annual Reports of the Company.

Disclosures can be divided into two types.

First one is Mandatory Disclosure is required by country specific regulations and each listed company has to prepare Balance Sheet, Income Statement, Statement of cash flow, statement of changes in Equity and notes to accounts and Second one, Voluntary Disclosure which are at the choice of Company's Management. It means "discretionary release of financial and non financial information through annual reports over and above the mandatory requirements." (Barako et al 2006).

The main purpose of the paper is to ascertain the pattern and nature of corporate disclosure in UK and India by taking the sample of ten listed companies of UK and Indian companies.

Accounting Standards Setting in India

In India disclosure practices are mainly regulated by the Institute of Chartered Accountants of India. ICAI being a member body of the International Accounting Standards Committee (IASC), constituted the Accounting Standard Board (ASB) on 21st April, 1977 with a view to harmonise the diverse accounting policies and practice in use in India. At present ASB formulates the accounting standards in India.

Sources of UK disclosure requirement

- Company Law provides a number of disclosure requirements.
- Accounting Standards issued by or adopted by the Accounting Standard Board contain a wide range of disclosure requirements and measurement rules.
- Finally London Stock Exchange requires some additional disclosures for Listed Companies.

A Review of some Literatures on Corporate Disclosure

SNO.	Authors & Year	Country of Study	Findings
1	Craig Russell & Diga(1998)	ASEAN	There is high level (about 68%) of common disclosure requirements exists in ASEAN Countries.
2	Brennan, Niamh; Marston, Claire (1999)	UK, US	The results shows that IASs contained rather fewer disclosure requirements than US and UK standards.
3	Beattie Vivien (2004)	UK	Voluntary disclosures are important to companies, and their stakeholders/ and to researchers as a means of advancing basic understanding of major issues (such as the link between enhanced disclosure and the functioning of the capital market).
4	Hossain M., & Hammami H. (2009)	Qatar	It revealed that age, assets, complexity variables are significant and other variable profitability is insignificant in levels of Voluntary Disclosure.
5	Gupta Ragini (2010)	India, US & Japan	These countries had significant improvement in their overall disclosure score over five years.

Research & Data Methodology

In this study the data was gathered mainly from secondary source. To our Knowledge this empirical study addresses the various components of the Annual Reports. The annual reports of the Indian company's listed in Bombay Stock Exchange (BSE100) and UK Company's listed in London Stock Exchange (FTSE 100) were taken as sample. These Annual Reports of the company's were downloaded from the company's website for the year 2013-14. The list of Company's mentioned below:

S. No.	Indian Company's	UK Company's
1	Reliance	Kingfisher
2	Aditya Group	Mark & Spencer
3	Future Group	Tesco
4	Mahindra Group	Sainsbury
5	Bharti Enterprises	Morrison
6	BHEL	British American Tobacco
7	GAIL	Babcock
8	CIPLA	BT Group Plc
9	Tata Motors	Glaxo smith Kline
10	DLF	Imperial Tobacco

Major Parts of the Annual Report

UK's Annual Report Disclosure											
S.NO.	Disclosure Items/ Company	Kingfisher	Mark & Spencer	Tesco	Sainsbury	Morrison	BT	British American Tobacco	Imperial Tobacco	Babcock	Glaxo Smithkline
1	At a Glance2013/14 /Business Review	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
a	Chairman Statement	Y	Y	Y	Y	Y	Y	N	Y	Y	Y
2	Strategic Review	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
a	Chief Executive Statement	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
b	Business Model	Y	Y	Y	N	Y	Y	Y	Y	N	N
3	Performance Review	N	N	Y	N	Y	N	N	Y	Y	N
a	Key Performance Indicators	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
b	Financial Review	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
4	Report on Governance	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
a	Directors Report	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
b	Directors Remuneration	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
c	Directors Responsibility	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
d	Board of Directors	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
e	Risk	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
5	Financial Statements	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
a	Independent Auditor's Report	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
b	Group (Income, Balance sheet, Cash Flow)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
c	Reconciliation	Y	N	Y	N	N	N	N	N	N	N
d	Notes to Financial statements	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
e	Five year period record	Y	Y	Y	Y	Y	Y	N	N	Y	Y
f	Glossary	N	N	Y	Y	N	N	N	N	Y	Y
g	Financial Calendar	Y	N	Y	Y	Y	N	N	N	N	Y
h	Other Information (shareholder_)	Y	Y	Y	Y	Y	Y	Y	Y	N	N

India's Annual Report Disclosure											
S. NO.	Disclosure Items/ Company	Aditya Group	Bharti Airtel	Future Group	Asian Paints	Reliance	Tata Motors	BHEL	GAIL	CIPLA	DLF
1	Corporate Information	Y	Y	Y	Y	Y	Y	Y	N	N	Y
2	Directors Report	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Management Discussion & Analysis	Y	Y	Y	Y	Y	Y	Y	Y	N	N
4	Corporate Governance	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Auditors Report	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Balance Sheet	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
7	Statement of Profit & Loss	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Cash Flow Statement	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Notes to Accounts	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Consolidated Statements (Balance Sheet, P&L, Cash Flow)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
11	Financial information of subsidiary company's	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Analysis & Interpretation of the Study

Annual Report which is considered to be a major vehicle through which Indian and UK companies are publishing their financial statements. The annual reports remains the responsibility of a company and its board of directors. UK's listed company's have to comply with numerous requirements such as Disclosure transparency, listing rules, company law, financial reporting standards and corporate governance.

The 1st section of the UK's Report contains the following information under the main headings.

Every firm starts with a **glance or highlights** the financials in their annual reports.

Chairman's statement: The chairman's statement discloses the progress during the preceding year and prospects for future.

Strategy Review In this Business review contains a fair review of the development and performance of the group's business during the year and its position at the year-end. It also

contains the future developments in group business, its branches outside the UK. In this details of the recommended dividend should be provided and also provide the R& D activities. The directors should disclose any donation to a registered political party and any charitable institutions. The director's report should disclose the difference between market value and book value of Land & building and plant & machinery.

Management Report on Corporate Governance: In this Report the listed company's are required to give a detailed compliance report in a separate section of corporate governance. The company should obtain a certificate from the auditors of the company regarding the compliance with the conditions of corporate governance.

The **Director's Report** presents the corporate governance report and audited financial statements of the company for the year ended 31 December 2011. It contains the principal activities during the year. It also covers the business review consists of the development and performance of the company's business during the financial year.

The review must contain *Key performance Indicators* including the information relating to environmental and employee matters.

It also contains a fair review of the business and description of the principal risk and uncertainties facing the company. Different industries and entities use different types of risk according to the nature of the business and use different types of approaches to identify and manage the risk like risk of reputation which is common to all. The firm should disclose strategic, commercial, operational and financial risk. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions comply with the company's act 2006 and applicable accounting standards in the UK.

In *Management's Discussion and analysis (MD&A)* covers three major financial aspects of an enterprises business- Liquidity, capital resources and results of operations.

Basis of Difference	Mandatory Disclosure	Voluntary Disclosure
Meaning	It refers to those aspects or information, which must be published according to the some legal stipulations, capital markets, and stock exchanges or accounting regulating.	It represents the reporting outside the financial statements, which is not explicitly ruled through norms or laws.
Regulatory Hurdles	These are characterized by regulatory bodies like ICAEW, FASB, ASB, CIMA	These are characterized by minimal regulatory hurdles, lack of structure, lack of audit which accord greater flexibility for communicating new information.
Content	Company introduction, basic financial information, information about the board and top managers etc.	Corporate future strategy, R&D, future prospects, merger information
Carrier	Annual Report, Interim Report, seasonal report.	Annual report, public announcement, booklets, websites.
Time	Fixed time period in a year	At the right time
Balance Mechanism	Accounting Regulatory authorities, their rules and execution	Corporate Governance mechanism
Root of Disclosure	Monopoly of company's Self information	Globalization of capital market.

Source: Tian Yu & Chen Jingliang, 2009

Conclusion

This paper introduces the disclosure, which means informing the public through financial statements of the companies. Annual Reports consists of financial and non-financial information Which includes mandatory as well as non mandatory or voluntary. In mandatory disclosure, the information which firms must necessarily disclose, in which form, to whom and when they should be disclosed is defined by regulations (Durukan 2003,137). Voluntary disclosure defined as disclosures in excess of requirements representing free choices on the part of company management to provide accounting and other information deemed relevant

to decision needs of users of their annual reports.(Meek et al. 1995,555). Mandatory and Voluntary produces verifiable information that improves the credibility of voluntary information and therefore encourages to managers to issue more forecasts. So both disclosure complementary to each other. On the other side mandatory disclosure and voluntary disclosure are close substitutes of each other as managers use voluntary disclosure to supplement mandatory reporting and communicate their superiors knowledge of company's performance to various investors.

In Voluntary disclosure information relating to strategic information includes general corporate information, corporate strategy, R&D, future prospects. Nonfinancial information covers the information about directors, employee information, social policy and value added information. In financial information segmental information, stock price information and foreign currency information etc. In mandatory disclosure information includes the Balance sheet, P&L a/c, Cash flow information of subsidiaries and Parent company's as prescribed format by accounting standards authorities, notes to accounts, Independent Auditors report. Apart from this five year financial summary , shareholder information is also important part of Annual Reports. All the information relating to disclosure is available in the annual reports of the company's but they may be available in different heads in case of Voluntary disclosure.

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