

Title: Summarise the research evidence examining the usefulness of reporting to investors and other providers of capital

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The statement to members by a company chairman is an influential part of the annual report and is widely read by shareholders. The essence of the statement offers an opportunity for a chairman to report in unquantified and unaudited terms on the performance of a company during the past financial period and on likely future developments. The statement should be used to make political or social comments about government, taxation, accounting standards or other exercises the chairman at the time of writing. The statements range in length from half a printed page to more than seven or eight pages. If the statements is long, the contents will include a reasonably thorough description of each of the main areas of activity. The Cadbury report note(p.34) that 'it is therefore of special importance that it should be provide a balanced and readable summary of the company's performance and prospects and that it should represent the collective view of the board.'

Lee and Tweedie (1981) found that professional institutional investment specialists considered the chairman's statement to be an important part of the annual report. The most important were the profit and loss account and the balance sheet, the next was the chairman's statement. Their research has shown that out of 214 readers of annual reports, all except one read the chairman's statement briefly or thoroughly. Of those readers, the great majority did not read the auditors' report at all. Confirmation that the chairman's statement continues to be the most widely read part of the annual report is provided by more recent surveys of private shareholders.(Bartlett and Chandler,1997).

Investors, whether equity or preference shareholders, creditors and lenders, whether debenture or mortgage holders, bank and many other stakeholders are affected by and are properly interested in the activities and influences of the modern company. They access the company information largely relies on the company reports.

FRS 1 provided an example that a significant decrease in cash in masked by an increase in stocks or debtors. Companies might run out of cash while reporting increases in working capital. The ASN feels that by concentrating on cash flows only, the cash flow statement will, in

conjunction with the balance sheet, provide information on liquidity, viability and financial adaptability and the information will be easier to understand than are changes in working capital.

The Cadbury report considered there is a expectations gap between the public's expectation of what the audit achieves or should achieve in terms of assurances about financial statements and what the audit actually does achieve. They also provided some recommendations such as encourage the expansion of the format and content of audit reports so that a description of the key features of the audit process is provided together with a clear statement of the auditor's responsibilities for reporting on the financial statements.

SOCIAL:With many countries place much emphasis on social and green issues,major reservations increasingly being expressed over the impact of economic activity on the quality of life, reflected in public concern over issues such as natural resource depletion, global warming and deforestation amongst others, have given rise to a fundamental questioning of private profit as an adequate measure of organizational success.The business community react to this through their annual report amd accounts as an essential medium of communication to promote the green dimension to a central position within the corporate decision-making process.

There are demand for environmental information comes from investors who are interested not only in the short-term financial performance but also in its social impacts, and also demand from pressure groups such as consumer organizations and environmental groups. An example of special-interest reports of environmental reports is Norsk Hydro of Norway. The corporation produced a special report in 1989 describing its domestic activities which was increased in 1990 to a 34 pages report on its world-wide activities. The report includes an environmental policy statement and environmental impact of its activities. While DSM of the Netherlands provides social report for each of its divisions covering information on employee matters such as training and pensions.

In the UK, 99% of FTSE listed companies made qualitative environmental disclosure in their statutory annual report.(the based number is 458 companies). Reporting has improved since legal requirements to report significant environmental impacts came into force under the EU Accounts Modernisation Directive (2003/51/EC) in 2005. The Directive's requirements for large companies to report on environmental issues in a Business Review as part of their annual reports and accounts where relevant are implemented under the Companies Act 2006. If the Business Review does not contain such information, it must explain why not.

Many German companies provide details of Siemens terms its 'family orientated policy'. Which specifically refers on the provision of extended parental leave for children care. This is often accompanied by details of the number of employees benefiting from policy as illustrated by BASF. 182 employess took advantage of BASF's 'Parent and Child' program. Of the total, 114 women and 3 men took temporary long-term leave of absence, 64 women and 1 man chose part-time work. According to the Commission of European Communities(2001,p.6) to be socially responsible is not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relations with stakeholders.

The disclosure of social and environmental reports become widespread during the 1990s. A number of large companies made considerable advances in reporting aspects of their environmental impact within the annual report. As it become more intensive, some of the 'leading edge' reporting organizations start to separate the social and environmental disclosure from their annual and financial report.

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