FINANCIAL REPORTING DISCLOSURE ON THE INTERNET: AN INTERNATIONAL PERSPECTIVE

Submitted by

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A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

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DECLARATION

I, Tehmina Khan, declare that the PhD thesis entitled Financial Reporting Disclosure on the Internet: An International Perspective is no more than 100,000 words in length, exclusive of tables, figures, appendices, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

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Tehmina Khan   Date

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ABSTRACT

The purpose of this study was to investigate the various elements of financial reporting frameworks and practice in the context of the Internet. The Internet has emerged as a recent medium of presentation of corporate information. Currently, the levels of disclosure vary widely between companies within countries and on an international level, in relation to financial reporting disclosure on websites. It was intended in this research to identify the national and international regulatory frameworks that shed light on the minimum level of disclosure required of companies. Actual disclosure by companies was then investigated in order to compare de jure and de facto financial reporting disclosure.

The financial reporting elements investigated were broadly classified as basic financial reporting elements such as financial reports, corporate social responsibility reporting elements, corporate governance elements and audit reports. A sample of 177 companies was selected from four sub-groups: hotels, diversified companies, multinational companies listed on the New York Stock Exchange and multinational companies listed on the London Stock Exchange. The companies' websites were then investigated in relation to financial reporting disclosure on the Internet. For companies that did not have their own (primary) websites, further investigation was carried out as to whether financial reporting information was provided on secondary websites. The nature of this information was also analyzed. It was found that 82 companies had annual reports on their websites and 7 companies had interim results only. The financial reports of these companies were then studied in order to determine the nature and level of disclosure in relation to the financial reporting elements and disclosure scores were formulated.

In relation to the adoption of the Internet for financial reporting purposes, it was found that 33 companies had no financial information on their websites and that 55 companies did not have annual reports online because they did not have websites. The findings indicated that only 67 percent of the companies with websites had some kind of financial information on their websites.

In relation to companies with financial reports on their websites, it was found that all sample companies diverted from what was required by the regulation by not disclosing financial reporting elements in one aspect or another. In relation to audit reports, it was found that only half of the relevant sample companies had audit reports accompanying their financial reports. Other observations were also made, indicating a spectrum picture of financial reporting disclosure on the Internet, in the context of basic, corporate social responsibility and corporate governance financial reporting.

The findings made in this study were supported by literature, in that there is a lack of a uniform approach to financial reporting disclosure on the Internet. Financial reporting disclosure on the Internet ranges from none to extreme detail (including voluntary reporting disclosures) for corporations on the Internet. In the context of the qualitative characteristics identified by the International Accounting Standards Board framework, adopted by national jurisdictions, this would compromise quality, relevance, usefulness and timeliness of financial reporting information on the Internet. In return this would pose a dilemma for the user in the context of comparability, due to the lack of uniformity.

In this study one reporting language, called the XBRL was also investigated. This was done due to the immense benefits and potential offered in the literature in support of XBRL, enhancing the qualitative characteristics of understandability, timeliness and more extensive coverage of auditing and verification of information. It was found that this reporting language is at this point in time, in its experimental stage and that a more extensive time frame may be required for its wider adoption and usage.

In this study recommendations were made to improve financial reporting disclosure by companies on the Internet and to make the Internet a more reliable source for presentation of financial reporting information.

CHAPTER I

INTRODUCTION

1.1 OVERVIEW

The Internet has evolved as a medium of information presentation and usage on an increasing scale, since its public usage started in the early nineties. The growth in the number of Internet users over the years has had a major impact on legal, financial and accounting frameworks and systems.

1.2 INTERNET AS AN INFLECTION POINT

Grove (1997, p.53) coined the term 'inflection point' which he defined as "a change in business environment that has the potential to alter the way a company operates". According to King (2001) the Internet is an inflection point that has an impact that has not yet been fully determined.

King (2001) has also pointed out that the most important affects on cost management practices have been in the areas of information communication and transaction processing. This would imply that companies which are using the Internet for accounting and financial information presentation may see additional benefits over additional costs by providing financial reports on a website.

1.3 WORLD-WIDE USE OF THE INTERNET

In Australia, by 1996, over 30 percent of Australian households had personal computers (Australian Bureau of Statistics 2005). In 1998, 18% of all households had access to the Internet. By November 2000 over half (56%) of the households in Australia, or 4.0 million households, had access to a computer at home. At the end of March 2005, total Internet subscribers in Australia numbered 5.98 million (30 percent of the population) (Australian Bureau of Statistics 2005). These statistics imply a rapid increase in the number of households with computers and access to the Internet.

With technology and computer access becoming cheaper, these percentages can only be expected to continue rising.

In regards to the whole world, North America, Europe and Oceania/ Australia are the regions that have played a major role in the adoption of the Internet technology. As at 2006, 16 percent of the world population have adopted the Internet technology. Table 1.1 is a summary of world use of the Internet.

Table 1.1

Use of the Internet around the World

World Regions	Population (2006 Est.)	Population % of World	Internet Usage, Latest Data	% Population (Penetration)	Usage % of World	Usage Growth 2000-2005
Africa	915,210,928	14.1 %	**22,737,500**	2.5 %	2.2 %	403.7 %
Asia	3,667,774,066	56.4 %	**364,270,713**	9.9 %	35.7 %	218.7 %
Europe	807,289,020	12.4 %	**290,121,957**	35.9 %	28.5 %	176.1 %
Middle East	190,084,161	2.9 %	**18,203,500**	9.6 %	1.8 %	454.2 %
North America	331,473,276	5.1 %	**225,801,428**	68.1 %	22.2 %	108.9 %
Latin America/Caribbean	553,908,632	8.5 %	**79,033,597**	14.3 %	7.8 %	337.4 %
Oceania / Australia	33,956,977	0.5 %	**17,690,762**	52.9 %	1.8 %	132.2 %
WORLD TOTAL	6,499,697,060	100.0 %	**1,018,057,389**	15.7 %	100.0 %	182.0

(Source: Internet Usage Statistics 2006)

1.4 COMPANIES' USE OF THE INTERNET

Now that it has been established that private use of the Internet is on the rise, implying that more users may have access to online corporate financial reporting, the company use of the Internet needs to be determined. According to the research conducted by Cook (1999) of various studies done on company use of the Internet for presentation of financial information, the use of company websites for this purpose has averaged around 70 % This has implications on various factors, including the application of laws and regulation to online financial reporting, security of online financial information, applicable accounting standards, auditing procedures, audit implications, corporate governance disclosure, quality of financial information presented online completeness and timeliness of information. Table 1.2 is a summary of Cook's analysis of surveys on companies' use of the Internet for financial reporting.

Table 1.2

Cook's Summary of Surveys on Companies' Use of the Internet

Study	Companies Surveyed	Web Sites	Financial Reporting
CAROL survey (1999)	Top 1000 companies in Europe	67% +	80 % (of those with websites)
Debrecency and Grey (1998)	45 companies from Dow Jones Global Index	98%	80% (annual reports)
Craven and Marston (1998)	Follow up of 1996 study FTSE 100 companies	77%	57%
Hussey et al. (1998)	FTSE-100 companies	91%	63% (of websites that were contactable)
Deller et al. (1998)	100 largest German, United Kingdom and U.S. companies	76% 85% 95%	71% 72% 91%
Shelley Taylor and Associates (1998)	100 companies from Fortune's Global 1000		83% (average)
Lymer (1997)	Top 50 companies in the U.K.	92%	60%
Grey and Debreceny (1997)	U.S. Fortune 50 companies	98%	68%
Tallberg and Lymer (1997)	All 72 listed Finnish companies	90%	69%
Flynn and Gowthorpe (1997)	100 largest companies from Fortune's Global 500	89%	71%
Wildstrom (1997)	Companies on Business week 50 list (U.S.)	94%	78%
Marston and Leow (1996)	FTSE 100 companies	63%	45%
Petravick & Gillett 1996	Fortune 150 companies	69%	53%

(Source: Cook 1999)

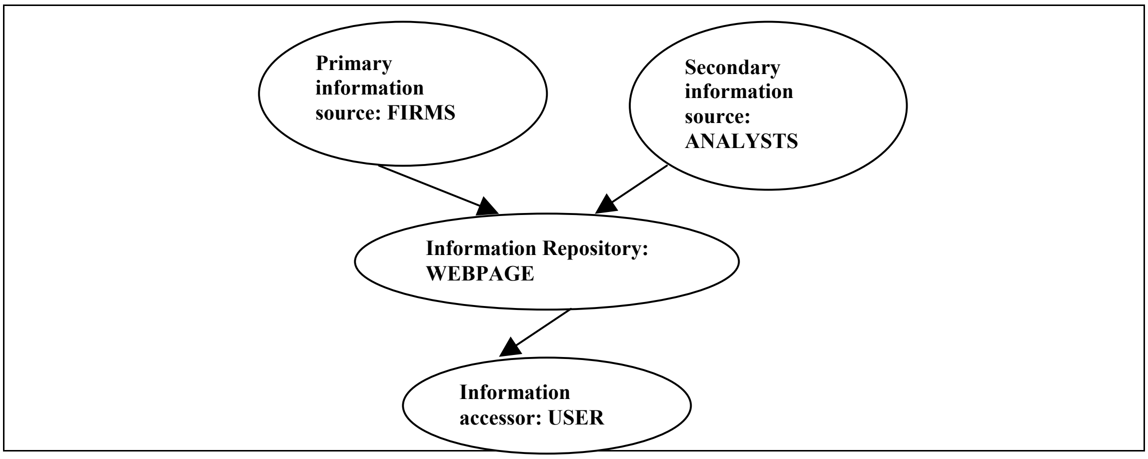
1.5 THE INTERNET AND FINANCIAL REPORTING:AN OVERVIEW

According to literature, the average percentage of large companies using the Internet for financial reporting is at 70 percent. It is important to note the differences between traditional means of financial reporting and using the Internet for financial reporting disclosure.

The major difference between traditional representation of financial information (hard copy) and the Internet is that with the Internet, there are no boundaries as to who uses that information, it is virtually global. According to Cucuzza and Cherian (2001) E-Business tools are providing new ways to communicate vast quantities of information, in an environment where information flows continuously and without hindrance. The second difference that exists with the use of the Internet is the simultaneous release of opinions of third parties such as analysts that did not exist with hard copy. Another difference is the release of company information on third party websites, where no financial reporting may be present on a company's primary website. Figure 1.1 is a summary of this process of information flow according to the writer.

Figure 1.1

Financial Reporting via the Web



Expanding further on Figure 1.1, the ' firms' can be represented to be the multinationals transcending boundaries by providing financial information to the ' global' user/ decision maker, which would be any individual with access to the Internet and with a basic knowledge regarding the use of search engines. This can imply that the user could range from an 'analyst' as in the above diagram with detailed knowledge of the market to a reasonably naive decision maker with superficial knowledge of the Internet as well as world markets. Financial reporting on the company's website should be able to cater to the needs of various stakeholders, providing information from summaries to detailed reports.

The second source of information repository could be a third party such as an analyst or a finance website that may provide financial reports of companies free of charge or at a cost. The concern that this may raise is the verifiability and authenticity of the financial reporting information. Majority of this information may not be verified by any party regarding content and quality.

1.6 RESEARCH QUESTIONS

The research questions investigated in this thesis are divided into four groups: General, Fundamental reporting, Corporate Social Responsibility reporting and Corporate Governance reporting elements.

1.6.1 GENERAL

The questions addressed under this heading are:

- Does the company have a primary website?
- If the company does not have a primary website, then are secondary websites available with financial data on the company?
- If a company does have a primary website, then does the company have annual reports/ interim reports/other documents with financial data accessible on its website?
- Does the company have a link to a list of analysts providing coverage on the company?

These are the questions that establish the presence and disclosure of financial reporting information on a company on the World Wide Web. There may be two sources of information: a company's primary website and if this is not present then existence of financial reporting information on secondary websites will be investigated. Links to analysts' web pages on a company's webpage is a controversial subject and is therefore included as a research question.

The following questions relate to the nature and content of financial reporting information that a company may display on its website. The questions relate to fundamental reporting elements, corporate social responsibility reporting elements and corporate governance elements. These questions apply to companies that do have annual reports/ interim reports/other documents with financial data accessible on their website or if financial data on the company are available on a secondary website).

1.6.2 FUNDAMENTAL REPORTING ELEMENTS

The questions relating to fundamental reporting elements include the following:

- As part of annual reports, does the company display segmental data?
- Does the company have information on its subsidiaries, joint ventures, affiliates?
- Does the company have a CEO statement in its financial documentation online?
- Does the company have an audit report online?
- Does the company have an Income statement/ P& L statement online?
- Does the company have a statement of changes in shareholder's equity online?
- Does the company have a Balance Sheet online?
- Does the company have a Cash Flows statement online?
- Does the company have notes to the statements online?
- Is any kind of stock information available either on the company's website or the secondary websites?
- Is any kind of dividend data available online?
- What accounting standards have been applied by the company in relation to its consolidated accounts?

1.6.3 CORPORATE SOCIAL RESPONSIBILITY REPORTING ELEMENTS

Corporate Social Responsibility reporting elements are addressed by the following questions.

- Does the company incorporate any information provided on employees, work conditions and value added statements in its financial reporting online?
- Does the company have environmental policies disclosed online?

1.6.4 CORPORATE GOVERNANCE REPORTING ELEMENTS

The following questions will be used to address the corporate governance elements in relation to financial reporting online.

- Is Director's remuneration disclosed?
- Has the company disclosed any corporate governance policies?
- Does the company provide director biographies?
- Does the company have any information on Corporate Governance committees on its website?
- Does the company provide any committee charters?
- Does the company provide a code of conduct?
- Does the Company provide an Article of Incorporation?
- Does the company provide any risk management policies?

The research questions will be addressed in the light of the qualitative characteristics of financial information.

1.7 QUALITATIVE CHARACTERISTICS OF ACCOUNTING INFORMATION

In this study the qualitative characteristics are derived from the International Accounting Standards Board (IASB) framework. According to the conceptual framework of the IASB (2001), the qualitative characteristics of financial statements (relevant to this study) are stated as:

- Understandability,
- Relevance: Materiality, Timeliness,
- Reliability,
- Completeness and
- Comparability.

The main purpose of this research is to examine the degree of transparency and disclosure by companies on websites in relation to financial reporting. Therefore lack of financial reporting elements would be assumed to have a negative impact on the quality of the financial reporting and therefore a negative impact on the qualitative characteristics of relevance, reliability and completeness.

1.7.1 UNDERSTANDABILITY

Under the IASB Framework, understandability is defined as 'information to be presented in a way that is readily understandable by users who have a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently' (International Accounting Standards Board 2001).IASB also emphasizes that if there is any information that is relevant but complex, it should not be excluded from the financial statements.

In the context of the use of the Internet, it will be investigated whether the medium itself supports better understandability or makes it harder. The factors that will also be addressed will be whether the Internet can provide any tools enhancing better absorption and thus utilization of financial information. Accounting harmonization would also be examined, since harmonized accounting standards generate uniformity, which may enhance understandability. Language of reporting is another factor that may have a positive impact on understandability, if one language, such as the English language, is used for financial reporting.

1.7.2 RELEVANCE

According to the IASB Framework, information is relevant if it influences the decision making process of users by assisting them in evaluating past, present and future events (International Accounting Standards Board 2001).

1.7.2.1 MATERIALITY

Materiality is defined as a component of relevance. IASB states that "Information is material if its omission or misstatement could influence the economic decisions of users" (International Accounting Standards Board 2001, p 11). The elements of financial reporting would have various degrees of impact on the decision making of different types of users. Thus the study of the presence or lack thereof of all these elements holds equal weight in the light of needs of different types of users. If companies omit any of the elements from their financial reports online, materiality and, therefore, relevance will be compromised.

1.7.2.2 TIMELINESS

Timeliness is also another aspect of relevance. IASB (2001, p 13) has stated that ‘if there is undue delay in the reporting of information, it may lose its relevance’. Alferdon, Leo, Picker, Pacter & Radford (2005) have further expanded on this and stated that to be useful, information must be provided to users within the time period in which it is most likely affect their decisions.

In the context of Internet reporting, the time frames for which financial reports are presented as at a point in time will be determined. It is assumed that the greater the lag between financial reporting and end of the relevant financial period, the more negative the effect on timeliness of financial information. Therefore if companies will not guarantee or provide timely reports, the relevance of the information is compromised and this will render the information provided irrelevant or less relevant.

1.7.3 RELIABILITY AND FAITHFUL REPRESENTATION

According to the IASB Framework, “to be useful information must also be reliable” (International Accounting Standards Board 2001, p 11). The main point in regards to reliability of information is for the information not to be misleading or deceptive.

In the context of financial reporting on the Internet, the added risk of information not being reliable, apart from the primary source of information, arises from third party sources such as analysts and ‘ financial experts’.

An example is that of off-site trading. Most companies represent their financial information via a web page on the Internet that is the primary representation of information. Apart from primary sources of information, there are also secondary sources of information. Examples of this secondary source of information include opinions and analyses provided by analysts as well as shareholders in chat rooms and news-groups. According to the Research Group into the Law Enforcement Implications of Electronic Commerce (RGEC 1999), these parties can exploit the market by releasing false information. It is fast, cost effective and has the potential to reach a wider audience. So the issue that arises is control.

Another aspect raised by RGEC (1999) is the trading of shares in the newsgroups and chat channels away from the safety boundaries of the monitoring organization such as the Australian Securities and Investments Commission (ASIC) and the Australian Stock Exchange. Research Group into the Law Enforcement Implications of Electronic Commerce (1999) has pointed out that the miss-representation of elements such as profit, cash and other assets in the financial statements may lead to a major upheaval in the verifiability of these reports.

The changing responsibility of the auditor in the context of online reporting will also be investigated in this research. Although the duty to prepare the statements reliably rests with the management, the verification process lies with the auditor. Financial reports that are accompanied by an audit report may not be guaranteed to be entirely faithful, but most regulatory systems make an audit report compulsory to strengthen the reliability of reports.

1.7.4 COMPLETENESS

According to the IASB Framework, for information to be reliable, it also needs to be complete. If information is not complete, it can result in the information being false, or misleading and therefore unreliable and irrelevant (International Accounting Standards Board 2001).

1.7.5 COMPARABILITY

There are two sets of characteristics of comparability defined by the IASB Framework: being able to compare the financial statements over time, and being able to compare the financial statements of different entities with each other (International Accounting Standards Board 2001). The focus in this research is on the second characteristic and will be examined in the context of accounting harmonization.

Accounting harmonization is a term that has been around for a few decades. It has been an objective of bodies that have come into existence solely to harmonize. It is the adoption and implementation of one set of accounting standards worldwide.

The bodies working for harmonization have been the European Union, the International Accounting Standards Board (IASB), previously called the International Accounting Standards Committee (IASC), the International Organization of Securities Markets and Analysts (IOSCO) and the International Federation of Accountants (IFAC). The factor that needs to be addressed in this research is the adoption of one set of accounting standards by companies for online reporting.The study will aim at looking at websites of companies from different jurisdictions that have accepted the International Accounting Standards or are in the process of implementing the International Accounting Standards and evaluating whether this criterion is really satisfied on companies' websites.

1.8 OUTLINE OF THE STUDY

This thesis is organized as follows.

- Chapter I is an overview of the Internet as a medium of presentation of financial information. It is also a discussion of the qualitative characteristics of financial information that are applicable in the context of this research.
- Chapter II presents the paradigms for the structured analysis of the accounting information system in the context of international accounting and Internet based financial reporting. The chapter begins with a mention of the relevant basic accounting theories governing a reporting framework. Corporate governance is also discussed in the context of online financial reporting.
- Chapter III discusses XBRL: its meaning, application, structure and views on XBRL.
- Chapter IV is an analysis of financial reporting disclosure requirements across countries around the globe. Corporate governance and environmental accounting disclosure requirements across countries are also examined.
- Chapter V is a detailed discussion of the International Accounting standards and the U.S.GAAP in the context of accounting harmonization. It has been mentioned that harmonization has a major impact on understandability and comparability of accounting information. In this chapter literature on harmonization as well at the frameworks themselves would be examined.

- Chapter VI is the methodology chapter that provides detailed information on the samples selected, the checklists used for analysis and a discussion of the variables selected.
- Chapter VII incorporates the research observations in relation to financial reporting elements disclosed in the context of presence, nature and content in great detail applied to the samples selected. Examples of unique or outstanding financial reporting as well as general financial reporting practice will also be provided.
- Chapter VIII In this chapter summaries of the findings will be provided. Limitations of the study, implications of the study, recommendations of the study and ideas for future research will also be presented.

CHAPTER II
THE THEORETICAL FRAMEWORK

2.1 INTRODUCTION

The purpose of the review of literature is to develop paradigms for the structured analysis of the accounting information system in the context of international accounting; corporate governance, voluntary reporting and Internet based financial reporting. This chapter starts with fundamental accounting theories in the context of Internet financial reporting, followed by specific theories that deal with information communication via the Internet.

The Internet offers a new medium for presentation of financial reports by companies. New applications, new users and faster connections have spurred the Internet to become an important medium for communication, information dissemination and commerce (McKnight et al 1995).

According to Litan and Wilson (2000) the transition from hard copy to Internet usage for presentation of financial information requires major changes in the legal and regulatory framework in which economies function. The existing model for financial disclosure must be up dated so that all assets, tangible and intangible, are measured accurately (Litan & Wilson 2000). Litan and Wilson (2000) have also proposed that utilising the Internet capabilities more efficiently should generate financial reporting that is forward- looking, describing not only historical cost based elements, but also providing a more accurate picture of the organisation's current and future prospects. Litan and Wilson (2000) have also proposed that companies need to focus on the information needs of users, not just on a pure cost versus benefit analysis for the company.

Provided below are a range of theories and philosophies in the light of financial reporting on the Internet.

2.2 SOCIOLOGICAL AND ACCOUNTING THEORIES IN THE CONTEXT OF ONLINE FINANCIAL REPORTING

Online financial reporting can be described in terms of sociological and accounting theories. The fundamental theories that will be used to achieve this purpose include:

2.2.1 Communications theory (Shannon and Weaver 1949);
2.2.2 Entity theory (Paton 1962);
2.2.3 Enterprise theory (Soujanen 1954);
2.2.4 Regulatory capture theory (Posner 1974);
2.2.5 User's Cognitive Learning Process (Kennedy & Maines 2002) and
2.2.6 Human-Computer Interaction Theories: Information Foraging Theory (Pirolli 2002)

2.2.1 COMMUNICATIONS THEORY

Shannon and Weaver (1949) produced a general model of communication that identified elements relating to transmission of information from one source to another. These elements have the following components:

- Information Source,
- Channel,
- Destination (Shannon and Weaver 1949).

2.2.1.1 INFORMATION SOURCE

All human communication has some source (information source in Shannon and Weaver's terminology), some person or group of persons with a given purpose, a reason for engaging in communication. In the context of the Internet this source is first of all the company itself, which is the primary source of information.

If the company does not provide information on its own website then secondary sources of company information become relevant such as databases generated by regulatory bodies, and /or private companies providing information on companies either free of charge or for a fee.

The source controls the content and the quality of the message. In the context of Internet financial reporting, it is the company that decides as to what it wants to provide to the users of the information. Qualitative characteristics of timeliness, completeness, understandability and relevance of information therefore become the responsibility of the source, the company with the webpage.

2.2.1.2 CHANNEL

The Internet itself is the channel for communicating the information to the user. Before the Internet was used as a medium of presentation of financial information, and even now, the hard copy, the paper version was the major if not the sole means of channelling financial information to users.

The Internet poses new aspects as a medium of information presentation. The issues that relate to the Internet as a communication medium include the readability, usability and understanding of the information. These aspects relate to the nature of the information as well as the technical aspects of the medium of presentation itself. The Internet as a channel for communicating information faces aspects of quality control and security of the information presented. Security of the information is a major element in the context of Internet financial reporting. Internet is a channel that allows around the clock access to the information. It also allows information to be susceptible to manipulation and change by any party that can and has a motive to do so. It is the responsibility of the company to ensure the security of the financial information while it is presented via the channel. This is more complicated than hard copy channel because of the continuous exposure of information to unauthorized change on the Internet. This is because hard copy versions of reports cannot be changed by third parties once printed and disseminated. Users and third parties can change them for personal use but the original version coming from the source itself cannot be changed so readily.

2.2.1.3 DESTINATION

The destination elements are the various types of users of financial reports. The user may question the nature of the information, the quality and completeness of the information and the authenticity of the information. Or the user may accept the information to be credible enough to be used for decision making. The Internet poses a major dilemma regarding this aspect of presentation of information. In order to increase user confidence companies can take measures such as providing information on security measures adopted, verification reports, such as additional assurance by auditors and statements from third parties guaranteeing the quality and content of the information so presented to be at least of the same standard as hard copy.

In this thesis the reports of the companies will be accessed and analysed to determine the nature, quality and depth of accounting information presented. It will also be determined whether companies take measures to promote user confidence in the financial reports presented on websites.

2.2.2 ENTITY THEORY

The entity theory emphasizes the concept of “stewardship" or “accountability" where the business is concerned about its survival and the business projects financial information to equity holders in order to meet legal requirements and to maintain a good relationship with them in case more funds are needed in the future (Paton 1962). Therefore this theory relates to the company itself, shedding light on why companies may present their financial reports on their websites.

The Entity theory may explain disclosure on the Internet in terms of the business being responsible and accountable towards its stakeholders, trying to meet the information needs of the users. For multinational and large companies this notion might even hold more strongly due to the expansive nature of the users. Regulatory frameworks have encouraged companies to reach all the users more or less simultaneously. The Internet offers this benefit, where companies can reach a wider audience at the same point in time.

The theory has mentioned companies fulfilling legal requirements in addition to meeting the information needs of their users. This notion extended to Internet financial reporting raises questions about the jurisdictions and the laws that need to be followed, considering that the Internet has no formal boundaries. A detailed analysis of national legal requirements in relation to financial reporting disclosure is provided in chapter IV.

According to Lymer et al (1999) there is a range of regulatory bodies that are becoming active in the area of Internet Financial Reporting. These include The International Monetary Fund (IMF), International Accounting Standards Board (IASB), International Federation of Accountants (IFAD), Web Trust, COB (France), the Financial Accounting Standards Board (FASB, U.S.). Other bodies include the Australian Securities and Investment Commission (ASIC) and the Auditing and Assurance Standards Board, Australia, which have made pronouncements on the submission or use of electronic accounting data in various ways. The recommendations of these bodies are now provided.

2.2.2.1 INTERNATIONAL MONETARY FUND (IMF)

IMF launched a Special Standard in 1996 dealing with timely release of data with equal and ready access for all users. The standard also covers other factors including integrity of data, quality of data and reconciliation and reliability of data. IMF has focused most on timeliness of financial information. According to the standards, even with optimal quality of financial information, information not released in time to users, would render the information useless and irrelevant in regards to decision making (International Monetary Fund 2003).

2.2.2.2 INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

The IASB (formerly referred to as the IASC) published a detailed report, titled 'Business Reporting on the Internet' in 1999. This was supposed to be the first step in the process of developing standards in the context of financial reporting on the Internet. The report focused on the following aspects of online financial reporting:

- the current technologies available for electronic business reporting;
- what companies around the world are actually doing (this involved a detailed analysis of the Web sites of the 30 largest companies in each of 22 countries, 660 companies in all);

- the sort of standards for electronic business reporting that are needed now, within the constraint of today's technologies;
- the shortcomings of business reporting on the Internet within current technologies; and
- the technological changes that can they improve electronic business reporting (Lymer et al. 1999)

According to the guidance issued by the IASB, the financial reports provided online should have the same scale and scope as traditional hard copy versions, otherwise any information lacking or additional information should be disclosed as such.

The guidance requirements also include the following factors.

1. Boundaries should be clearly set out between audited financial statements and related financial information.
2. Users should be notified of significant changes to website.
3. Internal link integrity should be assured at all times.
4. External link integrity should be assured to an optimal level.
5. All security provisions should be made to ensure integrity of the data.
6. Errors existing should be clearly identified (Lymer et al 1999).

In addition to these guidelines, the report also incorporated a “code of conduct” that incorporated the additional requirements to enhance online financial reporting. These recommendations focused on:

- Data quality: maintaining the same scale and scope as hard copy.
- Proper application of IASB accounting standards, with differentiation between sections following the standards and sections not abiding by the standards and or following another GAAP.
- Proper classification of data as complete or summarized.
- Provision of additional data to enhance decision-making.
- Clear differentiation by the company and the auditor between audited and un-audited sections of the reports.

- Provision of reports in multiple languages and clear identification of the scope of the audit; whether the multiple language versions come under the umbrella of being audited or not.
- Authentication and verification of data provided on the web page.
- Maintenance of internal and external integrity of data.
- Provision of contact details for additional information if required by the user.

(Lymer et al 1999)

In a nutshell, the recommendations provided by the IASB were detailed and covered most aspects of financial reporting on the Internet such as quality, completeness, timeliness, accessibility, usefulness, security and verifiability of financial information on a company's web page.

2.2.2.3 INTERNATIONAL FEDERATION OF ACCOUNTANTS

International Federation of Accountants (IFAC) has issued a paper prepared by the Information Technology Committee of IFAC to promote awareness among all accountants of the impact of e-business on the work of accountants and key issues, which need to be addressed.

The aspect of the paper that is most relevant in the context of this research is the mention of the effect that technology has on financial reporting. IFAC (2002) has emphasized the importance of security of the accounting information.

IFAC (2002) has also emphasized that the responsibility of maintaining the integrity of accounting data rests on the management. IFAC (2002) has defined the following criteria for a reliable IT system generating reliable accounting information:

a. Integrity

The first condition under this factor is for the information to be accurate and complete. The second condition is for the IT systems to be complete and relevant. The third condition is protection against unauthorized change and manipulation.

b. Availability

IFAC has emphasized that the hardware, software, data and information should be available constantly, with the ability to download the data within reasonable time.

c. Authenticity

This relates to the trailing of the information to its source thus generating verifiability.

d. Authorization

Only authorized personnel should be allowed to enter or change information made available to the user. (International Federation of Accountants 2002, p 10).

IFAC (2002) has described the above criteria in the light of the qualitative characteristics of completeness, accuracy and timeliness. Therefore if a company fulfils these criteria, it will enhance these qualitative characteristics.

2.2.2.4 WEB TRUST

The Web Trust program undertaken by the American Institute of Certified Public Accountants, AICPA and the Canadian Institute of Chartered Accountants also incorporates security issues as the responsibility of the issuing organization. There are six standards incorporated in the program including a standard dealing with security. The Security standard assures that the website of the organization should maintain effective controls and practices to address security matters such as encryption of private and confidential customer information, protection of information once it reaches the site, protection against virus transmission, and customer approval before the site stores, alters or copies information on the customer's computer (Web Trust 2006).

2.2.2.5 COMMISSION DES- OPERATIONS DE BOURSE (COB)

The Commission des Operations de Bourse (COB) is a French public independent regulatory agency whose mission is to ensure the protection of investors whether their investments are in securities or other financial products involving public offerings, the adequacy of the information given to investors and the proper operation of the markets in financial instruments. COB issued a press release regarding the use of the Internet for distribution of financial information by listed companies, in May 1999.

A selection of the main recommendations is listed below.

1. The information provided by a company on its web site should be accurate, precise and sincere. Any links to additional sites should be easily identifiable.

Disclaimers on the website of the company should be clearly identified with all contents of the website to which they hold.

2. If there are any errors on the web site they should be quickly identified, a warning should be issued and the mistake should be rectified.
3. Documents listed on the web site should be clarified as either complete, or as summaries or extracts. With summaries and extracts reference should be made as to where the whole document can be obtained.
4. The source of the information should be clearly identified. Outside information should not be included on the website without the author's permission. Financial research regarding the company should be carefully evaluated before being added to the website. It should be presented honestly and should not mislead the public. Extracts of the research should not be presented in such manner as to favour the company and the details of the author and the full research should be provided (Commission des Operations de Bourse 1999).

The point made by COB is very clear that the responsibility to maintain quality and accuracy of financial reporting on a company's website, rests with the company itself and that the company needs to ensure that only reliable sources of third party information are presented on its website.

2.2.2.6 FASB INSTITUTIONAL FRAMEWORK (UNITED STATES OF AMERICA)

Financial Accounting Standards Board (FASB) has provided a more precautionary approach to be taken by companies on their websites.

According to a report published by Financial Accounting Standards Board (2000, p. 72):

> Companies should provide cautionary disclaimers on the web page in relation to forward-looking statements and speeches, not provide links to analysts' websites, include full sets of statutory reports and notes, and avoid duty to update disclosures by putting disclaimers against updated information and update security measures.

FASB's approach is a mixture of the accountability that the company has towards its stakeholders to provide complete information and to protect the information from manipulation and at the same time an approach that would protect the company as well from potential litigation such as by providing disclaimers against information that may not be verified by an third party or that may be based on speculation such as forward looking statements. The approach taken by FASB is a conservative one, generating user confidence in past information rather than current or future based information.

2.2.2.7 OTHER U.S. REGULATION

The Securities and Exchange Commission (SEC), in Securities Act Release No. 33-7233, indicates, in part, that, "The liability provisions of the federal securities laws apply equally to electronic and paper-based media." (Gray & Debreceny 2001). This suggests that companies are as responsible for maintaining the integrity and quality of online financial reporting as of hard copy financial reports.

Although in relation to auditor responsibility in respect of financial reporting on the Internet, the Securities Act has clarified that auditors are not required by Section 550 to read information contained in electronics sites, or to consider the consistency of other information in an electronic site with the original documents. This responsibility rests with the management.

2.2.2.8 THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISION (ASIC)

The viewpoint of the Australian Securities and Investments Commission 2004) on the use of the Internet as a medium of presentation of financial information has been the creation of a regulatory and business environment in which:

> Consumers of e-commerce financial products and services can be confident that their interests are properly protected, Industry participants can confidently plan and develop e-commerce initiatives and ASIC can further enhance its ability to be an effective and credible regulator in the e-commerce context.

The aim of ASIC is to protect user interest. In the context of Internet financial reporting, the major concern from ASIC's point of view will be to ensure that financial information provided by companies is not misleading or deceptive, and that users can confidently use the information for decision making purposes.

2.2.2.9 AUDITING AND ASSURANCE STANDARDS BOARD (AUSTRALIA)

The Auditing and Assurance standards and guidance statements are issued by the Auditing and Assurance Standards Board (AuASB) which is a part of the Australian Accounting Research Foundation. The standards are mandatory to be applied to all financial report audits as well as to other financial/ non financial information (The Institute of Chartered Accountants in Australia 2006a).

The guidance statements are there to provide detailed assistance on the implementation of the standards. The focus in the context of this research is on Australian Guidance Statement (AGS) 1050. The reason for that is that this guidance statement focuses on auditor responsibility in the context of financial reporting on the Internet.

AGS 1050 has clarified that the preparation and presentation of the financial report on the website remains the responsibility of the management but the auditor needs to face certain factors that may result in "risk of audit report being inappropriately associated with un audited information on company's website" (The Institute of Chartered Accountants in Australia 2006a, p. 856).This statement implies that companies could associate the audit report to un-audited information, giving the false impression that a specific set of information is audited when its not. This is a significant risk in relation to reliance on information presented on the website by a company to a degree that is associated with audited information only.

According to the guidance statement, the auditor may clarify in the engagement letter that "the examination of controls over the electronic presentation of audited financial information on an entity's website is beyond the scope of the audit of the financial report" (The Institute of Chartered Accountants in Australia 2006a, p. 857).Here the guidance statement is referring to security of information presented online. It has clarified that this is the responsibility of the management and not of the auditor.

AGS 1050 has emphasized that the auditor may provide additional assurance in relation to online financial reporting, where management may request the auditor to provide additional assurance in respect of controls and security, and other information. This is considered a separate website assurance engagement. The auditor may provide a separate audit report for online reports which would have additional statements relating to the scope of the audit according to third AGS 1050 recommendation in 8.1.j. (The Institute of Chartered Accountants in Australia 2006a).

If the auditor is not satisfied that management has dealt with issues relating to financial reports and or audit reports to be presented on the company's website, the auditor should notify the management in writing that the audit report should not be presented on the website and that the financial reports are not to be referred to as audited (The Institute of Chartered Accountants in Australia 2006a).

After the audited financial report is disclosed on the company's website, the auditor has no responsibility to make any inquiries. If the auditor finds out that the audit report is being misused the auditor may ask the company to take off the audit report from the website immediately. If management would not taken appropriate action based on the auditor's concerns, the auditor may seek legal advice and action (The Institute of Chartered Accountants in Australia 2006a).

In summary, AGS 1050 has shifted the responsibility on to the auditor of assessing whether additional statements are required in an audit report meant specifically for online reporting and that this is considered a separate assurance engagement. The responsibility for the quality and security of information on a company's website still rests on the shoulders of the management. The aim of this guidance statement is to make the auditor aware of any legal implications that may arise from the presentation of audited financial reports online and the measures that the auditor may take to protect against potential liability issues. Therefore the auditor only needs to ensure that any information that is to be placed on a company's website initially is appropriately associated with the audit report and that it satisfies the auditor's expectations. Beyond this point the auditor is relieved of additional responsibility unless it's an additional assurance engagement.

2.2.2.10 SUMMARY REGULATORY BODIES AND THE ENTITY THEORY

The regulatory bodies discussed have focused on rules and recommendations in relation to companies presenting financial information online. One component of the entity theory related to the point that companies presented information to users in order to meet legal requirements. Considering the coverage provided by various regulatory bodies in relation to financial reporting online, covering quality and security of the information, the question still remains: Do companies follow the recommendations provided by various bodies? This question will be answered as a result of the analysis of the level of disclosure made by companies in relation to online financial reporting.

2.2.3 ENTERPRISE THEORY (SUOJANEN 1954)

This theory has been formulated by Suojanen (1954) and views the enterprise as a social institution where decisions are made that affect a number of interested parties: shareholders, employees, creditors, customers, various government agencies and the public.

The purpose of incorporating this theory is that when a company decides to present its financial information on its website, it has made a decision. This decision has consequences and affects. The larger the company, the greater the number of stakeholders affected.

As a result the company owes responsibility to the larger number of users to provide quality, reliable, complete financial information online. This information may have a significant impact on the decision making process of a larger pool of users compared to the number of users affected if the company would choose to use hard copy medium only to transmit financial reports.

2.2.4 REGULATORY CAPTURE THEORY (POSNER 1974)

The theory emphasizes the role of the manager as a major influence on the regulatory agencies and the rules that they develop and try to enforce. Capture theorists argue that while the purpose in fact or origin of regulation is to protect the public interest, this process is not achieved because, in the process of regulation, the regulated comes to control or dominate the regulator (Posner 1974).

In the context of Internet reporting, there are rules and guidelines provided by regulatory agencies. So the extreme situation presented by Posner (1974) does not exist, where companies have no one to answer to or no regulations to follow at all.

The point though is as to how rigorously the rules and recommendations are actually implemented? The question implies that companies may not have a need to dominate or control the regulator if they can get away with not putting the rules and recommendations into practice. This enhances the concept that there may be a gap between de jure and de facto accounting and that regulators may not have the resources to minimize the gap. In the context of the Internet, this gap may be varied for different types of companies and or countries.

2.2.5 USER'S COGNITIVE LEARNING PROCESS

Hodge, Kennedy and Maines (2002) have asserted that managers lobby against certain elements being recognized in the body of the financial statements. And that users place more emphasis on the body of the financial statements rather than the notes to the financial statements due to processing costs and cognitive limitations. This characteristic is manipulated by management, who according to Hodge, Kennedy and Maines (2002) prefer and have the choice to disclose data in the notes to the financial statements rather than recognize it in the main body. This is specifically so for data that would have a negative effect on the bottom line and the investor's perception of the firm's performance. Many factors would prevent the investor from reading the notes in detail such as limited time frame for the user to make a decision, lack of patience to read through every single piece of information presented in financial reports, inability to pick up important pieces of information from a vast amount of data.

Hodge, Kennedy and Maines (2002) identified most users as 'sequential' searchers, who look at the financial reports in the order in which they are presented, as compared to 'directive' searchers who go directly to the information that they need. This would further support the notion that sequential users may not be able to reach or find important information due to time and cost constraints. This might lead to inaccurate and inefficient decision making on behalf of the user.

In the context of Internet financial reporting, the capabilities of the technical language used for financial reporting would have a major bearing on how easily the format of the reports allow for direct extraction of information. If reports are presented in Acrobat format or html format, then a 'find' option may help the user to get to the information required. In spite of this feature there may be multiple instances of the key word or phrase within the report that the user may have to go through to get to the relevant information. Certain languages have promised to alleviate this problem. One of these is XBRL, which is discussed in more detail in the next chapter.

2.2.6 HUMAN-COMPUTER INTERACTION THEORIES

Human- Computer Interaction theories deal specifically with aspects, benefits, problems and issues that may arise when a user would utilize the computer to find information.

2.2.6.1 INFORMATION FORAGING THEORY

Information foraging theory deals with how user strategies, plans and technology utilized for information finding, assimilation and analysis are suited to the way data are presented in the computer environment (Pirolli & Card 1999). Pirolli and Card (1999) have identified two types of costs associated with extracting data on the Internet. One is the time cost that is the time it takes to find the relevant information on the website. The second is the resource cost that relates to user's attention and effort. Pirolli and Card (2000) deduced from the research that users prefer maximum information output per unit cost. In the context of financial reporting on the Internet, this would relate to the amount of time and effort it would take to access relevant financial reports of a company on the World Wide Web.

Information Foraging Theory has then been linked to a concept called "Information Overload".

2.2.6.2 INFORMATION OVERLOAD THEORY

Rao (2002) has described information overload as the situation where the user is faced with large amounts of data that they have to look through to get to the specific information that the user wants.

This theory can be applied at two stages of extracting financial information from a company's website. The first instance is typing the name of the company in a search engine such as 'Yahoo' to look for the company's web page. In many instances various pages of findings may be generated, through which the user would have to determine the primary web page of the company. The second stage of 'information overload' may occur at the company's website, where once again the user may have to spend more time and effort to get to the specific piece of information desired.

Rao (2002) has described Information Scent as the user's understanding of environmental cues in judging where information would be found and where the user would have to navigate to get to the information. Rao (2002) has used the term 'proximal cues' utilized by the user to navigate through the information sources. Typical examples of proximal cues are hyperlinks that are underlined and highlighted for the user to click on and follow to get to the information source. So in a way the user is "sniffing" out where the financial information may be, starting from the search engine, to the findings on the search engine, to the company's web page, to a hyper link that may lead to the annual report for example, to the actual report itself.

Rao (2002) found that display of key words that best describe the information that may be accurately linked to the key word, enhanced the Information Scent theory and minimized the costs associated with the Information Foraging Theory.

From the company's point of view, this would imply the degree of user friendliness incorporated by the company in its website. The emphasis here is more on the presentation aspect of financial reports on a company's website. Information scent theory would be supported if companies have the correct keywords with relevant hyperlinks, leading the user to the information desired. It would also imply providing all elements that users may seek, with hyperlinks, in a sequential manner, on the company's website. If a company was to use a pdf interface without hyperlinks to individual elements in the financial report, without providing a table of contents, with page numbers, this would lead to a user being overwhelmed with vast amount of data to search through. Combined with the cognitive limitations that the user may face, this might result in the relevant information being missed altogether.

The point is that users should be helped by the company to get to the information desired in least amount of time and with minimal effort. This responsibility would probably rest on the web designer of the company, who will have to work in unison with management to achieve a more useful company website.

2.2.6.3 INFORMATION MODELLING ON THE INTERNET

Price (2001) has shed light on the structure of the medium, which is the Internet itself as a mode of presentation. He has pointed out that with the Internet the user is working with reduced screens, slow access and limited service, while from the company's point of view the delivery is to a much wider audience.

Price (2001) has described three characteristics of data presented on the Internet: a) height, b) width and c) depth, referring to the hyperlinks, which when clicked on lead to another source of data. This has not been possible with the hard copy medium.

Just like Rao (2002), Price (2001) has also emphasized the aspect of time. How much time does it take for the user to access the data required? Price (2001) has further extended this concept by pointing out that due to extensive navigation from one page to another the formulation of a mental model of the content of each page becomes difficult.

Price (2001) has utilized the concepts of "perception" produced by Gestalt Arnheim's concept of "visual thinking" to understand and improve what is presented in cyber space. Thus a user would apply logic and perception to understand the information presented by a company on its website. This might be confusing for the user, if the company would provide disclaimers regarding the information presented on its website. This would raise questions regarding the reliability and verifiability of the accounting information online.

Price (2001) has pointed out that obtaining and utilizing information from the Internet, via a monitor, may not be an easy task for the user. Price (2001) has also made the point that users access company information with certain pre-conceived ideas that have been formulated based on past experience such as trusting that the information presented by a company on its website, has at least the same quality and scope as hard copy. How true can this perception be held? If companies are not taking complete responsibility to maintain the quality of information online, then this would compromise the qualitative characteristics of financial reporting online and would result in reduction of user confidence in the information, or worse, it might result in wrong decision making on behalf of the user.

2.2.6.4 QUANTUM THEORY OF INTERNET VALUE

Orlowski (2003) has pointed out the promises made when the Internet was introduced to the public in the 1990's. Some of the promises made were: everyone having an Internet connection, and access to a wide array of knowledge.

As time has passed by the "information costs" have become obvious. So the question addressed by Orlowski (2003) is: What is the value of the Internet? According to Orlowski (2003) there must be a quantum amount of Internet utility. The value of the Internet in 1994 must be the same, not diminished now.

If management would not display all accounting information on the website of the company, than every user would not have equal access to the data. If the information is presented accurately in the main language, and is different in other languages, once again one user may be disadvantaged over another. If the information is not updated on the website, a similar problem of information asymmetry is faced.

So although the Internet may have the potential to enhance information provision to a wider audience, the element of control by humans still remains important as a factor affecting quality and quantity of information presented on the web.

The Quantum theory supports the idea that companies should follow a uniform set of procedures in regards to the presentation of information online, in order to benefit all users, regardless of the type of users.

2.2.6.5 DIGITAL IMPRIMATUR

Levy (2004) has described the Internet as a contradictory tool of communication. Walker (2003) developed the theory called "Digital Imprimatur". This refers to the notion that at a future point in time nothing will be allowed on the Internet without a proper technical authorization.

He has described the advantages of such a system as eliminating identity theft, enabling secure transactions. Thus giving birth to a concept called "trusted computing", where not only people but also computer programs would be stamped with identifying marks. The impact that this would have on an organization's financial and other data is idealistic as far as tracing of data input; responsibility for data generation and sourcing of data are concerned. This would have a positive impact on verifiability and reliability of information presented on companies' websites.

2.2.7 POST MODERN COMMUNICATION THEORY

This theory deals with control and regulation in relation to the way information is presented on the Internet. It relates to the concepts of the Arbolic model and the Rhizomatic model (Massumi 1987).

The Arbolic model is State philosophy. Arbolic thought is strict and stiff. This implies uniformity, lack of flexibility in the nature of the information presented on the web (Massumi 1987).

On the contrary, Rhizomatic thought is non-linear, anarchic and nomadic, and it moves across borders (Deleuze and Guattari 1987). This view is the exact opposite of the Arbolic model, in the respect that corporations are allowed complete flexibility in regards to the nature of financial reporting information presented on a company's website.

Deleuze and Guattari (1987) have also formulated that the user is being transformed from "arborial" to "rhizomatic" wandering across the globe via the Internet. This would imply choice for the user. The user, by accessing financial information on the Internet, has access to a wide range of information, from different companies. Therefore the user faces more options in the form of companies to become a stakeholder of, transcending national boundaries.

Brande (1996) has described the Internet as a new and open-ended domain of production, circulation and consumption. This concept would entail the use of the Internet to reach a wider audience, globally.

2.2.8 THE INTERNET: A PARADIGM SHIFT FOR COMMUNICATION

Barr (2000) has described the Internet as a paradigm shift for communication. McMahon (2006) has suggested that this definition provided by Barr (2000) has come from Thomas Kuhn's work "The Structure of Scientific Revolutions" (1962).Kuhn (1962) has described paradigms as universally recognized scientific achievements that for a time provide idealistic problems and solutions to a community of practitioners.

According to Kuhn (1962), paradigms have two characteristics: The first one is that they attract people away from other competing models, and second that they are open ended to create problems for people to solve. This theory very well applies to the Internet since companies world wide are now using the Internet as a medium of presentation and communication of financial information. It poses problems of security of data, quality of data, on time delivery of data, just to mention a few of the issues that surround Internet reporting.

McMahon (2006) has claimed the Internet to be 'the greatest surveillance tool known'. In his study Mc Mahon (2006) has extended this concept to consider the affect of the Internet as a surveillance tool in countries like China, which are based on the Confucian system. In these countries the individual is strongly a part of the system, the family and the nation. This impacts the company as well, since these companies were owned by the government not long ago. With the privatisation process and the listing on the stock exchange locally and internationally, the reporting requirements of these companies have changed as well. There are more stakeholders interested nationally and on a global scale.

Mc Mahon (2006) has pointed out that in such countries the government has maintained power by controlling what information is released to the public. But with the introduction of mediums like the Internet this control is diminishing and globalisation is coming into play in these countries as well.

According to Tomlinson (1999) globalisation is a process in which complex interconnections are rapidly developing between societies, institutions, collectives and individuals world wide. Thus the reports provided by a Chinese company can be accessed by a user in another country. This is leading to better and more transparent reporting in order to attract capital. Schiller (1989) has discussed the idea of information being shared across boundaries, beyond countries. This relates well to the adoption of International Accounting Standards in China and China's ambitious efforts of "westernising" their financial reporting to attract more capital for listed companies. The amount of financial reporting that actually occurs on the companies' websites needs to be examined.

2.2.9 GLOBALIZATION AND THE INTERNET

Webster (2002) has mentioned the concept of “Globalisation of Communications”. Webster (2002) has described the Global Communication phenomenon as supportive as well as contradictory. He has expanded on this point by mentioning that the information provided by companies via mediums such as the Internet may have a negative consequence for the company. An example can be a news release that would negatively affect the share price of the firm. At the same time, mediums like the Internet are offering exposure of the company to many more audiences than was possible without the presence of the Internet.

Webster (2002) further explains that Globalization requires and at the same time enhances an “information infra-structure”. According to Webster (2002) following are the elements of this infra-structure:

- World-wide expansions of services that collect information, analyse and distribute it, and add value by analysing and collating it.
- Globalization requires the construction and where necessary, enhancement of computer and communications technologies
- This information structure has resulted in the growth of information flows at a quite extra-ordinary rate” (Webster 2002).

The point Weber (2002) has made is that technologies such as the Internet are supporting and are being supported by the globalization process. This exposes the company to a wider range of users, thereby increasing responsibility to provide quality information to not just one, but multiple sets of users.

2.2.10 SUMMARY OF THEORIES

The Shannon and Weaver (1949) model comprises three elements: the information source, the channel and the destination. In the context of the Internet the primary source of financial information is the company. The channel is the Internet itself, being a new medium of presentation of financial information. The destinations are the various types of users, relying on the online financial reports for decision-making purposes.

The Entity theory emphasizes the concept of ‘ accountability’ and the fulfilment of legal requirements (Paton 1962). In terms of financial reporting on the

Internet, the entity theory would explain the level of disclosure by companies on their websites in order to fulfil their responsibility towards the various stakeholders as well as the disclosure requirements implemented by various regulatory bodies.

Suojanen (1964) formulated the Enterprise theory, which described the company as a social institution where decisions are made that affect a number of stakeholders. In the context of financial reporting online, this would imply reliable and complete financial reporting, in order to fulfil the information needs of all stakeholders.

The Regulatory Capture theory encompasses the concept that the regulated companies may come to control the regulatory bodies (Posner 1974). In the context of Internet financial reporting the theory would imply less control by regulatory bodies over the quality of financial reporting by companies on their websites.

The User's Cognitive Learning process as described by Hodge, Kennedy and Maines (2002) is the absorption of information by users, limited to information presented in the main body of the financial statements. Online financial reporting may overcome this problem by allowing users to extract information required from any sections of the financial reports.

Information Foraging theory, developed by Pirolli and Card (1999), deals with how users find, assimilate and analyse financial information online. The more convenient it is for the user to access the financial reports, the more satisfied the user will be with the information gathering process.

Information Overload theory (Rao 2002) describes the concept of the user being overwhelmed by large amounts of information. If the company's website is structured and user friendly, the impact of information overload will be minimal, with the user being guided to the information desired, efficiently.

Price (2001) has shed light on the structure of the Internet as a medium of information presentation. He has pointed out that with the Internet the user is working with reduced screens and slow access, but the company is able to reach a wider number of users.

Orlowski's Quantum theory (2003) would explain the value of financial reporting online to different users, depending on the quality of the financial information in the main language, as well as other languages.

Levy's Digital Impimatur (2003) deals with the concept of authorisation to release information on the Internet. This would imply greater control, as well as verifiability and reliability of financial information online.

The Post Modern Communication theory by Masumi (1987) describes the nature of the information as either Arbolic: uniform and rigid or Rhizomatic, allowing companies complete flexibility as to the kind of financial information placed on the websites.

Barr (2000) has described the Internet as a paradigm shift for communication. McMahon (2006) has described it as a great surveillance medium, allowing regulatory bodies to ensure compliance by companies.

Webster (2002) has described the globalised nature of the Internet as both positive and negative, allowing companies to reach a wider audience, but also attracting more negative attention such as from regulators.

Provided below is the literature on the use of the Internet for financial reporting by companies. This information will be compared to the observations and findings made in this research in regards to Internet utilization by companies for financial reporting, as well as the degree and nature of disclosure in relation to online financial reporting.

2.3 COMPANIES' USE OF THE INTERNET FOR FINANCIAL REPORTING

2.3.1 LYMER 1997

According to Lymer (1997) the survey carried out of the top 50 U.K. companies revealed the most common data presented on the website were highlight information. A sector analysis of the companies revealed that:

- Banking/ Financial Services organizations: For companies in this sector very limited accounting information was given,
- Retail organizations: have sites which were more revealing in regards to financial reporting information,
- Insurance organizations: have limited financial reporting details were available,
- Pharmaceuticals: websites were effective in delivering of reporting data (Lymer 1997).

2.3.2 MARSTON & LEOW (1998)

In 1998, another study carried out by Marston and Leow (1998) involved the analysis of websites of the 100 Financial Times Stock Exchange (FTSE) companies. According to the analysis, 63% of the sample companies had web sites or home pages on the Internet. Out of these 63, only 45 disclosed financial information, and only 34 disclosed detailed annual reports. Marston and Leow (1998) have also pointed out that the companies that did provide detailed annual reports projected the recent complete annual reports as well as for the past 3-4 years.

2.3.3 LYMER, DEBRECENY, GRAY and RAHMAN (1999)

A similar survey was also carried out by Lymer et al (1999) and published as part of a report for the IASC in 1999.The sample consisted of 660 companies from 20 countries listed on the Dow Jones Global Index. Eighty six percent of the companies had a website, 26 percent of these 86 percent had a website but no financials. Only 188 out of the 410 companies that did have financial statements displayed their cash flow statements. So, although the needs of the shareholders and creditors have been obvious for quite some time, they have not really been projected at the desired level by companies on their websites.

The research conducted by Lymer et al (1999) encompassed the survey of large listed companies in 22 countries. 268 out of the 410 companies had corporate information on their website, 174 out of the 410 had the year-in-review data, 119 out of the 410 had the management's report, and 252 companies had the financial summary.

2.3.4 OYELERE, LASWAD and FISHER (2003)

Oyelere, Laswad and Fisher (2003) investigated 229 companies listed on the New Zealand stock exchange at the end of 1998.They found that 73.2% of sample companies with websites disclosed financial information. They also found that companies that are larger and more profitable engage in online financial reporting. Oyelere, Laswad and Fisher (2003) did not find an association between internationalisation and financial reporting by companies on their websites.

Internet has the capability of improving the presentation and amount of financial information available to users. This aspect was emphasized by Lymer et al (1999) when it was proposed that there should be a business reporting language that would allow the discovery, analysis and re-use of a wide set of business reporting information.

Chapter III investigates one such business reporting language called XBRL in more detail; in regards to its features, benefits and characteristics.

Chapter III

XBRL: ONLINE FINANCIAL REPORTING LANGUAGE

3.1 INTRODUCTION

XBRL is an extension of XML, which stands for Extensible Mark-up Language. Extensible is a useful feature that allows the user to use XML in more than one way. Mark-up means that XML gives definitions to text and symbols. Language implies that XML is a method of presenting information that has accepted rules and formats (XBRL 2004). XBRL is then, a royalty free, open specification language for software that uses XML data tags to describe financial information for public and private companies and other organizations (Richards & Tibbits 2002). It allows different parties to enhance the creation, exchange and comparison of business reporting information. Business reporting includes, but is not limited to, financial statements, financial information, non financial information and regulatory filings such as annual and quarterly financial statements (ibid).

3.2 RELEVANCE OF XBRL TO INTERNET FINANCIAL REPORTING

In Chapter I it was established that financial reporting on the Internet should meet the qualitative characteristics of accounting information established in various accounting frameworks. These characteristics include understandability, incorporating the use of similar accounting standards, promoting harmonization, reporting in multiple languages, therefore serving the needs of multiple users. The second characteristic is relevance. Internet based financial reports should be able to provide all information that is required for various types of decision making processes. The third characteristic is timeliness where information should be presented in a timely manner to be useful. Also important is that information should be reliable. Users should be able to trust the information provided online as being verifiable, with an audit trail. Information should also be secure, protected from unauthorized change.

Promoters of XBRL promise that the use of XBRL as a reporting language would enhance and support all these characteristics. The aim in this chapter is to investigate XBRL, review the literature on XBRL, provide an analysis of whether the statements made by various authors in relation to the potential benefits of XBRL hold true in regards to using XBRL for financial reporting on the Internet.

3.3. XBRL: A BRIEF OVERVIEW

XBRL is a technical reporting language. In this section a simplistic overview of the components of XBRL will be provided, that are relevant in the context of this research. The first component is XBRL taxonomy.

3.4 XBRL TAXONOMY

XBRL taxonomy is a fundamental component of the language. In simple terms this can be defined as a set of codes based on a set of accounting principles, which can be used to classify various elements of a company's financial statements.

The minimum information required to build XBRL Taxonomy is the XBRL Specification and the appropriate accounting standards, plus two sets of information including the sample financial statements for the big 4 accounting firms and the actual annual reports of companies (Richards & Tibbits 2002).

3.5 XBRL AND THE INTERNATIONAL ACCOUNTING STANDARDS

The XBRL taxonomy based on the International accounting standards has gone through various stages of evolvement. As at July 2006, it is going through changes and additions. It might be some time before it reaches the final stage, where it can be comfortably and completely implemented by companies enforcing the international accounting standards.

Most countries have adopted January 2005 as the date for incorporating the International Accounting standards in the national financial reporting. This can cause uncertainties for certain corporations, who may not have specific guidelines to follow regarding particular items, if they were to use XBRL for reporting purposes, using the International Accounting standards.. These elements would relate specifically to industries such as the banking industry as well as in general.

3.6 XBRL AND MULTIPLE LANGUAGES

Richards & Tibbits (2002) have identified a component of the taxonomy that allows the presentation of the contents of the document using different labels for the same elements including different languages. Therefore the company would generate one instance document (the output version of financial reporting that is transmitted across the Internet) but the user would be able to see the financial statement in a language that he/ she desires, so long as it has been expressed in the taxonomy. This would have a positive impact on understandability by users who do not follow the main reporting language of the company. It would also follow the recommendation made by IASB, for information to be presented in multiple languages for wider use (Lymer et al 1999).

3.7 RELATIONSHIP BETWEEN XBRL TAXONOMY AND THE INSTANCE DOCUMENT

The main focus has been the development of an IAS taxonomy, which any company in any part of the world can use to convert its financial statements into an instance document (an output which can be transmitted over the Internet to different parties, which can then be converted to relevant output documents, as read by a user, such as financial statements) in accordance with the International Accounting standards. The Instance document can then be transmitted and exchanged on the Internet and converted into a meaningful financial report format without the requirement of re keying of data, as many times and to as many users as required.

3.8 BENEFITS OF XBRL

According to Teixeira & McDonald (2002) some entities have many different accounting or information systems. Consolidating or sharing this information between systems can require manual intervention. XBRL can alleviate this problem by creating a mediation layer.

This supports the statement by Abdolmohammadi et al (2002) that XBRL would support efficiencies of the Internet as today's primary source of financial information. Thus companies would be able to exchange financial information and present the information derived from different accounting systems. This would help provide more relevant information in time for decision making.

According to Zabihollah and Turner (2002) the advantages of XBRL include more accurate financial reporting, with fewer errors due to reduction in human involvement, resulting in more reliable and relevant information. Other benefits described by Zabihollah and Turner (2002) include faster, more accurate electronic searches for information, because of identification of each instance of information specifically through the attached label. Another benefit mentioned is continuous auditing.

This aspect of XBRL of enhancing timely and relevant financial reporting has been further supported by the following statement on the XBRL (2004) website:

> Data manipulation happens when companies need to re-position the output from their financial systems to meet the needs of diverse users… With XBRL, information will be entered once and the same information can be "rendered" as a printed financial statement, an HTML document for a Web site, an EDGAR filing file, a raw XML file, or a specialized reporting format such as periodic banking and other regulatory reports. The financial information chain is enhanced with accelerated delivery of relevant data, and lower preparation costs.

The same advantages of promoting more accurate and timely information have been expressed by Richards & Tibbits (2002, p. 19) as:

> One of the many claims of the developers of XBRL is that one of its big advantages is that you create an instance document once but can easily render it many times in different formats. Once all of the above has been completed, it is a simple exercise to create the various reports.

Bovee et al (2002) has emphasized that XBRL has the capability of providing near continuous financial reporting. This continuous release of data should prevent major fluctuations in stock prices following periodic release of financial information.

Rogers (2003) has described XBRL as the promise to help make public companies more uniform in the way their financial data are communicated, presented and reported to investors. Rogers has also projected that XBRL would also promote truly transparent financial information in annual reports, quarterly statements and other documents. SEC's mandatory stand on the use of XBRL would encourage all organizations to adopt XBRL as their reporting language.

The Institute of Management & Administration (IOMA) has identified major benefits of XBRL including an efficient audit trail system which would allow accountants and auditors to secure and track and control how businesses prepare and report financial information distributed to users. Institute of Management & Administration (2002) has described XBRL as a continuous monitoring system that would allow auditors and financial controllers to monitor company transactions real-time and a reconciliation tool that would allow companies to prepare reconciliation statements between various GAAPs in less time. IOMA (2002) has also proposed that XBRL would make consolidation accounting much easier, as well as making compliance with regulators demands a more efficient process.

Further, Colman (2002) has emphasized the adoption of XBRL by many organizations including Microsoft, PriceWaterhouse Coopers, the Bank of America, Deutche Bank, and the NASDAQ stock market. In Australia the Australian Prudential Regulation Authority (APRA) has also been mentioned as mandating filings in XBRL.

Branson (2002) has pointed out that business organizations can satisfy the reporting requirements of multiple government bodies in one go, thus avoiding the need of manual rekeying of data or repetitive effort.

Cuneo, on the other hand, (2002) has shifted the focus to the viewpoint of executives as far as XBRL and its adoption is concerned. Cuneo (2002) has pointed out that PriceWaterhouseCoopers and the Economist Intelligence Unit have presented a five-step recovery plan for financial institutions suffering from lack of public confidence including endorsement of XBRL. Cuneo (2002) has proposed that the use of XBRL would make it harder for managers to hide information in footnotes, thus increasing the integrity of financial reports. This point relates back to the study done by Hodge, Kennedy & Maines (2002) where it was found that the use of XBRL would allow better and faster extraction of data and would thus make it easier for users to get a better picture presented in the whole of the financial data rather than just the body of the financial statements.

In regards to audit trails Richards and Tibbits (2002) have asserted that in relation to audit trails XBRL would create major advantages since XBRL General ledger software can be linked to XBRL Financial Reporting software. Thus transactions can be traced from initial entry to final recording in the financial statements. This would support the characteristic of verifiability, where a company's financial reporting data could be traced back to the original recorded transactions.

Hannon (2003) has pointed out that presently SEC can only review 16% of the 14000 annual corporate filings by public companies. SEC had not reviewed Enron's annual report or corporate filings since 1997. The solution presented by Hannon (2003) is the use of XBRL based analytical software that would allow the SEC to analyse all the 14000 corporate filings and thus discovering anomalies in financial reporting an easier task.

3.9 WEAKNESSES OF XBRL

During the period of this research, the resources available for complete testing of XBRL and therefore of the claims made in relation to XBRL were searched for. It was observed that it was hard to be able to go through the whole process from start to finish, testing the features of XBRL, without purchasing additional software, or paying fees. There were numerous examples provided of instance documents and outputs, but the actual process to reach from one stage to another was not demonstrated. And this testing mechanism is an important element to test the viability of the claims.

Bovee et al (2002) used year 2000 XBRL taxonomy incorporating U.S.GAAP to tag companies from industrial groups available at the Fortune website. A total of 67 firms from ten industries were investigated. The qualitative characteristics of feedback and predictive value, comparability and representational faithfulness were investigated in the light of the application of the taxonomy.

Bovee et al (2002) have drawn attention to the fact that taxonomy cannot accommodate the level of aggregation or disaggregating practised by every firm. Firms that need to provide more detail or subdivide the sum into more of the individual accounts need to have custom tags, which can generate more predictive and feedback value but less comparability. Bovee et al (2002) have addressed the primary question of the level of fit between the taxonomy and a firm's current reporting practises. They recognised the fact that lots of work still needs to be done as far as national and international and industry specific taxonomies are concerned which leads to the issue of co-ordinating these activities.

Schneider (2002) has pointed out that the market adoption of XBRL at the moment is facing various technical, regulatory and administrative hurdles and that it would take a few years for it to be implemented on a much wider scale.

A barrier that Cuneo (2002) has identified that is preventing the wide scale adoption of XBRL is the lack of knowledge of XBRL demonstrated by financial executives. According to Cuneo (2002) only 42% of financial executives believe that XBRL will make reports more useful, while 47% do not know what role XBRL could play.

Hannon (2002) has emphasized that using XBRL would not guarantee that the information presented via the instance documents is accurate, precise and reliable. It is still up to the organization preparing the documents as to what figures they put in for different accounting elements.

It seems that the use of XBRL is still in the experimental stage and until versions of taxonomies are finalised, it would be more of a challenge for various companies to be able to transmit all the information that they desire accurately and efficiently.

3.10 RELATIONSHIP BETWEEN XBRL AND A USER'S COGNITIVE LEARNING PROCESS

Hodge, Kennedy and Maines (2002) have identified the relationship between the use of search facilitating technology such as XBRL and the user's cognitive learning process.

The research is based on the notion that investors and creditors react less strongly to information disclosed in footnotes than to information recognized on the face of financial statements, due to cognitive process limitations.

According to Hodge, Kennedy and Maines (2002) users place more emphasis on the body of the financial statements rather than the notes to the financial statements due to processing costs and cognitive limitations. This characteristic is manipulated by management, who, according to Hodge, Kennedy and Maines (2002) prefer and have the choice to disclose data in the notes to the financial statements rather than recognize it in the main body. This is specifically so for data that would have a negative effect on the bottom line and the investor's perception of the firm's performance.

Hunton, McEwen and Bhattacharjee (2001) have found that financial analysts who use a directive search strategy have higher accuracy and that this approach is more applicable to experienced knowledgeable users who can find relevant information regardless of where it is placed in the financial statements. The other, less sophisticated, users can miss read and miss analysing the footnotes, being at the end of the annual report rather than at the start and being sequential rather than directive users.

Hodge, Kennedy and Maines (2002) have stated that technologies such as XBRL that facilitate directed searches and simultaneous presentation of related financial statement and footnote information have the capability to alleviate these limitations. This is because software developed to search for the pre-defined data tags allows users to extract and view all similarly coded information, regardless of where the information is presented in the financial statements.

Hodge, Kennedy and Maines (2002) recognize that NASDAQ has launched a pilot program to allow users to experience the benefits of XBRL, providing access to five years of XBRL formatted financial data for 21 NASDAQ listed companies. And that EDGAR has also launched a public repository for company financial statements tagged in XBRL for 79 firms as at August 2002.

3.11 SUMMARY OF STEPS FOR WIDER ADOPTION OF XBRL

Considering the slower adoption of XBRL by organizations world-wide and the lack of understanding of XBRL by managers, certain points need to be addressed fast and effectively for XBRL to be taken more seriously by more parties. These include more frequent, more extensive training offered world wide at no or low costs, which might even include university courses on XBRL.

Proponents of XBRL have disclosed many potential benefits of XBRL. Educating management on a wider scale about these benefits by allowing testing of XBRL by management would provide a chance for management to investigate the benefits of XBRL themselves. This would mean better marketing of XBRL across different corporations.

3.12 SUMMARY

In this chapter a new Internet reporting language called “ XBRL” was analysed in the light of existing literature The main features of XBRL, the advantages and the weaknesses of XBRL were mentioned. At the moment there seems to be a lot of promises being made, but the development of adequate taxonomies, the provision of adequate training and the incorporation of all facets of financial reporting into XBRL have yet to be implemented. XBRL may support the qualitative characteristics of relevance, timeliness, understandability and verifiability, but the practicality of its worldwide adoption is at the moment questionable.

CHAPTER IV

FINANCIAL REPORTING DISCLOSURE REQUIREMENTS ACROSS COUNTRIES

4.1 INTRODUCTION

The purpose of this chapter is to provide a description of disclosure requirements in relation to accounting systems, corporate governance systems and Corporate Social Responsibility (CSR) requirements across different countries. The countries are divided into four groups based on 2004 Gross National Income per capita by the World Bank. These groups are: Low income, lower middle income, upper middle income and high income (The World Bank 2004). The numbers of countries represented in the sample from each group are: high income countries (33 countries), upper middle income (16 countries), lower middle income (12 countries) and low income (4 countries) and 'other' (2 countries). Basic information in relation to the financial reporting framework will be presented for these countries. For some countries, findings in literature regarding accounting practice and or systems will also be described.

4.2 LITERATURE REVIEW ON FINANCIAL REPORTING DISCLOSURE REQUIREMENTS

Adhikari and Tondkar (1992) identified the disclosure requirements of various countries. The hypotheses developed by Adhikari and Tondkar (1992) relevant in respect of this research included:

H1: In countries with higher per capita GNP, stock exchanges are likely to have more rigorous levels of disclosure requirements.

H5: In countries with greater number of domestic listed companies, stock exchanges are likely to have more rigorous disclosure requirements.

The sample for the study was 41 stock exchanges, each located in a different country. Additional data were gathered from the International Financial Statistics, National Account Statistics and other sources for numeric data gathering.

Adhikari and Tondkar (1992) found that H1 emphasizing the relationship between the degree of economic development and the level of disclosure requirements was not supported. No significant relationship was found between the type of economy and the level of disclosure requirements (H2). H5 stating that stock exchanges with more domestic listings would have more rigorous requirements was not supported by the results either.

Adhikari and Tondkar (1992) found that the most disclosure required was by the New York Stock Exchange, followed by the London Stock Exchange, Singapore being in third place, followed by Toronto, Hong Kong and Japan, France, Kuala Lumpur, Amsterdam and finally Sydney. Frankfurt ranked even further down after Milan.

Adhikari and Tondkar's (1992) research may suggest that larger stock exchanges have more rigorous financial reporting disclosure requirements.

4.3 FINANCIAL REPORTING DISCLOSURE REQUIREMENTS ACROSS COUNTRIES

This section focuses on the domestic regulatory requirements in relation to financial reporting in various countries. The purpose of this section is to lay the ground for what might be expected from companies in relation to disclosure, based on the domestic requirements. Thus it may be assumed that the items that are required by domestic frameworks are actually presented in the financial reports on the companies' websites. The requirements will be used as a benchmark for comparison. If sample companies would not meet the disclosure requirements, then the concept of a gap between de jure and de facto financial reporting will be supported, in relation to financial reporting on the Internet. The assumption is that information presented on a company's website is no different from hard copy, in respect of responsibility towards transparent and quality financial reporting.

The regions covered in this thesis include (from highest to lowest income countries):

- High Income Countries: Australia, Austria, Belgium, Bahamas, Bahrain, Bermuda, Canada, Cayman Islands, Denmark, Cyprus, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, South Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Puerto Rico, Singapore, Qatar, Spain, Sweden, Switzerland, United Kingdom and United States.
- Upper Middle Income countries: Argentina, Barbados, Chile, Croatia, Czech Republic, Hungary, Lebanon, Lithuania, Malaysia, Mexico, Panama, Poland, Russian Federation, South Africa, Turkey, Venezuela.
- Lower middle income countries: Peru, Brazil, China, Colombia, Dominican Republic, Egypt, Honduras, Indonesia, Kazakhstan, Philippines, Sri Lanka, Thailand.
- Low income countries: Ghana, India, Kenya, Zimbabwe.
- ‘Other’: Taiwan, Guernsey

4.3.1 HIGH INCOME COUNTRIES

4.3.1.1 AUSTRALIA

The Corporations Law has the following reporting requirements for companies (Parker & Porter 2003): Large proprietary companies (which meets two out of the three conditions being revenue greater than $ 10 million, gross assets more than $ 5 million and more than 50 employees) have to prepare and lodge audited financial statements with ASIC (Australian Securities & Investments Commission, a federal body) within four months of their reporting date.

A disclosing entity is a listed entity or a registered scheme, which raises funds in a prospectus, which offers securities other than debentures as consideration for acquisition of shares in a target company; or whose securities are issued under a compromise or scheme of arrangement. They are required to comply with continuous disclosure requirements, reporting to ASX (for listed entities) or ASIC (for unlisted entities) within 90 days of the year-end. They also need to prepare half-year end reports within 75 days of the year-end.

For a listed company, there are detailed requirements for each director's share in the equity of the business, as well disclosure of details of contracts which might benefit the director, as a part of the director's report. This is on top of the "general" contents of a director's report that include:

a. A review of operations and results of operations (s.299 (1)(a),
b. Details of any significant changes in the state of affairs (s299 (1)(b),
c. The principal activities and any significant changes therein (s299 (1)(c),
d. Any matters or circumstances after the end of the reporting period, that might significantly affect or have affected, the operations or results of the state of affairs in future reporting periods (s299 (1)(d),
e. Developments in operations and the expected results of those operations in future reporting periods, unless such material is likely to result in unreasonable prejudice. A statement that prejudicial information has not been disclosed (s299 (3).
f. Details of performance in relation to environmental regulation (s299 (1) (f). (Parker & Porter 2003).

According to AASB 101 (The Institute of Chartered Accountants in Australia 2006b) the financial report consists of:

An income statement, a balance sheet, a statement of cash flows, a statement of changes in equity, if required by AASB Accounting standards, consolidated financial statements, notes to the financial statements, and director's declaration- that the financial statements and notes comply with AASB Accounting standards and give a true and fair view, a director's report and a remuneration report.

According to the Australian GAAP, (Parker & Porter 2003) the auditor has to audit the financial report for a financial year or half year and form an opinion on it and include it in the audit report. A disclosing entity preparing a half-year financial report can either have it audited or reviewed. A revised corporate governance rule requires the companies that make up the All Ordinaries Index (top 500) to have an audit committee complying with best practice guidelines.

4.3.1.2 AUSTRIA

Austria is a member of the European Union. It therefore, has to enforce IFRS. Companies listed on the Vienna stock exchange can submit their consolidated accounts based on IFRS or U.S.GAAP (IAS Plus 2003a).

4.3.1.3 BELGIUM

Belgium is a country where there were no accounting or financial reporting rules until 1975. The accounting law was passed in 1975 and the EU Fourth Directive was adopted in 1983 (Ignace 2000).

The form and content of financial statements are determined by the Royal Decrees of 1976, 1977, 1979 and 1983. Full, audited financial statements are required where commercial companies employ more than 100 people. The Directors are responsible for preparing a Balance sheet, a profit and Loss Statement, explanatory notes to the statements and accounting policies adopted by the company. (Ignace 2000).

4.3.1.4 BAHAMAS

The Bahamas Institute of Chartered Accountants is a self-regulatory body. The companies have to follow the International Auditing and Accounting standards and Rules of Professional Conduct (International Federation of Accountants 2006a).

4.3.1.5 BAHRAIN

Listed entities and governmental bodies are required to prepare audited annual statutory financial statements based on IFRS (International Federation of Accountants 2004). These requirements do not apply to private companies.

4.3.1.6 BERMUDA

The profession in Bermuda is governed by the Institute of Chartered Accountants in Bermuda. Canadian Generally Accepted Accounting principles and auditing standards are applied in Bermuda, but the GAAP of any other jurisdiction can be followed so long as there is complete disclosure (Lowtax.net 2006a).

4.3.1.7 CANADA

According to Nobes and Parker (2000), Canada is an important player in international Accounting. The Toronto Stock exchange is the sixth largest in the world in respect of market capitalization. Most large companies based in Canada are U.S. owned or controlled. The Canadian legislation requires financial statements to be prepared in accordance with the generally accepted accounting principles provided in the Canadian Institute of Chartered Accountants handbook. The U.S. framework heavily influences Canadian financial reporting. Canadian companies that are also subject to SEC rules are able to prepare their financial statements under U.S.GAAP (Nobes & Parker 2000).

4.3.1.7.I SEDAR

The System for Electronic Document Analysis and Retrieval (SEDAR) was developed in Canada for the Canadian Securities Administrators (CSA) to facilitate the electronic filing of securities information as required by the securities regulatory agencies in Canada. It was also developed for the public dissemination of Canadian securities information collected in the securities filing process; and provide electronic communication between electronic filers, agents and the Canadian securities regulatory agencies. The web site provides a listing of filings that became publicly accessible in the SEDAR database as of the most recently completed business day (System for Electronic Document Analysis and Retrieval 2006).All Canadian public companies and mutual funds are generally required to file their documents in the SEDAR system. In addition, some third parties who are involved in public company transactions such as take-over bids or proxy contests may be required to file as well (System for Electronic Document Analysis and Retrieval 2006).

4.3.1.8 CAYMAN ISLANDS

According to Gore (2004) the financial reporting system in Cayman Islands needs updating for companies to produce reliable financial reports. The corporate law in Cayman Islands also needs to be revised to promote better, more transparent financial reporting.

4.3.1.9 DENMARK

According to Nobes & Parker (2000) the rules for financial reporting are contained in the Companies Act 1973 for Denmark, which are heavily influenced by the EU directives.

4.3.1.10 CYPRUS

Cyprus is an EU member state; therefore it has to follow the IFRS. All types of companies have to prepare audited annual statutory financial statements based on IFRS and the Company Law ((International Federation of Accountants 2006e).

4.3.1.11 FINLAND

Listed entities and private companies are to follow the Company's Act and IFRS (International Federation of Accountants 2006g) in preparation of audited annual statutory accounts. It is a member of the EU.

4.3.1.12 FRANCE

According to Choi, Frost and Meek (2002) the main bases for accounting regulation in France are the 1983 Accounting Law and 1983 Accounting Decree, which made Plan Comptable Ge'ne'ral compulsory for all companies. Choi, Frost and Meek (2002) have also mentioned that individual company accounts need to follow the statutory reporting requirements, but companies can follow the IAS or U.S.GAAP for their consolidated accounts.

Choi et al. (2002) have stated that French companies are required to report a balance sheet, an income statement, notes to the statements, director's report and auditor's report. Large companies are also required to prepare documents relating to the prevention of business bankruptcies and a social report, both of which are unique to France. Individual company and consolidated statements are both required.
Large companies (those with net sales grater than FFr 120 million or more than 300 employees) are in addition required to prepare four documents: statement of cash

position, statement of changes in financial position, a forecast income statement and a business plan. These are not audited and are only available to the Board and employee representatives. A social report is also required for companies with 300 or more employees. It is required for individual companies not consolidated groups (Choi et al 2002).

4.3.1.13 GERMANY

According to Nobes and Parker (2002) accounting principles in Germany have been combined into one source, which is the HGB, Commercial Code. In addition, corporations are subject to the accounting requirements laid down in the AktG, Stock Corporations Law and GmbHG, private company law.

Nobes and Parker (2002) have stated that the listing rules require corporations to publish financial statements in accordance with the IAS or U.S.GAAP.

According to Choi, Frost and Meek (2002) the 1985 Accounting Act has specified the format and content of financial statements including the balance sheet, the income statement, notes, management report and the auditor's report. Publicly traded companies must also provide a statement of cash flows, which is not required for the other companies. Publicly traded companies must provide additional segment disclosures. A management report must be prepared by large companies.

Choi, Frost and Meek (2002) have also pointed out that listed companies were allowed to use IAS or U.S.GAAP in consolidated financial statements in lieu of the German Commercial Code. This concession was valid until 2004, when Germany developed its own set of German standards compatible with the international accounting standards.

4.3.1.14 GREECE

The Greek law is based on the French commercial code adopted in 1835. Greece is another country where the company law regulations are heavily influenced by the EU Directives particularly the fourth directive. The major regulatory body as described by Ballas (1994) is the National Accounting Council; although the council’s decision-making power is extremely limited. It only acts as an advisor to the government departments.

According to the Company Law (based on the fourth directive) the financial statements of a company should include the balance sheet, the profit and loss statement, the distribution of profit table and the notes to the accounts.

Companies listed on the stock exchange must prepare half yearly financial statements, which must be deposited with the stock exchange and published in a major daily newspaper.

Recently, the government of Greece has introduced the Fourth Directive into the Corporate Law. The new body of which the auditors must be members to conduct compulsory audit of firms is called the Society of Sworn Auditors.

4.3.1.15 HONG KONG

Hong Kong has now fully harmonized with IFRS, except for some minor differences (IAS Plus 2006b). The Hong Kong Financial Reporting Standards are developed by the Financial Accounting Standards Committee of the Hong Kong Institute of Certified Public Accountants (IAS Plus 2006b).

4.3.1.16 IRELAND

Ireland, being a member of the European Union, has to follow IAS Regulation (IAS Plus 2005a). Ireland has allowed all its companies to use IFRS, both in consolidated and separate financial statements (IAS Plus 2005a).

4.3.1.17 ISRAEL

The Israel Accounting Standards Board, the Institute of Certified Public Accountants in Israel, and the Israel Securities Authority have decided to adopt the International Financial reporting standards in full, in place of the Israeli national accounting standards. The Israeli national accounting standards have been based on International Accounting Standards anyway (IAS Plus 2005b). Israel has the most companies registered with the U.S.SEC than any other foreign country. Israel has adopted the IFRS in the hope that non U.S. companies registered with SEC, will be allowed to use IFRS without reconciliation to U.S.GAAP (IAS Plus 2005b).

4.3.1.18 ITALY

According to Nobes and Parker (2000) the regulatory body for the listed companies is the Commissione Nazionale per le Societa e la Borsa *(*CONSOB). The CONSOB was established in 1974 has been responsible for a number of important developments including the requirement that in addition to the statutory audit, listed companies should have a more extensive audit by an approved accounting firm (Nobes & Parker 2000).

It was only in the first half of the 1990s that the EU Directives were introduced in Italy, together with consolidation accounting and auditing. This was primarily because of past history encompassing the protection of the rights of companies to keep the secrets of their business from competitors and outsiders including shareholders (Radebaugh & Gray 2002).

According to Salzburg (2002) a new body called Fondazione Organismo Italiano di Contabilita (OIC) has been set up by leading preparers and users and the accounting profession and the stock exchange to act as Italy's standard setter. The OIC has been chosen to be the Italian partner for the European Financial Reporting Advisory Group (EFRAG) and the IASB.

Salzburg (2002) has also pointed out that consolidated accounts in Italy perform a function that is consistent with that mentioned in the IAS. Thus adoption of IAS in Italy should not be a problem. In 1998, the Consolidated Law on Financial Intermediation provided for companies listed on more than one stock exchange to be allowed to use internationally accepted accounting standards in the preparation of consolidated accounts.

According to Saudagaran (2004) Italy ranks 16th as far as the disclosure levels of industrial companies are concerned. This would imply a lack of transparency as far as financial data is concerned. Italian consolidated financial statements are meant to be consistent with the International Accounting Standards, but the individual accounts have to follow the legal requirements.

4.3.1.18. I ENVIRONMENTAL DISCLOSURE BY ITALIAN COMPANIES

As far as environmental reporting is concerned, a study conducted by Thomas & Kenny (1997) found that one out of the three companies made environmental disclosure, one had incomplete data and the third did not have any data at all. Thomas & Kenny (1997) also found that the companies that did disclose only had “verbal" disclosure, no monetary items were included. This finding has been included in order to compare Thomas and Kenny (1997) results with those of this study.

It can be said that it has only been recently that Italy has adopted a more “transparent" approach to disclosure. Before the 1990s the atmosphere was mostly that of secrecy and protection of company information. Some elements of Italian accounting are still different from the IAS, mostly because of the pressure to follow the civil code.

4.3.1.19 JAPAN

The regulations regarding the form and content of financial statements under the Securities and Exchange Law are included in the Regulations Concerning the Terminology, Forms and Preparation methods of financial statements issued by the Ministry of Finance (Nobes & Parker 2002).

According to Nobes and Parker (2002) the financial statements prepared under the Security and Exchange Law should include a balance sheet, a profit and loss statement, a statement of proposed appropriation of earnings, supplementary schedules including details of share capital and reserves, long term debt, fixed assets and intra group transactions. Additional unaudited information is also required including details of the company's organizational structure, employees, production and cash flows. A cash flow statement is required as a part of consolidated statements under the Law.

Hiroyuki (2003) has emphasized that Japanese companies have recently begun to review the practice of releasing information on executive compensation. The Government of Japan does not require its companies to file their official filings in English (Seeman 2003).

4.3.1.20 KOREA (SOUTH)

The Korean Accounting Standards and the Korean Auditing Standards are based on the International Accounting and Auditing Standards (The World Bank 2004b). The World Bank Report (2004b) has also suggested that Korea needs to improve its auditing and accounting standards implementation and that it needs to achieve complete harmonization with IFRS.

4.3.1.21 LUXEMBOURG

The law in Luxembourg would allow listed companies to follow IFRS, but would not require them to do so, and the same applies to consolidated accounts of all companies (European Commission 2005).

4.3.1.22 NETHERLANDS

There are three sources of financial reporting that can be followed by companies in the Netherlands. These include the Civil Code, the Verdict of the Enterprise Chamber, and the recommendations of the Council for Annual Reporting (Dijksma & Hoogendoorn 1993; Roberts, Weetman & Gordon 2002).

According to Dijksma and Hoogendoorn (1993) the financial statements comprise the balance sheet, the profit and loss statement and the notes and other prescribed information. A cash flow statement is not required except for the stock exchange requiring it for new companies seeking listing (Roberts et al 2002). Although the Council has recommended the provision of cash flow statement for large companies. The recommendations of the Council for annual reporting are not mandatory and departures are not mentioned in the auditor's report (Dijksma & Hogendoorn 1993).

4.3.1.23 NEW ZEALAND

The accounting standards in New Zealand are issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants (FRSB). Although the New Zealand standards are based on the International Accounting Standards, there are a number of differences between NZ-IFRS and IFRS (IAS Plus 2006i). These differences mostly relate to limitation of choices under NZ-IFRS and additional disclosure.

4.3.1.24 NORWAY

The Companies Act 1976 for Norway has been strongly influenced by the EU Directives. The formats of the financial statements is based on the Fourth Directive, which requires a balance sheet and a profit and loss statement (Roberts, Weetman & Gordon 2002).

4.3.1.25 PORTUGAL

Portuguese companies are required to use IFRS in the consolidated accounts and are permitted to use IFRS in the separate accounts (European Commission 2005). The Portuguese Accounting Standards Board has published the Accounting Directive 29, Environmental Issues in 2003, making it compulsory for companies to disclose environmental issues in their financial statements (IAS Plus 2003b).

4.2.1.26 PUERTO RICO

Accounting in Puerto Rico is very similar to the U.S.GAAP (http://www.dollarman.com/puertorico/accounting.html, accessed 30th June 2005). The profession is heavily influenced by the U.S. system as well.

4.3.1.27 SINGAPORE

According to Nobes & Parker (2002) Singapore has mostly adopted the International Accounting Standards both for domestic companies wanting to list as well as for foreign companies. Section 201(1) and (3) of the Companies Act ("CA") requires the directors of a company to present a profit and loss account and a balance sheet for the company at the end of the financial year at its Annual General Meeting. Under section 201(1A) and (3) CA, the profit and loss account and the balance sheet must comply with the prescribed Accounting Standards and give a true and fair view of the profit and loss of the company and the state of affairs of the company (Accounting & Corporate Regulatory Authority 2006).

Thompson and Yeung (2002) have quoted the President and CEO of the Securities and Investors Association of Singapore as pointing out that the Singaporean companies are “not renowned for their willingness to tell all to their investors”. The lack of transparency appears more common in family dominated companies or subsidiaries of multinational giants.

4.3.1.28 QATAR

Qatar adopted IFRS in 2005. This is part of the policy to open doors to foreign investment in the region, contributing to a GDP growth of fifteen percent per annum, placing Qatar at the top of the world GDP growth table (http://www.ameinfo.com/91667.html, accessed 20th July 2006).

4.3.1.29 SPAIN

Spain, being a member of the EU has adopted IFRS for its financial reporting. It is permitting IFRS to be used in the consolidated accounts of companies (European Commission 2005).

4.3.1.30 SWEDEN

In Sweden, all types of companies are permitted to use IFRS, but not required to do so (European Commission 2005). International Monetary Fund (2003) has also found that there are weaknesses in the regulatory monitoring process due to lack of experienced staff hired as regulators.

4.3.1.31 SWITZERLAND

The Swiss Foundation for Accounting and Reporting publishes accounting standards. Compliance with the Swiss GAAP is required by all companies, which also ensures compliance with IASs/IFRS. From 2006 listed companies are required to use the IFRS or U.S.GAAP for their financial reporting (IAS Plus 2005c).

4.3.1.32 UNITED KINGDOM

According to Nobes and Parker (2002) the United Kingdom Companies Act applies to all British limited companies. The basic requirements are that all companies are to prepare a balance Sheet and a profit and loss Account that comply with Schedule 4 and 4A.

Large companies (including all listed companies are required to file a full set of audited financial statements with the Registrar of companies, although listed companies are permitted to send summary financial statements to those shareholders who have not asked to be sent full reports.

Nobes and Parker (2002) have emphasized that the contents of the reports of listed companies (approximately 2300) have been greatly expanded in recent years and include the following.

A chairman's report (voluntary), an operating and financial review (voluntary), the report of the directors (not subject to audit, but auditors are required to check if the director's report is inconsistent with the information in the body of the statements). The next component of the annual reports is the report of the remuneration committee, which according to the Corporations Law has to be included in the notes to the financial statements. After many comments on the corporate governance disclosure requirements being inadequate, a listing requirement was introduced.

4.2.1.32.1 LONDON STOCK EXCHANGE LISTING REQUIREMENTS

According to the listing requirement issued by the U.K. Listing authority Financial Services Authority (FSA), all companies listed on the London Stock Exchange are required to include corporate governance disclosures relating to directors' remuneration, audit committees and internal controls (Nobes and Parker 2002).

The financial statements (all of which need to be audited) include the group profit and loss account and a group and company Balance sheet and notes to the accounts.

Nobes (2002) has pointed out that Corporate Social Reporting has received little attention from U.K. Regulatory bodies. Some British companies publish employee reports; value added statements and soft information, such as topics including the environment and human resources. Environmental accounting has had no legislative or statutory backing at present (Gray and Bebbington 2001).

4.3.1.33 UNITED STATES OF AMERICA ACCOUNTING SYSTEM

4.3.1.33.1 U.S REGULATORY BODY

The major body established by the federal securities legislation is the Securities and Exchange Commission (SEC). The major objective of SEC is to ensure that investors using companies' reports are provided with information that is necessary to make informed decisions. The SEC governs the publication and provision of periodic financial reports. It also has the power to prescribe the methods to be followed in the preparation of financial reports and to prescribe the form and content of these reports (Nobes & Parker 2002).

Nobes & Parker (2002) have also emphasized that only a small proportion of U.S. companies (approximately 12000) are SEC-registered and have to obey its accounting and auditing rules. SEC is relevant from the point of view of the non-U.S. companies listed on the New York Stock exchange, which form a portion of the sample in this research.

4.3.1.33.2 NYSE LISTING REQUIREMENTS

NYSE listing rules have described three conditions that must be satisfied by all listed companies: 1.listed companies must have an audit committee, 2. the disclosure regarding the differences between the national and NYSE listing requirements must be disclosed,3.a statement by the CEO that he or she is not aware of any violation by the company of NYSE corporate governance listing standards must form part of the financial reporting (http://www.nyse.com/pdfs/section303Afaqs.pdf accessed 20th June 2005).

4.3.1.33.3 FINANCIAL DISCLOSURE REQUIREMENTS

According to Choi, Frost and Meek (2002) a typical annual financial report of a large U.S. corporation includes the following parts:

- Report of management,
- Report of independent auditors,

- Primary financial statements (income statement, balance sheet, statement of cash flows, statement of comprehensive income, and statement of stock holder's equity)
- Management discussion and analysis of results of operations and financial condition,
- Notes to financial statements,
- Five or ten year comparison of selected financial data,
- Selected quarterly data.

4.3.2 UPPER MIDDLE INCOME COUNTRIES

4.3.2.1 ARGENTINA

In Argentina, inflation adjusted financial reporting existed, but compliance with the process was poor. The requirement for inflation-adjusted accounting was removed in 1995 (Nobes & Parker 2000).

4.3.2.2 BARBADOS

In Barbados listed entities, private companies and not-for-profit entities are required to prepare audited annual statutory financial statements (International Federation of Accountants 2006b). The Institute of Chartered Accountants of Barbados has adopted the International Financial Reporting standards.

4.3.2.3 CHILE

Chile is still faced with high rates of inflation and according to Nobes & Parker (2000) there are efforts under way to implement a “proper" inflation adjusted accounting system.

The Company Law in Chile requires that all companies prepare annual financial accounts in accordance with Chilean generally accepted accounting principles and that registered companies be audited by an auditor (International Federation of Accountants 2006c). Article 56 of the Companies Regulations requires that after filing with the Superintendency of Corporations and Insurance Companies, audited financial statements should be made public on a company's website (International Federation of Accountants 2006 2006c).

4.3.2.4 CROATIA

In Croatia, all listed companies, governmental bodies and private companies are required to prepare statutory financial statements based on IFRS/IAS, audited based on the International Auditing Standards (International Federation of Accountants 2006d).

4.3.2.5 CZECH REPUBLIC

Financial reporting and auditing requirements in the Czech Republic were in transition from compliance with national standards to compliance with International Accounting Standards (IAS), International Standards on Auditing (ISA), and the European Union (EU) Directives in 2003. In law, the Czech Republic seeks to attain maximum compliance with the EU Fourth and Seventh Directives and the EU Regulation on the use of IAS, and to create an environment for implementation of IAS for the financial statements of public interest entities by 2005 (Rahman & Gielen 2003).

4.3.2.6 HUNGARY

Hungary is a member of the European Union therefore Hungarian companies listed in EU securities market must follow IFRS from 2005 (IAS Plus 2006a).

4.3.2.7 LEBANON

In 1996, the Minister of Finance adopted IAS (with exceptions) as the national standards to be followed by all entities in the preparation of financial statements Rahman, Msadek, Jaoude and Gielen (2003).

International Auditing standards are used as a base for auditing purposes in Lebanon. The abridged balance sheet, which is published in the official gazette, must be accompanied by the auditor's name and not necessarily the auditor's report. The publication of such abridged versions of the balance sheets may mislead readers because the published documents are not accompanied by the full financial statements, including explanatory notes (Rahman, Msadek, Jaoude and Gielen 2003).

4.3.2.8 LITHUANIA

Financial reporting and accounting by Lithuanian enterprises are currently governed by laws and other regulations issued in 1992 and 1993. Only listed companies and banks are required to comply with IAS. New laws that came into effect in 2002 will significantly increase conformity between Lithuanian requirements and European Directives (Hegarty 2002).

There is no requirement to prepare consolidated financial statements and, therefore, the Law does not comply with the EU Seventh Company Law Directive (Hegarty 2002). Auditors sometimes do not see or approve the published version of the annual report/financial statements prior to its submission to the Securities Commission and the wrong audit report may be included in the annual report or attached to the financial statements (Hegarty 2002).

4.3.2.9 MALAYSIA

According to Saudagaran (2004) Malaysia has adopted the IAS in their entirety and the quality of the standards is “good”. The profession has a greater say for financial reporting standards applicable to private companies in Malaysia. In Malaysia the " comprehensiveness" of the reports, defined as the scope of the audit and the amount of the information disclosed in the audit reports, is classified as " poor" (Saudagaran 2004).

Disclosure requirements include: notes showing accounting policies, consolidated financial statements, earnings per share data, segment information, related party information, extra ordinary or unusual items, discontinued operations, post balance sheet events and forecast profits (Saudagaran & Diga 1997).

4.3.2.10 MEXICO

Mexico is one of the founder members of the International Accounting Standards Board. The Accounting standards setting body in Mexico is the Accounting Principles Commission of the Insituto Mexicano de Contadores Publicos (IMCP), being an independent, non-government body. It is also the body that is responsible for auditing standards and ethical rules in Mexico (Saudagaran 2004).

The major influence on Mexican accounting is that of the U.S.GAAP, due to NAFTA, presence of U.S. companies and major international accounting firms (Saudagaran 2004).

Mexican companies are required to use the calendar year as their fiscal year. Apart from the methods for recording specific elements of the financial statements, the statements themselves are to be expected to be similar to those required in the U.S (Saudagaran 2004).

4.3.2.11 PANAMA

All types of companies in Panama are required to prepare annual statutory financial statements. Listed companies are required to comply with IFRS. Private companies need to follow national accounting rules encompassed in the Accounting Act (IAS Plus 2006e). Only listed companies, banks and insurance companies need to have their financial statements audited (IAS Plus 2006e). The auditors apply the International Auditing standards.

4.3.2.12 POLAND

Limited liability and joint stock companies are required to prepare the financial statements based on the Polish accounting requirements that are based on the Fourth and Seventh EU company law directives (Gielen, Warzecha & team 2005). Companies listed on the Warsaw stock exchange are required to prepare their consolidated accounts based on the endorsed IFRS. Gielen, Warzecha & team (2005) have also pointed out that Poland has to update its audit techniques to make the audit process more reliable.

4.3.2.13 RUSSIAN FEDERATION

The Russian Federation has delayed the adoption of IFRS because “there are no incentives for transparency…implementation may cause chaos in the reporting” (International Federation of Accountants 2006i). At the moment large Russian companies report under IFRS or under the U.S.GAAP.

4.3.2.14 SOUTH AFRICA

The body that is responsible for the formulation of accounting standards is called the South African Accounting Practices Board (APB). The APB consists of representatives from the accounting profession, commerce and industry. The accounting standards are issued as GAAP by the South African Institute of Chartered Accountants. The legislation relating to financial reporting is the Companies Act 1973 (Saudagaran 2004).

According to the Companies Act the financial statements should consist of a Balance sheet, an Income statement and the notes, Statement of Source and Application of funds, Director's report and an Auditor's report. Group financial statements are required for companies that have subsidiaries and also need to produce interim reports that must be published (Saudagaran 2003).

According to Saudagaran (2003) the quality of the accounting standards in South Africa is considered to be adequate and most of the South African GAAP is based on the IAS.

4.3.2.14. I CORPORATE GOVERNANCE IN SOUTH AFRICA

The corporate governance disclosure in South Africa is unique. That is why it deserves some extra detail. According to Falkena (2006) the corporate governance guidelines in South Africa address both financial aspects and value systems of companies and the importance of the stakeholders including shareholders. Therefore corporate governance disclosure needs to address the information requirements of all parties interested in the corporation.

Malherbe & Segal (2001) have pointed out that the South African legislation has placed more responsibility on the management for enforcing and disclosing better work environments as well as minimization of environmental degradation. The emphasis since 1994 has also been on ‘Black Empowerment’ that has been enforced on an individual company level, as well as on a national level.

4.3.2.15 TURKEY

Companies listed on the Istanbul stock exchange are required to implement IFRS either as the English version published by the IASB, or as the Turkish translation (IAS Plus 2005).

4.3.2.16 VENEZUELA

Venezuela has adopted IFRS without any modifications (International Federation of Accountants 2006j).

4.3.3 LOWER MIDDLE INCOME COUNTRIES

4.3.3.1 PERU

According to Saudagaran (2004) Peru has wholly adopted the IAS as their domestic standards and that the quality of the domestic standards is perceived to be adequate.

4.3.3.2 BRAZIL

In Brazil, inflation accounting has been implemented since 1950s. A Corporation's law was passed in 1976, requiring all companies to prepare their primary financial statements in a recommended inflation accounting form. For companies registered with the Securities and Exchange Commission, there were additional requirements to publish a complete set of comparative financial statements in constant currency (comparative financial statements refer to multiple financial statements from more then one accounting period), converted to nominal currency, at the year end (Nobes & Parker 2000). But Nobes and Parker (2000) have pointed out that inflation levels have gone down dramatically since the early 1990s, thus inflation adjustments were withdrawn for tax purposes, and the stock exchange requirement was reduced to an option.

4.3.3.3 CHINA

There are three types of shares issued by Chinese companies. These include A-shares that are listed and traded only in the local currency and are only available to

Chinese nationals. Then there are B-shares, which are U.S. dollar denominated and H-shares that are Hong Kong dollar denominated. Class A and Class B shares are required to provide two sets of financial statements: Chinese GAAP financial statements to Class A shareholders and IAS financial statements to Class B shareholders (Chinese Securities Regulatory Commission 2004). Cairns (1996) stated that companies issuing H- shares are required to publish financial statements conforming to either IASs (now referred to as the IFRS) or to Hong Kong rules, which are similar to the IASs.

According to Nobes and Parker (2002) China has moved from a socialist model to a ‘socialist market economic system". The conceptual framework of Chinese accounting has identified a hierarchy of users from the government, banks, the public and the enterprises' own management. Nobes and Parker (2002) have also emphasized that there is still a high degree of conformity between tax and accounting figures.

Saudagaran (2004) has described the Accounting Law to be the highest accounting authority in China, which was revised in 2000. According to the Accounting Law, all Chinese companies need to comply with the Financial Accounting and Reporting Rules (FARR) enacted in 2001 as well as the Chinese Accounting Standards (CAS).

The Chinese Securities Regulatory Commission (CSRC), China's capital market regulator, has the authority to require additional disclosures beyond that required by the Ministry of Finance (Saudagaran 2004).

4.3.3.4 COLOMBIA

According to Rahman and Schwarz (2003) Colombia has decided to adopt the International Accounting Standards and the International Standards on Auditing, fully. Previously there was no requirement for external financial reporting in Colombia (Rahman and Scharz 2003). The authors have also pointed out that a lot of work needs to be done to bring accounting and auditing practice in Colombia up to par with the rest of the world.

4.3.3.5 DOMINICAN REPUBLIC

The legal framework governing the corporate aspects of auditing and financial reporting in the Dominican Republic is referred to as the Code of Commerce of the

Dominican Republic (International Federation of Accountants 2006f). The code is not available in English. Companies need to prepare annual statutory financial statements in accordance with the International Financial Reporting Standards (International Federation of Accountants 2006f). The Institute of Certified Public Accountants of Dominican Republic, a self-regulating professional body, has also adopted the IFAC Code of Ethics and the International Standards on Auditing.

4.3.3.6 EGYPT

According to Rahman, Msadek and Waley (2002) Egypt is in the process of aligning its accounting and auditing framework with the International Accounting Standards, but it needs a lot of work to achieve complete compliance. The new Listing Rules approved by the Capital Market Authority became effective August 1, 2002. The rules aim to ensure timely preparation and presentation of financial statements and full compliance by the issuers with accounting, auditing, and other legal requirements (Rahman, Msadek & Waley 2002).

4.3.3.7 HONDURAS

There are two stock exchanges in Honduras, one in San Pedro Sula and one in Tegucigalpa. The Bolsa Hondureña de Valores, located in San Pedro Sula, closed in 2004 because it was not able to comply with minimum capital requirements.According to Morrison (2005) the World Bank is working with the government of Honduras to improve the financial and accounting frameworks in Hounduras.

4.3.3.8 INDONESIA

According to Saudagaran (2003) the quality of accounting standards is poor in Indonesia. The major reasons for this have been the lack of trade links with countries outside Asia, as well as the lack of an infrastructure for the formulation of independent accounting standards.

As far as the auditing profession is concerned in Indonesia, it seems to be less developed compared to other regions. According to Saudagaran and Diga (1997) the number of auditors per 100,000 population is 2 for Indonesia as compared to, for example, Australia where it is 539.Saudagaran and Diga (1997) have identified the following elements of disclosure requirements in Indonesia: notes showing accounting policies, earnings per share data, segment information, related party information, extraordinary or unusual items, discontinued operations, post-balance-sheet events and forecast profits. Saudagaran (2004) has pointed out that the financial crisis that hit Indonesia in 1997 has resulted in greater demand for transparency and for more rigorous implementation of accounting and auditing standards.

4.3.3.9 KAZAKHASTAN

According to IAS Plus (2006c) all joint stock companies are required to use IAS/IFRS from January 2005 and other companies (except very small companies) are to implement the International Accounting standards from January 2006.

4.3.3.10 PHILIPPINES

The Philippines has adopted all IFRS for 2005 without modification (IAS Plus 2006f). The Philippine Standards on Auditing (PSAs) apply whenever as opinion is expressed in relation to the financial statements of any type of entity.

4.3.3.11 SRI LANKA

In 2004, the Sri Lanka Accounting and Auditing Standards Board adopted the policy that listed companies in Sri Lanka may use International Financial Reporting Standards to prepare their financial statements (IAS Plus 2006g).

4.3.3.12 THAILAND

The accounting standards in Thailand are issued by the Federation of Accounting Professions, which have to be approved by the Ministry of Commerce in Thailand and placed into law before being implemented (IAS Plus 2006h). Cash flow statements are not compulsory for non-public companies. Most of the Thai standards are based on the IAS, but do not conform to the IAS in all respects (IAS Plus 2006h).

4.3.4 LOW INCOME COUNTRIES

4.3.4.1 ZIMBABWE

In Zimbabwe, all listed entities, private companies and other types of companies are required to prepare annual, audited statutory financial statements (IAS Plus 2006). The accounting standards in Zimbabwe are based on the International Financial Reporting Standards.

4.3.4.2 KENYA

The IAS have been adopted in Kenya as a national requirement but the compliance of the standards is still weak due to lack of enforcement (Rahman & Team 2001). Rahman and Team (2001) have also pointed out that the implementation of the standards does not have legal backing in Kenya and that the audit profession is also lagging in quality.

4.3.4.3 INDIA

There are 5860 firms listed on the Mumbai stock exchange in India as at March 2003. The legislation governing corporate reporting is the Companies Act, 1956. According to Ali, Ahmed and Henry (2003) the Act requires companies to keep proper records and to prepare and end audited financial statements to their shareholders in order to reflect a true and fair view of the company's financial situation.

Listed companies need to follow additional requirements of the Securities and Exchange Act implemented by the Securities and Exchange Board of India follows the International Accounting standards (IFRS) with minor modifications (Wallace 1990).

4.3.4.4 GHANA

The accounting standards in Ghana are called the Ghana Accounting Standards. The regulatory body called the Securities and Exchange Commission requires public companies, including listed companies to prepare quarterly financial statements, yearly report and accounts (International Federation of Accountants 2006h). Private companies and listed entities need to prepare and disseminate audited accounts.

4.3.5 OTHER

4.3.5.1 TAIWAN

The accounting standards in Taiwan are developed by the Accounting Research and Development Foundation (ARDF) (IAS Plus 2006). According to Statement of Financial Accounting standards (SFAS) 1, Taiwanese financial statements are to include: a Balance Sheet, an Income statement, statement of changes in owner's equity, statement of cash flows, together with relevant footnotes (Husu 2000). Most of the Taiwanese accounting standards are in line with the International financial reporting standards.

4.3.5.2 GUERNSEY

Due to restrictions imposed by the U.K. Guernsey is not a member of the EU, but is influenced by the EU in respect of trade (Lowtax.net 2006). Financial reporting is heavily influenced by the British financial reporting framework.

4.3.6 SUMMARY OF FUNDAMENTAL FINANCIAL REPORTING DISCLOSURE ACROSS COUNTRIES

As demonstrated, most countries require the basic elements of financial reporting, incorporating a Balance sheet and an Income statement. A cash flow statement has not been a basic requirement in countries within the EU due to its absence in the fourth directive. Most countries have either adopted IASs/ IFRS directly or have incorporated the International Accounting Standards in their national GAAP. The European Union has played a major role in the adoption of IFRS by its member countries.

Chapter V focuses on the three international influences on harmonization of financial reporting world wide: the European Union, IASB and the U.S. regulatory framework.

The next section of this chapter focuses on the corporate governance disclosure elements and the Corporate Social Responsibility reporting elements that form part of financial reporting disclosure.

4.4 CORPORATE GOVERNANCE DISCLOSURE ITEMS

Radner (2002) has provided detailed guidance on the disclosure of information relating to corporate governance. The reason that Radner's (2002) work has been selected is because it describes the items that demonstrate best practice for online corporate governance disclosure. The items and the suggestions for best practice are presented below:

4.4.1 A HIGH LIGHT SECTION

This section serves to headline the key issues for investors and acts as a launch pad of links to relevant information. This section should then have links to more information including Board Committees (including Committee Charters and Composition), Governance Guidelines, CEO/ CFO certifications (Radner 2002).

4.4.2 BOARD COMPOSITION

Each Board member's full biography and photograph accompanied by the individual's committee responsibilities, an indication of whether or not they are independent and details of other directorships held should be included in this section. Level of independence expressed as a percentage should also be included in each director's biography.

According to Radner (2002) other factors that could be included are director and officer ownership and insider ownership and insider transactions. Under the SEC requirements, this information is now required to be filled into a Section 16 form and filed with SEC, within two business days of the transaction and soon will be required to be filed electronically with the SEC and published on the corporate website.

4.4.3 COMMITTEE STRUCTURE

This section should include a committee composition chart, with links to detailed committee charter information. Listing should be provided of each member of the committee, status of their independence, disclosure of the financial expert on the audit committee, as well as the number of times the committee met in the previous financial year (Radner 2002).

4.4.4 CORPORATE GOVERNANCE GUIDELINES

Web-based disclosure of this information is a NYSE listing requirement (Radner 2002). He has also proposed the inclusion of by-laws and articles of incorporation, proxy statement and CEO/CFO certifications.

4.4.5 CODE OF CONDUCT

This is also required as part of adequate corporate governance disclosure.

4.5 IMPORTANCE OF CORPORATE GOVERNANCE DISCLOSURE

Radner (2002) found that according to a survey conducted by McKinsey & Co. 80% of the respondents forming part of the research, were happy to pay a premium for companies that are visibly well governed. Blunn & Company (2003) found that out of the 250 U.S., Canadian, British and European public company websites studied only 34% provided basic information as director biographies, 24% published corporate governance policies 10% posted insider trading reports and none identified audit committee experts.

KPMG (2005) also included Corporate Governance disclosure in their analysis. Their findings are provided in the following table:

Table 4.1 KPMG Corporate Governance Disclosure Findings

Code of conduct or code of ethics	67%
Section in report on corporate governance	61%
CSR structure within organization	32%
Link between Sarbanes Oxley and CSR	6%

(Source: KPMG Global Sustainability Services 2005, p. 19)

Radner (2002) has also pointed out that most companies are disclosing corporate governance policies and practices at various levels from meeting the minimum requirements to having mini sites just devoted to Corporate Governance.

This variation may also apply to the components of corporate governance, where companies may disclose specific elements more then other elements.

4.6 ANALYST COVERAGE

One of the items investigated in this research incorporates analysts' coverage. A survey conducted by Thomson Financial Publishing revealed that 76% of all investors say they are "most influenced" by an analyst report (Investrend 2004). But this is a recent phenomenon, starting in the mid 1990's. Exhibit 4.1 demonstrates the role of the research analyst.

Exhibit 4.1 Role of the research analyst

> Analysts transform the complicated business strategies and financial statements of publicly owned companies into broadly understandable terms so that investors can decide whether the company is a good investment. To do so, analysts evaluate the company's operations and management. They use publicly available information, such as annual reports and regulatory filings, information gathered from their own research, and their own knowledge and expertise to determine the fundamental health of a company and its prospects for future growth.
>
> (Source: Securities Industries Association 2004)

Investrend Research (2004) has made the following comments to the Secretary of U.S. Securities and Exchange Commission (SEC) in relation to Analysts Coverage Of Companies:

> Dissemination of research and summaries linking to research is an essential element of the determination by legitimate independent research providers that the research is produced for the benefit of shareholders and investors, and not to any company or its executives or insiders.

There are some important issues in relation to the analyst coverage item as part of the financial reporting online. One of the issues is the ability to distinguish between 'legitimate' research announcements and sources on companies and 'promotional clutter'. One-way of confirming that third party opinion on the company's financial data is 'legitimate' is for the company to have an 'analyst coverage' option on its webpage. This would let the user know that the list of the analysts provided on the company's official web page are legitimate, and that the user can rely on the information provided by the analyst. On the other hand, conservatism would encourage the company not to have any third party links at all on its website.

4.7 RISK MANAGEMENT

There are various types of risk management policies that companies have adopted. One of these is Financial Risk management, which according to IAS 39 and FAS 133, companies have to disclose in their financial statements. (Choi & Meek 2005).

Companies may also disclose other types of risk management policies. Cowan (2004) has made the point that although traditionally, companies and regulators have been emphasizing on financial risk management, but there are other types of risks that the companies need to address, which come under the umbrella of internal control.

Courtnage, 1998; Linsley and Shrives 2000 and Solomon et al. 2000 supported the idea of risk reporting, thereby reducing a firm's cost of capital. But at the same time Dobler (2005) also points out that for most companies risk reporting is not detailed because of the element of uncertainty incorporated in risk analysis and disclosure. Dobler (2005) has also mentioned the agency problem, where even if the manager is aware of risks that the business may face in the future, the manager may be reluctant to disclose the information.

This can cause diversity in the level of risk management reporting. The standards are general regarding risk reporting, in that there are no specific categories of risk reporting that have to be provided by the company. From the point of view of the regulators, this may be the result of flexibility incorporated in the standards in relation to specific industries. But the problem arises when this flexibility is misused by managers to disclose less. Dobler (2005) has proposed that the introduction of mandatory risk reporting would force managers to implement a risk recognition system earlier, which would provide information required for adequate risk reporting.

Dobler (2005) has identified two costs associated with risk reporting: direct costs which are the costs associated with gathering, producing and communicating the information, and then there are the indirect costs which may arise from the reaction of outside parties acting on the information provided as well as costs associated with non-disclosure.

A very crucial point made by Dobler (2005) is that the audit and litigation systems at present do not have the capabilities to accurately assess the quality of risk reporting. And that this factor would contribute even further towards manipulation by management. Dobler (2005) has made the following suggestions for the standard setters:

- Specify a format to present risks and
- Demand the quantification of risk in specific categories.

Dobler (2005) has also recommended that managers disclose in the supplemental information the techniques and procedures applied to produce the risk reports.

4.8 CORPORATE SOCIAL RESPONSIBILITY REPORTING (CSR)

According to the World Business Council for Sustainable Development (WBCSD) Corporate Responsibility is defined as 'The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life' (KPMG Global Sustainability Services 2005).

Choi & Meek (2005) have described 'Social Responsibility Disclosures' as 'Social Responsibility reporting refers to the measurement and communication of information about a company's effects on employees welfare, the community, and the environment' (Choi & Meek 2005).Wilson & Lombardi (2001) as well as Choi & Meek (2005) have referred to Social Reporting as incorporating the triple bottom line reporting concentrating on economic, social and environmental reporting.

Wilson & Lombardi (2001) have pointed out that, as at 2001, there was no international standard on triple bottom line reporting. Global Reporting Initiative (GRI) is described as the leader in the formation of such a standard. According to KPMG Global Sustainability Services (2005) the Sustainability Reporting Guidelines of the GRI are now widely used by companies.

Wilson & Lombardi (2001) have also mentioned that shareholders are demanding that companies include environmental reporting in the annual reports, Internet based financial reporting being partially responsible for this shift in demand.

The reason presented is the increase in the amount of stakeholders being interested in corporate financial data, thus the wider scope of interested parties.

Wilson & Lombardo (2001) have pointed out that although environmental reporting is on the rise, and becoming more common, Social Reporting is considered as a more " nebulous and risky terrain" at the same time. The importance of CSR has been described as:

> Organizations mindful of their good names need to recognize that they are being closely scrutinized by their critics-and that they will be judged by a public that increasingly expects a higher standard of corporate behaviour.
>
> (Wilson & Lombardi, 2001 p69).

Regarding assurance of the CSR reports, KPMG (2005) found only 30 percent of the G250 and 33 percent of the N100 to have a formal assurance statement. KPMG found that only one out of 32 reports from the U.S. companies were assured. KPMG (2005) also found 58% of assurance was provided by the major accounting firms. Two major assurance standards have been used by assurance providers as global standards: ISAE 3000, issued by the International Auditing and Accounting Standards Board (IAASB) and the AA1000 Assurance Standard issued by AccountAbility. These findings may suggest that assurance of CSR reports is still a very recent phenomenon. It may require specialized knowledge, which may not have been acquired by auditors at a large scale. This would also raise questions regarding the verifiability of the CSR reports.

Some companies also produce Value Added Statements as part of CSR reporting. According to Kim, Joo & Choi (2001) value-added is measured as the difference between sales revenue and cost of externally purchased materials and services. Kim, Joo & Choi (2001) found that information provided via value added statements and other productivity measures impacted share prices in the U.S. But with Japanese firms it was found that neither accounting based profits nor productivity information had a significant impact on share prices. With the Korean companies both unexpected earnings and productivity data had a positive impact on share price.

KPMG has conducted a survey of Corporate Responsibility Reporting dated 2005. The findings of the report are presented below

The sample used by KPMG included the top 250 companies of the Fortune 500, which included Global 250 companies and top 100 companies in 16 countries, National 100. Most of the reports were downloaded from the corporate websites, and without a clear indication as to how many were downloaded from the websites, and how many were obtained by communicating with the company; the response rate was 98 percent. KPMG (2005) found that 52 percent of G250 and 33 percent of N100 companies issued separate Corporate Social Responsibility (CSR) reports in 2005. If included as a part of annual reports, then these percentages increased to 64 percent for G250 and 41 percent for the N100 companies. The research also found that the reporting was purely environmental until 1999, but at present 68 percent of the G250 companies and 48 percent of the N100 companies which had CSR reporting included sustainability (triple bottom line) reporting in their CR reports. This is a high percentage for G250 companies, considering that triple bottom line reporting is only a recent phenomenon.

KPMG (2005) found that two countries that have the highest number of separate CSR reports are Japan and the U.K. The countries where CSR reporting has increased considerably over the years are Italy, Spain, Canada and France. In contrast, only 35 percent of U.S. companies and 33 percent of Chinese companies had CSR reports. The sector that had the highest proportion of CSR Reporting was Finance, securities and insurance, and the lowest was Pharmaceuticals. The countries that are in early stages of CSR reporting or have still have not adopted CSR reporting in Asia included India, Pakistan, Bangladesh, Sri Lanka, Malaysia, Indonesia, Singapore and Thailand. Latin America CSR reporting was also found to be in early stages. The same applied to Russian companies, where CSR reporting was just evolving. South Africa was found to be advanced in CSR reporting, but the rest of the African companies were still found to be in early stages.

4.8.I REGULATORY REQUIREMENTS REGARDING CSR REPORTING

Table 4.2.1 and 4.2.2 are a summary of the mandatory requirements for CSR reporting in various jurisdictions, as determined by KPMG (2005).

Table 4.2.1

CSR reporting requirements in various countries

European Union CSR reporting requirements/Region Content
European Union: The application of the **International Accounting Standards (IAS)** at EU level requires organizations to account for changes to asset values stemming from environmental factor if they are financial (e.g. trading permits). Article 15 of **the Integrated Pollution Prevention and Control Directive (IPPC):** Member States are required to register emission data from large companies and report these data to the Commission. The following requirements are in addition to EU requirements for member countries: Belgium: Article 4.1.8 of **VLAREM II** stipulates that certain companies have to issue an annual Environmental report • The **Bilan Social** requires organizations' reporting of data on the nature and the evolution of employment (e.g. training). Denmark: The **Danish Financial Statements Act** requires reporting on intellectual capital resources and environmental aspects in the management report if it is material to providing a true and fair view of the company's financial position. The **Green Accounts Act** requires certain listed companies to draw up green accounts and include a statement from the authorities. Finland: The **Finnish Accounting Act** requires companies to include material non-financial issues in their directors' report of the annual/financial report. France: **“Law n°2001-420 related to new economic regulations (Art. 116)”** environmental and social reporting is mandatory for publicly-quoted companies. The **CJDES Bilan Societal** is a tool for internal and external information exchange. By means of a questionnaire, companies can report on their social profile and improve performance.
Germany: The **Bilanzrechtsreformgesetz (BilReG)** - New law that extends reporting duties of German companies to non-financial performance indicators such as environmental or employee issues. Italy: No mandatory reporting requirements identified. Norway: The Norwegian **Accounting Act** (Regnskapsloven) requires the inclusion in the Directors’ Report of several social, environmental and health and safety issues and the implementation of measures that can prevent or reduce negative impacts and trends. Sweden: The (amendment to the) **Annual Accounts Act** (Årsredovisningslagen) states that certain companies have an obligation to include a brief disclosure of environmental and social information in the board of directors' report section of the annual report. The Netherlands: The **Environmental Protection Act** includes a section on environmental reporting for the'largest polluters' of the country. To date, over 250 companies each publish two reports a year: one public report and one governmental report. United Kingdom: The **Operating and Financial Review (OFR)** is a legal requirement for all UK listed companies to provide a narrative within their Annual Report on the company's strategies, performance, future plans and key risks which may include ethical, social, environmental, brand and reputation risks.

CSR Reporting requirements in various countries continued.
Australia: **Corporations Law** (section 299 [1f]) was introduced in 1999 and requires companies that prepare a directors' report to provide details of the entity's performance in relation to environmental regulations. On 1 July, 2004, the Corporate Law Economic Reform Program (Audit Reform & Corporate Disclosure) Bill 2003 **(CLERP 9),** extended this to the operations and financial position of the entity and its business strategies and prospects.• **National Pollutant Inventory** requires industrial companies to report emissions and inventories for specific substances and fuel to regulatory authorities for inclusion in a public database. Canada: The **Securities Commission** requires public companies to report the current and future financial or operational effects of environmental protection requirements in an Annual Information Form. Japan: The **Law of promotion of environmentally conscious business activities** requires "specified entities", to publish an environmental report every year. The **Pollutant Release and Transfer Register (PRTR) Law** concerns reporting of releases to the environment of specific chemical substances and promoting improvements in their management. United States of America: The **Sarbanes-Oxley Act** imposed several new reporting requirements for US-listed companies to increasing corporate transparency (mainly corporate governance). • The **Securities & Exchange Commission (SEC)** Under Regulation S-K, the SEC requires "appropriate disclosure…as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries." In addition, disclosure is required for any material estimated capital expenditures for environmental control facilities and for select legal proceedings on environmental matters. For foreign issuers in the United States, Form 20-F requires companies to "describe any environmental issues that may affect the company's utilization of the assets."

(Source: KPMG Global Sustainability Services 2005, pp. 44-46)

As demonstrated in the Table 4.2 14 out of the 16 countries researched by KPMG (2005) have some sort of mandatory requirements for CSR reporting. The only exceptions are Italy and South Africa. But as suggested in the KPMG research, both countries are working towards efficient CSR reporting.

4.9 SUMMARY

Chapter IV provided a detailed analysis of the disclosure requirements in various countries regarding basic financial reporting and CSR reporting. Best Practice guidelines regarding elements of corporate governance disclosure were also provided. The literature shed light on the various findings made in relation to disclosure levels regarding financial reporting disclosure.

Chapter V is a focus on the international reporting frameworks that have impacted on various countries included in this research.

CHAPTER V

THE INTERNATIONALLY RECOGNIZED ACCOUNTING FRAMEWORKS: EUROPEAN UNION, INTERNATIONAL ACCOUNTING STANDARDS AND THE U.S.GAAP

5.1 INTRODUCTION

As mentioned in Chapter IV, the majority of countries are influenced by the International Financial Reporting standards. IASBs/IFRS have been either adopted directly or incorporated in the local GAAP. The European Union (EU) has played a major role in the enforcement of these standards in the European Block. The U.S.GAAP is also an international influence because of the amount of listings of foreign companies on the NYSE, and the influence of the U.S.GAAP on local GAAPs of certain regions.

The concept of harmonization incorporates this phenomenon of the adoption of a set of common accounting standards on a wide scale. It is therefore, also discussed in detail.

5.2 ACCOUNTING DIVERSITY VERSUS ACCOUNTING HARMONIZATION

Accounting diversity relates to the differences in accounting standards between different countries. There are many factors that may influence differences in accounting frameworks. The factors causing accounting diversity may include culture, the involvement and influence of government, region specific information needs, the main source of capital and the level of influence of international frameworks. Choi and Levich (1990) have mentioned some of these factors as economic, behavioural and cultural that would cause accounting diversity.

Accounting harmonization on the other hand refers to practice and implementation of similar accounting standards. According to Tay and Parker (1990), harmonization is a process by which accounting moves away from total diversity. The end result is the state of harmony where companies belonging to different countries cluster around one of the available methods of accounting, or around a limited number of very closely related methods (Tay and Parker 1990). A very important concept mentioned by Tay and Parker (1990) has been that of de jure harmonization (rules and standards) and de facto (corporate financial reporting practice) harmonization. The authors have emphasized that there may be a major gap between de jure and de facto harmonization; standards and rules may not actually be practised or implemented. This would have a negative impact on harmonization.

Although the concept of accounting harmonization has been around for more then thirty years, it has attracted more attention recently. Major economic sectors and countries of the world are moving towards harmonization of their accounting frameworks and practices with an internationally recognized framework of accounting. This is the framework developed by the International Accounting Standards Board (IASB), previously referred to as the International Accounting Standards Committee (IASC). The major adopter, in relation to size and influence, is the European Union.

5.3 EUROPEAN UNION (EU)

The purpose of EU has been to achieve a closer union among the countries of Europe. According to Roberts, Weetman and Gordon (2002) the Commission is the civil service of the EU. It watches over the implementation of the treaties in the member states. The Council is the legislative body that issues the laws. The laws relate to various aspects of trade between the member states and the rest of the world. The focus in relation to this research is on accounting harmonization and the enforcement of one set of accounting standards. At present the members of the EU include:

Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom of Great Britain, Northern Ireland,Cyprus (Greek part), the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia (Roberts, Weetman & Gordon 2002).

According to Nobes & Parker (2002) the EU promotes harmonization of company law and accounting via two ways: directives, which need to be adopted into the laws of member countries, and regulations, which are compulsory without being passed by the legislation.

The two fundamental Directives in relation to financial reporting disclosure are the Fourth and the Seventh Directives. The Fourth directive prescribes the content and format of financial statements. According to Roberts, Weetman and Gordon (2002) the layout of the annual accounts are prescribed in the form of formats in the Fourth Directive. It prescribes the complete balance sheet as the full vertical balance sheet, together with the elements that need to be included by large companies.

There are four articles that deal with the format of the profit and loss statement, horizontal (type of expenditure), horizontal (function of expenditure) and vertical versions of these (Roberts, Weetman & Gordon 2002). However, cash flow statements are not covered by the Directive; neither is interim reporting and related party disclosures.

A recent document issued by the Accounting Advisory Forum (which is an advisory body to the Commission but not a standard setting body) has made the comments that the cash flow statement can be a very useful tool to assess the financial position of a company (Roberts, Weetman & Gordon 2002).The Forum has also mentioned that IAS7 requires all enterprises to present a cash flow statement and that listed companies need to present a Funds Statement, which most member states have assumed to be the cash flow statement.

In the recent past, there was a general concern that most European companies, especially the ones listed on the New York Stock Exchange, were attracted to the idea of adoption of the U.S.GAAP. This was a major concern because the U.S.GAAP based financial statements were acceptable in most member states but the Directives based statements were not acceptable in the U.S. The European Union came up with the solution of acceptance and implementation of the International Accounting standards and the update of the Directives.

At present it seems that the EU has adopted a mixed strategy of implementation and use of the International Accounting standards by the listed companies and the update of the accounting directives for the rest of the companies. It is also important to notice that the focus for harmonization has been the consolidated accounts; the individual accounts seem to be made based on national tax laws for most of the European Union member states.

Salzburg (2002) has pointed out that the deadline for companies listed on a EU regulated market, for the preparation of consolidated accounts based on the International Accounting Standards, was 2005. The deadline has been extended for companies that have debt securities listed on EU regulated markets and securities listed on non-EU markets to 1 January 2007. Companies with unlisted securities will be able to adopt “endorsed IAS”. This has implied the sense of maintaining a level of control by the European Union.

Salzburg (2002) has mentioned that an Accounting Regulatory Committee has been set up by the European Union. It is a body that comprises representatives of the member states and is chaired by the representative of the Commission. Its purpose is to properly “endorse” the IAS. Another technical committee has also been set up called EFRAG, which is working with standard setters of individual states responsible for producing accounting standards and rules for accounting.

In summary, it was in 2000 that the Commission announced that by 2005, approximately 6,700 companies listed on a regulated market were required to prepare consolidated accounts in accordance with IAS. IAS have been preferred over U.S.GAAP because the European Union has been of the view that the International Accounting Standards are based on an international perspective, and that the U.S.GAAP is too complicated and voluminous.

The completion of the revision of the core IAS standards by the International Organization of Securities Commissions (IOSCO) in May 2000 and its recommendation to allow multinational issuers to use IAS for cross border offerings may also have paved the steps for a wider world wide adoption.

5.4 INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB): INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FORMERLY KNOWN AS THE INTERNATIONAL ACCOUNTING STANDARDS (IAS)

(these terms would be used interchangeably for the international accounting standards issued by the IASB)

The International Accounting Standards Board (IASB) is an independent, privately funded accounting standard setter based in London, UK. The Board is committed to developing, in the public interest, a single set of quality, understandable, and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements. In addition, the Board cooperates with national accounting standard setters to achieve convergence in accounting standards around the world (International Accounting Standards Board 2001).

The standards issued by IASB are now referred to as International Financial Reporting Standards, IFRS. Previously they were called the International Accounting Standards, IAS. There are also interpretations of the IFRS issued by the International Financial Reporting Interpretations Committee (IFRIC). They do not have the same status as the IFRS, but as stated by IAS1:

> Financial statements should not be described as complying with International Accounting standards, unless they comply with all the requirements of each applicable Standard and each applicable interpretation of the Standing interpretations Committee.
>
> (International Accounting Standards Board 2005)

There are thirty five IASs/IFRS issued by the IASB in 2005.Table 5.1 provides a list of the international accounting standards in existence as at September 2005.

Table 5.1

International Accounting standards

IAS 1	Financial Reporting Presentation	IFRS 1	First time adoption of IFRSs
IAS2	Inventories	New IFRS	Accounting for Extractive Industries
New IFRS	General insurance activities	New IFRS	Life Insurance Business
IAS7	Cash Flow Statements	IAS 8	Accounting Policies.
IAS 10	Events after Balance Date	IAS 11	Construction Contracts
IAS12	Income Taxes	IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment	IAS 17	Leases
IAS 18	Financial Reporting Disclosure	IAS 19	Employee Benefits
IAS 18,20	Revenue (Government Grants)	IAS 21	Foreign Exchange rates,
IAS 22 (IFRS 3)	Business Combinations	IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures	IAS27	Consolidated Financial statements
IAS 28	Accounting for Associates	IAS 29	Hyper Inflationary Economies,
IAS 30	Disclosure in Banks etc.	IAS 31	Interest in Joint Ventures
IAS 32	Financial Instruments: Recognition & Measurement		
IAS 33	Earnings per share	IAS 34	Interim Reporting
IAS 35	Discontinuing Operations	IAS 36	Set off and Extinguishment of Debt
IAS36	Recoverable non current assets	IAS 41	Agriculture
IAS 37	Provisions	IAS 38	Intangible Assets

(Source: The Institute of Chartered Accountants in Australia: Technical Standards Team 2005, p. 5)

There are approximately 80 countries that have adopted IFRS as their accounting framework, or have allowed companies to use IAS/ IFRS together with the local GAAP.

In June 2000, the European Commission issued a policy document which stated that European listed companies would no longer have a free choice to prepare their consolidated financial statements in accordance with either national accounting standards, U.S. Generally accepted accounting principles or IAS. The Commission's Policy Document, EU Financial Reporting Strategy: The Way Forward, proposed that all EU companies listed on a regulated market (including banks and other financial institutions) should be required to prepare consolidated accounts in accordance with IAS/ IFRS (European Commission 2005). This requirement has been effective since 2005. This requirement will extend to all companies preparing a public offer prospectus in accordance with EU's Listing Particulars Directive. The proposal to require/ allow unlisted companies to publish financial statements in accordance with the IFRS is also being considered.

Rutherford (1999) has supported the use of the IAS/IFRS by Global companies and has described them as a means of effective communication between companies and knowledgeable users, and as a uniform set of standards used by companies listed on multiple stock exchanges.

Since most of the countries, including the members of the European Union, except for the U.S.A, have adopted or are in the process of adoption of the International Accounting standards, it is extremely important to look at what the IAS prescribes as the contents of the annual report of a company. The items required by the International Accounting Standards are described below.

IAS 1 encourages entities to present a financial review by management, which describes and explains the main features of the entity's financial performance and financial position, and the uncertainties that it faces. Enterprises are also encouraged to present additional statements, outside the financial statements, such as environmental reports and value added statements, if management believes that they will assist users in making economic decisions (Deloitte IAS Plus 2000).

According to IAS 1 Financial statements should include a balance sheet, an income Statement, a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distribution to owners; a cash flow statement and accounting policies and explanatory notes.

Also, according to IAS1, the financial statements should disclose the fact that they comply with International Financial Reporting Standards, only if they comply with all of the requirements of each of the standards and interpretation. The entity should also disclose any uncertainties relating to it not being a going concern.

IAS 1.44 states that the financial statements should be clearly identified and distinguished from other information in the published document. IAS 14 deals with segment reporting, which is also described as an integral portion of financial reporting for parent companies (International Accounting Standards Board 2005)

5.5 THE U.S.GAAP

U.S.GAAP is the set of Generally Accepted Accounting Principles used by companies based in the U.S.A. or listed on their stock exchanges. It consists of a large volume of standards, interpretations, opinions and bulletins. It has been developed by the Financial Accounting Standards Board of the U.S., the accounting profession (AICPA) and the (Securities and Exchange Commission (SEC). It is a combination of authoritative standards and the accepted ways of doing accounting. There are 14 countries that have adopted the U.S.GAAP on their own or with their national GAAP/ IAS (FASB & IASB 2002).

The U.S. has not adopted IAS/IFRS. The FASB and IASB have signed an agreement in 2002, pledging to reduce the gap between the International Accounting standards and the U.S.GAAP. This is referred to as the Norwalk Agreement. To achieve compatibility, the FASB and IASB (together, the "Boards") agreed to:

a) Undertake a short-term project aimed at removing a variety of individual differences between U.S. GAAP and International Financial Reporting Standards,
b) Remove other differences between IFRSs and U.S. GAAP that will remain at January 1, 2005, through coordination of their future work programs;
c) Continue progress on the joint projects that they are currently being undertaken and
d) Encourage their respective interpretative bodies to coordinate their activities.

(FASB and IASB 2002)

At the moment it is too early to evaluate the level of achievement of the goals set in the Norwalk Agreement. The U.S.GAAP is extremely detailed. The IAS/IFRS are open and provide choice. If the U.S.GAAP would continue to be extended, it is hard to say whether the IASB would be able to follow and implement the same level of detail.

5.6 DIFFICULTIES OF HARMONIZATION

Even if it is accepted that the IFRS have the capability and the flexibility to be utilized by a range of companies and that the regulatory bodies decide to implement the standards in the country, the implementation of the standards may be harder to achieve. This is referred to as de facto accounting. Thus, the point that needs to be clarified is the degree of gap between de jure and de facto accounting principles and practice.

Street and Gray (2001) looked at the 1999 IASC's list of "Companies referring to their use of IAS". 279 companies and their annual reports were examined, and non-compliance was measured based on an IASC- required disclosures and measurement practices checklist. The checklist was based on fourteen IAS/IFRS. The sample of 279 companies selected by Street and Gray (2001) was from 32 countries.

The authors found that the highest levels of compliance with IASB required disclosures based on the standards investigated were in China and the Middle East. Both Street and Gray (2001) and Choi et al (2002) made similar findings that companies that were audited by the Big 5 + 2 indicated higher levels of compliance as compared to the ones that were not. Street and Gray (2001) found that companies audited by Big 5 +2 provided more IASC required disclosures (74%) as compared to the companies that were audited by other types of firms (57%).

Prior research has supported similar results as Street and Gray (2001) including Singhvi and Desai (1971), Craswell and Taylor (1992), Inchausti (1997) and Dumontier and Raffournier (1998).

Street and Gray (2001) found level of compliance to be high in Switzerland. Lower levels of compliance were found in France, Germany and other Western European countries. Street & Gray (2001) also found that Chinese companies that were not audited by the Big 5 + 2 demonstrated lower level of compliance as compared to the ones that were audited by the top audit firms.

German listed companies are required by Frankfurt's Neur market to use either IAS or U.S.GAAP,but Street & Gray (2001) found that in spite of claims by the companies that they did comply with the IAS, most of the compliance levels were low.

In regards to the findings regarding China, Chen, Sun & Wang (2002) came up with different results as compared to Street and Gray (2001) in that the Chinese government efforts on harmonization on reducing the gap between Chinese and IAS earnings have not worked as efficiently as they would have hoped. This raises questions regarding de facto harmonization in comparison to de jure accounting regulations in relation to harmonization.

Chen, Sun and Wang (2002) have raised a very important issue about harmonization in the Chinese context. According to the authors, the Accounting Regulation for Listed Companies introduced in 1998 by the Chinese government as an incentive to promote harmonization has not been effective in reducing the gap between Chinese and IAS earnings. The major research question addressed by Chen, Sun and Wang (2002, p.186) is “Does the 1998 accounting regulation for listed companies eliminate or reduce the earnings gap between Chinese GAAP and IAS?”

In regards to harmonization, Chen Sun and Wang (2002) have pointed out that there should be emphasis on the difference between de jure and de facto harmonization. Even if the Chinese standards are based on the International Financial Reporting standards, the way companies apply the standards might not be “proper” to result in effective harmonization.

The sample selected by Chen, Sun and Wang (2002) comprised 75 companies with data collection over three years from 1997 to 1999.They found that for 80 percent of the companies Chinese earnings exceeded IAS earnings in 1997, this was the case for 58.67 percent companies in 1998 and for 69.34 percent companies in 1999. Their findings were unexpected because they suggested that firms with larger earnings gaps in 1997, had smaller earnings gaps in 1999, but for firms with smaller earnings gaps in 1997, the medians and means tests indicated an increase in earnings gaps between 1997 and 1999.

The authors’ explanation for the continuing earnings gap has been the lack of rigorous implementation of the standards. Firstly, A class shares are mostly owned by state owned enterprises or government agencies. The management performance is solely evaluated by the earnings result by the government. The tenure, promotion and political future of top management depend on earnings performance in the eyes of controlling shareholders. This is a strong incentive for companies to manipulate their income statement and not implement conservative accounting standards. In addition, security regulations contain profitability targets that govern the eligibility for raising additional capital or determining de listing, also being a strong factor for earnings management. Another contributory factor has been the lack of quality auditing (Chen, Sun &Wang 2002).

The B-share reporting takes place in a different setting. Management has fewer incentives to manipulate IAS earnings because all important performance evaluation mechanisms depend on A-share earnings (Chen, Sun &Wang 2002).The authors also found that A share reports that were audited by the Big 5 auditors had significantly smaller mean and median earnings gaps in 1999

The current status of accounting harmonization in China gives rise to various issues relating to the adoption of the International Financial Reporting Standards. Some of these questions include: Is a single set of standards (the IFRS) the best option for countries with a unique set up like China with a government controlled accounting system? Even if the IFRs are adopted theoretically, how can the countries ensure that they are implemented practically as well? What about information asymmetry, in the sense of manipulation of data in one GAAP, and presentation of more " honest" results under the IAS framework? How would this impact the decision-making and what would be the long-term implications?

5.7 IAS OR U.S. GAAP? PREFERENCE OF MULTINATIONAL COMPANIES

The aim of this section is to determine whether multinational corporations prefer to use IAS or U.S. GAAP, and whether listing on the New York Stock Exchange has a significant bearing on the choice of accounting standards. There are 462 companies from 49 countries (non-U.S.) listed on the NYSE (New York Stock Exchange 2004a). If a non-U.S. company is not using U.S.GAAP, than a Form 20-F needs to be produced, which reconciles the bottom line as well as equity from the GAAP used to the U.S.GAAP.

According to Pacter (2002) there are approximately 255 differences identified by FASB, existing between the IAS and the U.S.GAAP IAS being of comparable quality to U.S.GAAP.

The aspect of the U.S.GAAP being more detailed has been defined as more of a weakness than strength by Bhushan and Donald (1992). Bhushan and Donald (1992) have asserted that the detailed U.S.GAAP is a deterrent for non-U.S. firms as well as for domestic firms.

Bhushan and Donald (1992) have made an interesting point against Form 20-F reconciliation in that managers have been found to depend more on local financial statements because accounting differences are just one of the important factors that need to be considered in financial decision making, thus weakening the benefits of reconciliation.

Bhushan and Donald (1992) found that reconciliation of non U.S. financial statements to U.S.GAAP and harmonization of local GAAP principles to a set of single standards would generate more usefulness and comparability of financial reports. Bhushan and Donald (1992) concluded their research by stating that reconciliation is a costly requirement for the non-U.S. companies. They have also proposed that mutual recognition would be a far more effective process.

5.8 SUMMARY

Chapter V provided a basic analysis of the internationally recognized accounting frameworks. The difference between de jure and de facto accounting was also pointed out, together with the problems associated with it, suggesting an illusion of uniformity and comparability, which may not actually exist in practice. This would be heightened in the context of financial reporting on the Internet, considering that companies may be able to omit or manipulate financial information on their websites, without getting penalized or stopped for such actions. The next chapter describes the methodology used to conduct this research.

CHAPTER VI

METHODOLOGY

6.1 INTRODUCTION

For the purpose of analysis of the websites of the sample companies, the data that will be sought are divided into three sections relating to three financial reporting elements: fundamental reporting elements, corporate social responsibility reporting elements and corporate governance reporting elements.

The fundamental reporting elements consist of twelve items relating to contents of an annual report. For this purpose the International Financial Reporting Index (with modifications) prepared by the Centre for International Financial Analysis & Research (CIFAR) will be used. There will be a second checklist used in the study based on the work done by Radner (2002) entitled 'Best Practices in Online Corporate Governance Disclosure.' The checklist is based on the Sarbanes Oxley Act (SOX) of the U.S. This checklist incorporates corporate governance items. The Corporate Social Responsibility reporting elements have been derived from the CIFAR checklist, Radner's Best Practice in Online Corporate Governance checklist, as well as additional items derived from existing literature on CSR reporting.

6.2 CIFAR CHECKLIST

The Centre for International Financial Analysis & Research (CIFAR) is an independent research group established in 1984. The research is supported by universities, financial institutions, international accounting firms and multinational corporations. The headquarters are in Princeton NJ but research is conducted world-wide. CIFAR has collected 15000 annual reports of companies' world-wide, which have been the basis of extensive research published in the form of "International Accounting and Auditing Trends".

For the purpose of this study, the second edition published in 1991 will be used. As mentioned above, CIFAR developed an International Financial Reporting

Index, which utilized a range of variables to assign an over all score to a company, regarding disclosure. The index with modifications will be used for the purpose of this study. The variables used by CIFAR are defined in the following table.

Table 6.1
List of variables used by CIFAR to calculate the International Financial Reporting Index **(Certain elements have been added for the purpose of this study, which are mentioned in Bold).**   There are seven broad groups with certain number of variables in each group: GROUP A:
General Business Information: Address/ telephone/Fax/ **Email**
Product Segment Geographic Segment Management Information Subsidiaries information
Future plans/ **Forecast Information/** Chairman's or CEO's Statement
Breakdown of employees, modifications: **Policies on Work environment, number of injuries, number of employees by gender, training policies and practices, change in number and reason for change in number of employees (these factors are extracted from the "Voluntary Disclosure Checklist" developed by Meeks, Roberts & Gray 1995), referred to as variable CSR 1 in this study**
Fiscal year end
GROUP B: Income Statement
GROUP C: Balance Sheet
GROUP D: Funds Flow Statement: Cash Flow statement
GROUP E: Accounting Policies
GROUP F: Stockholder's Information
GROUP G: Special Items (ratios and corporate governance items), Graphs/ charts/ Diagrams, Factory/ Staff/ Product Photographs

(Source: CIFAR 1995)

CIFAR computed the percentage availability of each of the variables in the 7 groups mentioned above. Each variable was given an equal weight. The average sum of the percentages of all groups was calculated. The company with a higher IFRI score would have more extensive reporting. The ranks were also calculated based on financial and non-financial reporting. The Financial Reporting Index was based on the variables from the income statements, balance sheets and funds flow statements. The non-financial index was based on general information, accounting standards, stockholder's data and special items.

The following formulae were used in the index calculations:

Total Index: % Sum/Number of Groups

Financial Index: % SUM GROUP B+C+D/3

Non Financial Index: %SUM A+E+F+G/4

CIFAR studied ninety variables from the 1990 annual reports of 1000 leading corporations in 44 countries. CIFAR looked at a minimum of three companies in each country, representing a cross section of various industry groups.

In this study the number of variables from the CIFAR checklist, as presented in Table 6.1, have been modified to the following:

Fundamental Reporting Elements: presence of Segmental data, presence of information on subsidiaries, joint ventures and affiliates, presence of a CEO statement, presence of an audit report, presence of an income statement, shareholder's equity statement, balance sheet, cash flow statement and notes to the statements. The remaining three elements under fundamental reporting are: presence of stock information, presence of dividend data and the accounting standards applied by the company in the preparation of its consolidated accounts.

It is important to note that only the consolidated accounts for one time frame (the most recent annual report/ interim report/ financial results) will be investigated for each sample company.

6.3 CCBN CHECKLIST

Radner's (2002) checklist incorporates best practice items for online disclosure of corporate governance items. The items used by Radner (2002) are reproduced in Table 6.2.

Table 6.2 Best Practices online corporate governance checklist

(The crossed out items represent the elements used by Radner, which will not be used in this study. The focus in this study is not a very detailed look at corporate governance disclosure; therefore these items have been omitted from the analysis, for simplicity. The items in bold represent the changes/ additions made to the checklist for the purpose of this study).
a. Director biographies with photos,
~~b. Independence indicator,~~
~~c. Committee membership,~~
~~d. Financial expert indicator,~~
~~e. Relevant work experience,~~
~~f. "Director Since" data,~~
~~g. Other directorships,~~
Committee composition (Audit, Nominating, Governance, and Compensation) **(changed to existence of committees)**
h. Committee charters,
I. Code of Conduct,
~~j. Insider transactions,~~
~~k. Ownership table,~~
l. Articles of Incorporation,
~~m. By-laws,~~
n. Corporate Governance Guidelines/ Policy,
~~o. CEO/ CFO Certifications.~~
Risk management policies,
CSR 1(employees, work place conditions, value added statements),
CSR 2 (environmental reporting),
Links to analysts' webpages.

(Source: Radner 2002)

Unlike fundamental reporting elements and corporate governance reporting elements, the CSR reporting elements have been kept general, without subdivision into specific elements. Thus CSR 1 incorporates social aspects tied in with economic impact. CSR 2 relates to environmental policies disclosed online.

6.4 RESEARCH VARIABLES USED IN THIS STUDY

After all the adjustments and additions to the two checklists used for this research CIFAR and CCBN Best Practices online corporate governance checklist, the variables identified in Table 6.3 will be used in the calculation of the disclosure index score (to calculate this score fifteen variables have been divided into financial and non-financial), the harmonization (between and within countries) analysis, transparency analysis, and data source analysis, in the context of Internet based Financial Reporting.

Table 6.3

Research Variables used in this study

i) General

Variable number	Variable Title	Explanation
1	Website	Does the company have a primary website?
2	Secondary websites	If the company does not have a primary website, then are secondary websites available with financial data on the company, accessible via the search engine?
3	Annual Report	Does the company have annual reports/ interim reports/other documents with financial data accessible on the website?
4	Analyst Coverage (Non financial variable)	Does the company have a link to a list of analysts providing coverage on the company?

ii. Fundamental Reporting

5	Segment data	Does the company display segmental data?
6	Subsidiary information:	Does the company have information on its subsidiaries, joint ventures and affiliates?
7	CEO statement	Does the company have a CEO statement in its financial documentation online?
8	Audit report	Does the company have an audit report online?
9	Income St. financial variable	Relates to an Income statement.
10	Shareholder's equity statement financial variable	Relates to the presence of changes in shareholder's equity statement
11	Balance Sheet financial variable	Relates to the presence of a Balance Sheet
12	CFS financial variable	Relates to the presence of a Cash Flow statement
13	Notes financial	Relates to the presence of notes to the statements.
14	Stock data	Is any kind of stock information available either on the company's website or the secondary websites?
15	Dividend data	Is any kind of dividend data available?
16	Accounting Standards	Defines the accounting standards applied by the company in relation to its consolidated accounts.

iii CSR Reporting Elements non financial variables

17	CR REP1	This variable incorporates any information provided on employees, work conditions, value added statements.
18	CR REP2	This variable incorporates environmental policies disclosed online

iv Corporate Governance Reporting Elements non financial variables

19	Directors remuneration	Is Director's remuneration disclosed?
20	Corporate Governance policies	Has the company disclosed any corporate governance policies?
21	Directors' biography	Does the company provide director biographies? With photos/ without?
22	committees	Does the company have any information on Corporate Governance committees on its website?
23	committee charters	Does the company provide any committee charters?
24	Code of conduct	Does the company provide a code of conduct?
25	Article of incorporation	Does the Company provide an Article of Incorporation?
26	Risk Management	Does the company provide any risk management policies?

In total, there are twenty-six variables that will be investigated in this research, in relation to financial reporting on the Internet.

6.5 COMPANIES USED IN THE SAMPLE FOR ANALYSIS

In this study, two industries have been selected for analysis: Hotels and Motels industry and Diversified companies.

6.5.1 HOTELS AND MOTELS INDUSTRY

The reason that this industry has been selected is because of the assumption behind the use of the Internet by such enterprises. The assumption made by researcher is this thesis being that Hotels and Motels tend to use the Internet more for non-accounting data presentation such as for disclosing information about the worldwide operations, booking information etc.

A minimum of one (where that was the only business entity found originating in that country) and a maximum of three enterprises have been selected from 30 countries with a total sample of 78 hotels. The source of the sample is the website of the Reuters Multex Investor financial research and information database (Reuters 2005). The sample is listed in Table 6.4.

Table 6.4

Hotels and Motels

Australia: Hamilton Island ltd., Port Douglas Resorts Ltd., Club Crocodile Holdings Ltd.
Austria: Imperial Hotels Austria Ag.
Belgium: Carestel Nv., City Hotels S.A., Quick Restaurants.
Brazil: Componhia Eldorado de Hoties, Hoteis Othon S.A
Canada: Cara Operations ltd., Fairmont Hotles and Resorts Inc., Canadian Hotel Income Properties.
China: Hunan Ginde Development Co. Ltd., Shanghai New Asia Group ltd., Dalian Yicheng Group Co.ltd.
Chile: Hotels Carrera SA
France: Elior, Hotel Regina Paris SA, Les Hotels De Paris.
Germany: Kempinski AG., IFA Hotels & Touristik AG., Krefelder Hotel AG
Greece: Everest SA, Lampsas Greek Hotel Co. SA, Gregory S Microgevmata SA.
Hong Kong: Hon Po Group ltd., Asia Standard Hotel Group ltd., Jade Dynasty Food Culture Group ltd.
Hungary: Danubius Hotel Asia ltd.
India: Advani & Resorts ltd., ITC Hotels ltd., The Indian Hotels Co.Ltd
Indonesia: P.T. Hotel Sahid Jaya Int., P.T. Plaza Indonesia Realty Terbulla, PT Pudjiadi & Sons Terbulla.
Ireland: Gresham Hotel Group Plc., Jurys Doyle Hotel Group Plc.
Israel: Dan Hotels Corp. Ltd., Elscint Ltd.
Italy: Autogrill Societa per Azioni, Italjolly-Compania Italiana dei Jolly.
Japan: Heiro Ku Co. Ltd., Hiday Hidake Corp., Kappa Create Co.Ltd.
South Korea: Hotel Shilla Co.
Malysia: Gula Perak Berhad., TT Resources Berhad., Genting Berhad.
Mexico: Corporacion Mexicana de restaurants SA. Grupo Posadas SA de CV.
New Zealand: CDL Hotels NZ Ltd., Restaurant Brands NZ Ltd.
Norway: Choice Hotels Scandanavia ASA., Rica Hotels S.A.
Peru: Inversions en Turismo SA, Inversiones Nacionales de Tourismo SA.
Phillipines: Boulevard Holdings Group ltd., Pancake House Inc. Waterfront Phillipines Inc.
Poland: Orbis S.A.
Portugal: Solverde Invest Turisticos Costa., Sociedade Turistica de Penina SA., Sociedade dees Aguas da Caria SA.
Singapore: Apolla Enterprises Ltd., Hotel Plaza Ltd., and Sea View Hotel ltd.
South Africa: Don Group ltd., Spur Corporation, City Lodge Hotels ltd.
Spain: Sol Melisa S.A.
Hotels and Motels continued
Sri Lanka: Asia Hotels Corporation Ltd.
Switzerland: Sunstar Holding AG., Moevinpick Holding AG., Grand Hotel Vic.
Taiwan: Ambassador Hotel Ltd., First Hotel Co. Ltd.
Thailand: Minor Food Group Co. Ltd., Oriental Hotel Public Co., Laguna Resorts & Hotel Public Co.
Turkey: Marmaris Marti., Petrokent Turizm A.S., Usas Ucak Servisi A.S
United Kingdom: Gowrings Plc., Jarvis Hotels Plc., Madisons Coffee Plc.
Zimbabwe: Zimbabwe Sun Ltd. 85 companies (Source: CIFAR 1995)

6.5.2 CONGLOMERATES OR DIVERSIFIED COMPANIES

The second group analysed are conglomerates or diversified companies. Kaye and Yuwono (2002) have asserted that the specific objective of the conglomerates has been to increase the long-term value for shareholders. Kaye and Yuwono (2002) have also stressed that the success of these companies has been to make accountability more transparent. This group therefore represents the opposite of the Hotels and Motels, in that these companies emphasize the transparency of financial reporting.

The sample selected by Kaye and Yuwono (2002) were 88 companies world wide. Companies have been selected at random (at least one from each country) from this same sample to represent the diversified group. The companies selected are represented in Bold in Table 6.5. The complete list of the sample companies used by Kaye and Yuwono (2002) are presented in Appendix 3.

Table 6.5 Diversified Companies

Company	Country	company	country
Bidvest Group	South Africa	Onex	Canada
Fimalac	France	ITC	India
Spotless Group	Australia	General Electric	U.S.A
Westfarmers	Australia	Berkshire Hathaway	U.S.A
Hutchison Whamp.	Hong Kong	Champion Ents.	U.S.A
Futuris Corp.	Australia	Leucadia Nat.	U.S.A
Bouygues	France	Gcarso 'A1'	Mexico
China Res. Entrep.	Hong Kong	Industrivarden	Sweden
Orkla	Norway	Dover	U.S.A
Pentair	U.S.A	Hagemeyer	Netherlands
Sears Roebuck	U.S.A	Ackermans	Belgium
Pinnacle West	U.S.A	Alfa A	Mexico
Griffon Corp.	U.S.A	Barloworld	South Africa
Wash. H Soul	Australia	3 M Co.	U.S.A
Bolton Group	Luxemberg	Northwestern	U.S.A
Tyco Intl.	U.S.A	Allete	U.S.A
Unaxis Holding	Switzerland	Pirelli Spa	Italy
Norsk Hydro	Norway	Suez	France
Vivendi Universal	France	Federal Signal	U.S.A
Johnnic Hdg.	South Africa	Swire Pacific	Hong Kong
Brascan Finl.	Canada	Bollore	France
First Pacific	Hong Kong	Immobilien	Germany
Tomkins	UK	Sime Darby	Malaysia

(Source: Kaye and Yuwono 2002)

There are 23 countries covered in this sample. 26 companies have been selected as part of the diversified companies' sample for this research.

6.5.3 NON-U.S. COMPANIES LISTED ON THE NYSE

The third sample group has been derived from the non-U.S.companies listed on the NYSE. The reasons that this group was selected include: NYSE is the largest stock exchange in the world, it has the most extensive disclosure requirements, it requires use of the U.S.GAAP or reconciliation to the U.S.GAAP and it has extensive corporate governance disclosure requirements.

The complete list of 2004 non-U.S. companies listed on the NYSE stock exchange is represented in appendix 1. Fifty six companies have been selected at random from this list, representing forty three countries (at least one from each country). Table 6.7 represents the non U.S. companies selected from the complete list of 2004 non-U.S. companies listed on the NYSE, for the purpose of this study.

Table 6.7 Non-U.S. companies listed on the NYSE

Company	Country	Industry	Company	Country	Industry
BBVA Banco Frances	Argentina	Banking	Nortel Inversora	Argentina	Telecommunications
Telstra	Australia	Telecommunications	National Australia Bank	Australia	Banking
Telekom Austria	Austria	Telecommunications	Teekay Shipping Corporation	Bahamas	Crude Oil
Delhaize Group	Belgium	Food Retail	XL Capital Ltd.	Bermuda	Insurance
Banco Bradesco	Brazil	Banking	Brasil Telecom	Brazil	Telecommunications
Bank of Montreal	Canada	Banking	BBVA	Cayman Islands	Banking
Chilesat Corp	Chile	Telecommunications	ChinaUnicom	China	Telecommunications
Ban Colombia	Colombia	Banking	TDC	Denmark	Telecommunications
Tricom	Dominican Republic	Telecommunications	Nokia	Finland	Telecommunications
Alcatel	France	Communications	AXA	France	Insurance
Allianz	Germany	Insurance	Deutsche Telekom	Germany	Telecommunications
National Bank of Greece	Greece	Banking	Amdocs Ltd	Guernsey	Telecommunications
Magyar	Hungary	Telecommunications	Mahan agar Telephone	India	Telecommunications
P.T.Telelkommunikasi	Indonesia	Telecommunications	Allied Irish Banks	Ireland	Banking
Koor	Israel	Telecommunications	Sanpaolo	Italy	Banking
Telecom Italia	Italy	Telecommunication	Nippon	Japan	Telecommunications
Nissin	Japan	Banking	KT Corp	Korea	Telecommunications
Shinhan Fin	Korea	Banking	Espirito	Luxembourg	Fin. Servcies

Telefonos de Mexico	Mexico	Telecommunications	ABN AMRO	Netherlands	Banking
Telecom Corp NZ.	New Zealand	Telecommunications	Banco LatinoAmerican	Panama	Banking
Phillipine Long Distance	Philippines	Telecommunications	Portugal Telecom	Portugal	Telecommunications
W Holding	Puerto Rico	Financial	Mobile telesystems	Russian Federation	Telecommunications
Vimpel	Russian F	Telecommunications	ASA	South Africa	Investments
Telekom	South Africa	Telecommunications	Banco Bilbo	Spain	Banking
STMicroelectronics	Switzerland	Integ. Circuits	Chungwa telecom	Taiwan	Telecommunications
Turcell	Turkey	Telecommunications	Abbey National	U.K.	Banking
Mmo2	U.K.	Telecommunications	VNT (NYSE code)	Venezuela	Telecommunications

(Source: New York Stock Exchange 2004a)

6.5.4 NON BRITISH COMPANIES LISTED ON THE LONDON STOCK EXCHANGE

The fourth sample group includes non-British companies listed on the London Stock Exchange in June 2004. The reasons that this group was selected include: it is the second largest stock exchange in the world, the disclosure requirements are less rigorous than the NYSE. It would be an adequate group for comparison regarding differences in disclosure levels, in comparison to the NYSE. The non- British companies listed on the London Stock Exchange are presented in Appendix 2. There are seventeen companies selected from this sample for the purpose of this study. They are presented in Table 6.8.

Table 6.8 Non U.K. Companies listed on the London Stock Exchange

Company	Country	Company	Country
ARAB INSURANCE GROUP (ARIG)	Bahrain	SUNBEACH COMMUNICATIONS INC	Barbados
CARLISLE HLDGS LTD Belize	(British Honduras)	LIONORE MINING INTERNATIONAL	Canada
PLIVA D.D.	Croatia	BANK OF CYPRUS	Cyprus
CESKY TELECOM A.S.	Czech Republic	ASHANTI GOLDFIELDS CO	Ghana
JSC KAZKOMMERTSBANK	Kazakhstan	KAKUZI	Kenya
BANQUE AUDI SAL	Lebanon	AB LIETUVOS TELEKOMAS	Lithuania
AGORA	Poland	QATAR TELECOM	Qatar
SAMSUNG ELECTRONICS CO	South Korea	TURK EKONOMI BANKASI AS	Turkey
BELLSOUTH CORP	USA		

(Source: London Stock Exchange 2004)

6.6 CALCULATION OF THE DISCLOSURE INDEX SCORE

For the purpose of this study, the score assigned to each company, would be out of a 100 calculated as: number of items disclosed (financial and non-financial)/15 * 100. This would be referred to as the online disclosure score, total, with separate financial (number of financial items disclosed/5*100) and non financial (number of non financial items disclosed/10 * 100) disclosure scores. The financial and non-financial variables are classified as follows:

a. Financial Variables (five variables):

Income Statement, Shareholder's Equity statement, balance sheet, Cash Flow statement, notes to the statements.

b. Non financial variables (ten variables):

Analyst coverage, CSR 1, CSR 2, corporate governance policies and guidelines, director biographies, existence of committees, committee charters, code of conduct, Article of Incorporation and disclosure on risk management policies.

6.7 CLASSIFICATION OF COMPANIES

The countries selected in the sample have been further sub classified based on countries group classification used by the World Bank by income. According to the World Bank the Income Groups are derived according to 2004 GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, $825 or less; lower middle income, $826 - $3,255; upper middle income, $3,256 - $10,065; and high income, $10,066 or more (The World Bank 2004). The reason that this group classification is used is because it is assumed that higher income economies would have more resources to develop better accounting systems and therefore better disclosure.

The number of companies selected from each country classification are presented in table 6.9.

Table 6.9

Country classification by income

High Income Countries							
Country	Number of companies	Country	Number of companies	Country	Number of companies	Country	Number of companies
Australia	7	Austria	1	Belgium	4	Bahamas	1
Bahrain	1	Bermuda	1	Canada	4	Cayman Islands	1
Denmark	1	Cyprus	1	Finland	1	France	9
Germany	6	Greece	5	Hong Kong	6	Ireland	3
Israel	3	Italy	5	Japan	4	Korea (South)	4
Luxembourg	1	Netherlands	3	New Zealand	3	Norway	3
Portugal	3	Puerto Rico	1	Singapore	3	Qatar	1
Spain	2	Sweden	1	Switzerland	4	United Kingdom	6
United States	2						

Upper Middle Income Countries							
Country	Number of companies	Country	Number of companies	Country	Number of companies	Country	Number of companies
Argentina	2	Barbados	1	Chile	2	Croatia	1
Czech Republic	1	Hungary	2	Lebanon	1	Lithuania	1
Malaysia	4	Mexico	5	Panama	1	Poland	2
Russian Federation	2	South Africa	8	Turkey	5	Venezuela	1
Lower Middle Income Countries							
Peru	2	Brazil	3	China	4	Colombia	1
Dominican Republic	1	Egypt	1	Honduras	1	Indonesia	4
Kazakhstan	1	Philippines	4	Sri Lanka	1	Thailand	2
Low Income Countries							
Ghana	1	India	5	Kenya	1	Zimbabwe	1
Other							
Taiwan	3	Guernsey	1				

6.8 DATA COLLECTION PERIOD

The data collection period is from January to March 2005 inclusive. All findings relate to this time frame. This was followed by data entry and analysis until December 2005. The data collected is from the latest financial reports available on companies' websites during the time frame mentioned.

CHAPTER VII

DATA REPORTING AND ANALYSIS

7.1 INTRODUCTION

There are four samples of companies that have been investigated for the purpose of this research. These include, seventeen companies listed on the London Stock Exchange, fifty-six companies listed on the New York Stock Exchange, seventy-eight hotels and twenty-six diversified companies, generating a total of 177 companies.

The aim of this Chapter is to report on the observations made in relation to financial reporting online, in reference to the samples selected. The findings will be linked back to the research conducted by CIFAR (1991) expressed as disclosure scores. Detailed analysis on a country-by-country basis will also be presented.

7.2 OBSERVATIONS IN RELATION TO VARIABLES INVESTIGATED

There have been four types of variables investigated in the context of financial reporting online. These have been classified into: General reporting elements, Fundamental Reporting elements, CSR reporting elements and Corporate Governance Reporting elements. Some of these elements were further classified into financial and non financial variables, in order to calculate the financial reporting disclosure indices. The observations made in relation to these variables are presented below.

7.2.1 GENERAL REPORTING ELEMENTS

7.2.1.1 VARIABLE 1: DOES THE COMPANY HAVE A WEBSITE?

The aim of this variable is to establish whether the companies selected have web presence in the form of a primary website. Table 7.1 provides the results.

Table 7.1

Does the company have a website?

	Frequency	Percent
No	55	31.1
yes	122	68.9
Total	177	100.0

As indicated in Table 7.1, 122 out of the 177 companies investigated had a website. This indicates that 31 percent of the companies did not have a website and 69 percent did. Previous studies have indicated a range of 67 percent to 98 percent of companies investigated having a website (Debreceny and Grey 1998).

In relation to individual samples, 4 out of 17 (23.5 percent) companies listed on the London Stock Exchange did not have a website. 4 companies out of 56 (7.1 percent) listed on the NYSE did not have a website. 43 out of 78 (55 percent) of the hotels did not have a website. 4 out of 26 (15.4 percent) of the diversified companies did not have a website.

The individual sample that had the highest number of companies without a website was the hotel industry. 55 percent of the hotels did not have a website. This finding supports the assumption made in 6.5.1 that Hotels and Motels tend to use the Internet more for non-accounting data presentation than financial reporting disclosure.

7.2.1.1.1 EXAMPLES OF COMPANIES' DISCLOSURE EMPHASIZING IMPORTANCE OF WEBSITES

Some companies projected on their websites the importance of having web presence. One such company emphasized that its website is a primary communication tool.This was Onex, a Canadian diversified company. Provided below is an extract from its annual report, highlighting the useful features of its website and stating that its website is a source for complete, latest information about the company.

Exhibit 7.1 Company Emphasis on the features and benefits of its website

(Source: Onex 2005)

It is important to note that Onex is clearly stating that its website is a source of complete and timely information.

Another example of a company projecting its website as its major medium of communication is Samsung Electronics as demonstrated in Exhibit 7.2.

Exhibit 7.2 Samsung displaying the features of its website from the financial reporting perspective

Q1. How can I find the financial information about Samsung?

A1. it is located in the Financial Information Section of our IR Homepage.

(01 December, 2004)

Q2. Does Samsung issue quarterly reports?

A2. Yes. At this time, however, the quarterly reports are parent-based only. Consolidated reports are given on an annual basis (both reports are based on Korean GAAP accounting standard).

(01 December, 2004)

Q3. How do I obtain a copy of the annual report?

A3. The annual report can be downloaded at your convenience from the Financial Information Section (Annual Report) of our IR Website. All questions related to the annual report can be directed to the proper source by clicking here.

(01 December, 2004)

(Source: Samsung 2005)

Exhibit 7.2 is an example of the company leading the user to its financial reports. This is a useful feature because in some instances it is hard to access the part of the website that has the financial reports of the company. This specifically applies to new users, who may have recently started using the Internet to find financial reporting information about a company. In Exhibit 7.2 the company is clearly stating that the user needs to access the annual report via the Investor Relations website. This pathway applies to most companies.

7.2.1.1.2 DISCLAIMERS BY COMPANIES ON WEBSITES

In many instances companies protect themselves against litigation by issuing disclaimers on their websites. The disclaimers cover all contents of the website and rather than enhancing qualitative characteristics of financial reporting online, these disclaimers weaken the positive characteristics of the information. The reason for this is because the company denies all responsibility to maintain the quality and completeness of the information. An example of a disclaimer is provided in Exhibit 7.3.

Exhibit 7.3 Example of Company Disclaimer in regards to its website

Note!

"Persons who access the material made available by Industrivärden at its website agree to the following:

Nothing on the Industrivärden website should be construed as a solicitation or offer or recommendation to acquire or dispose of any investments or to engage in any other transactions. Relevant and specific professional advice should be obtained before making any investment decision. While Industrivärden uses reasonable efforts to obtain information from sources which it believes to be reliable, **Industrivärden makes no representation or warranty (neither express or implied) that the information contained on its website is accurate, reliable or complete.**

AB Industrivärden

(Source: Industrivarden 2005).

For this company, this Note pops up when the website is accessed, dominating the view, so that there is a very slim chance that the Note can be ignored. The company has asserted that it takes no responsibility regarding the accuracy, reliability and completeness of the information.

Another example of a disclaimer is that provided on the main page of the Investor Relations of a Czech Republic company, listed on the London Stock Exchange.

Exhibit 7.4 Disclaimer in relation to content of website and additional links to website

Investor Relations

While every endeavour has been made to supply accurate information, errors and omissions may occur and ČESKÝ TELECOM in no way guarantees that the information available on this website is complete, accurate or up-to-date in all cases. Accordingly, ČESKÝ TELECOM does not accept any liability for any loss or damage, which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained on this site. ČESKÝ TELECOM reserves the right to amend or supplement the information supplied without prior notice.
Links This also applies to any links to which this website may refer, directly or indirectly. ČESKÝ TELECOM shall not be responsible for, and makes no representations or warranties concerning, the contents of any linked site or any link contained in a linked site. ČESKÝ TELECOM provides links to you only as a convenience, and the inclusion of any link does not imply endorsement, investigation or verification by ČESKÝ TELECOM of the linked site.

(Source: Cesky Telecom 2005a).

Cesky Telecom has further extended the disclaimer in relation to links available on the website. It has informed the user that the company has not ensured that the third party information that may be accessed from the company's webpage has been verified as reliable by the company, let alone the information provided on the primary website of the company. The company has even relieved itself of all responsibility against carelessness and negligence.

The same company has provided contradictory statements that may boost user confidence in the information provided by the company. The company has stated that it has provided timely and complete information in relation to fundamental financial reporting and corporate governance. This is demonstrated in Exhibit 7.5.

Exhibit 7.5 Quality and completeness of financial information guaranteed

6.10.3 Transparency and open information policy

In line with the directives of the Czech Securities Commission, the recommendations of the European Union and the OECD for corporate governance and the principles of the Code of Corporate Governance, ČESKÝ TELECOM provides shareholders and potential investors with all vital information on its business, financial standing, ownership structure and governance issues. Furthermore, ČESKÝ TELECOM is very scrupulous in seeing that all price-sensitive information and facts are published in a timely manner.

In addition to the information channels and publication procedures provided for by law and in its Articles of Association, ČESKÝ TELECOM makes great use of its website (where its Articles of Association and other governance documents are available) to inform its shareholders. This helps international institutional investors in particular to access information on the company and be fully and actively involved in the decision-making on the company's affairs.

(Source: Cesky Telecom 2005b)

The company has stated that its website is a major communication tool to inform its shareholders. The company has also declared that the website is a major medium for international users to access company information and be 'fully and actively involved in the decision making' process. The disclaimer and the above statement contradict each other; since on one side the company is asking the user not to rely on the information provided on its website and on the other side is projecting its website as a major communication and information presentation device.

7.2.1.1.3 REQUEST FOR FEEDBACK BY COMPANIES IN RELATION TO THE QUALITY OF THEIR WEBSITES

Some companies have asked users to fill out surveys regarding the quality of their websites. It is assumed that this information is used by these companies to improve the quality and content of their websites.

One such company is Brazil Telecom that had an Investor Relations Survey that incorporated questions regarding the quality of the information provided, the timeliness of the information, as well as opinion on its website.

Exhibit 7.6 Extract of the IR survey by Brazil Telecom

Quality of Website
Evaluate the quality of our Website, bearing in mind: 1) accessibility; 2) user friendliness; 3) quality of the information; 4) organization and format; 5) languages and; 6) technical issues (i.e., speed and software requirements).

(Source: Braziltelecom 2005).

This one question, in Exhibit 7.6, addresses a lot of different issues, regarding the view and accessibility of the information. It asks for user feedback on access and quality of the information. Both these factors have a major impact on decision making by the user.

In relation to companies' websites the messages sent by companies are mixed. On one side they release disclaimers, relieving themselves of any responsibility to maintain the quality, content and timeliness of the information. On the other hand some companies send out positive messages, guaranteeing up to date and reliable information.

7.2.1.2 VARIABLE 2: PRESENCE ON SECONDARY WEBSITES OF COMPANIES THAT DO NOT HAVE PRIMARY WEBSITE

There is a large number of secondary websites that provide information on companies, either free of charge or for a fee. Some of these websites are more renowned than others such as the NYSE website, the Bloomberg website, the Dow Jones Financials website.

The amount of information presented on companies also varies, from basic stock information to detailed financial reports (available for a fee). The issue that arises is the question regarding the authenticity and the verifiability of this information. Is this information actually obtained from the source company itself, what evidence/ trail is there to prove that it is? Whose responsibility is it to ensure that company information provided on third party websites is actually verifiable?

Table 7.2 is a summary of the number of companies that have information provided on secondary websites. The focus is specifically on companies that do not have a primary website. During the course of the data collection, the first step was to locate the primary website of the company. If no primary website was found, then the search for information on the company on secondary websites was carried out. As mentioned earlier, the range of information found was from minimal to detailed financial reports. It is important to note the difference between a link to a company's primary website from a secondary website and the actual display of financial information on the secondary website itself. In the first instance it is practical to assume that the information is accurate to some degree, since the source is the company itself. The problem in relation to verifiability arises when the information is presented on the secondary website itself. There is no sign or information on secondary websites as to how the information is gathered by preparers of secondary websites.

Table 7.2

If company's website not present, is there information on secondary websites?

		Frequency	Percent
	No	25	14.1
	Not applicable if co has primary website	122	68.9
	Yes	30	16.95
	Total	177	100.0

As indicated in Table 7.2, out of the 55 companies that did not have a primary website, 30 companies had presence on secondary websites and 25 did not. Thus 14 percent of the sample selected did not have any presence at all on the Internet. The majority of these companies were hotels, from various regions including Indonesia, China, Greece, Japan, Malaysia, Norway, Peru, Philippines, Portugal, Singapore, Spain, Sri Lanka, Switzerland, Turkey and Hong Kong.

7.2.1.2.1 SEARCH ENGINE AND SECONDARY WEBSITES USED

"Yahoo" was used as the major search engine to search for and open company websites. In certain circumstances corporate websites were not accessible via "Yahoo". These companies' websites were accessible through other websites (secondary sources) such as ‘Hoover’ and the New York Stock Exchange. For example the website of Nortel Inversora, an Argentinean company listed on the NYSE, could only be found via the NYSE website, not through the Yahoo search engine.

Some of the major secondary websites with companies’ information included the following:

a. “Yahoo Finance” had basic information such as share price information and news releases. For some companies there was more detailed information provided such as a short biography of the officers of the company, a business summary and financial ratios.

b. “Hoover’s online” had information such as annual sales, net income, and fiscal year end. Certain other elements could only be accessed as a subscriber.

c. “Credit Risk Monitor” provided a summarized table on basic information such as the fiscal year end, country of origin and the components of the report, which had to be purchased. Just like “Yahoo Finance” for some companies, the website provided more detail free of charge such as name of auditors, management information, number of employees, number of outstanding shares and number of shareholders.

d. New York Stock Exchange: Out of the two stock exchanges from which the samples were derived, New York Stock Exchange had a better structure as well as link to the company’s websites, together with basic information about the company. The information provided included an hourly graph of stock performance, the day’s high and low, a 52 week high and low, financial ratios and number of shares outstanding. The site also had the website address of the company concerned, its country of origin, the listing date and a brief description of the company.

It can be concluded that the amount and depth of information provided on companies on secondary websites not only varied between the websites but also in relation to different companies described on the same website.

7.2.1.3 VARIABLE 3 PRESENCE OF ANNUAL REPORTS, INTERIM REPORTS, FORMS RELATED TO LISTING ON STOCK EXCHANGES WITH FINANCIAL DATA

This variable relates specifically to companies that did have a primary website. The next step is to determine whether any type of financial information was presented on the website. There are different types of financial reporting that may be presented by a company on its website. These include annual reports, interim reports, lodgements in relation to listings on stock exchanges and news releases. Companies have adopted flexibility as to the presentation of different types of reporting information in different formats. For example a few companies were found to provide information on their corporate governance policies in the form of news releases. In other instances, companies presented their fundamental financial reports as individual items, rather then as a part of an annual or interim report.

Table 7.3 provides the percentages of companies that had annual and interim reports on their websites. Companies that did not have one of these formats of reporting, may have presented other formats of reporting information, which is captured under individual variables relating to the specific items.

Table 7.3

Are annual/ interim reports present on the website?

	Frequency	Percent
No, but company has a primary website	33	18.6
No. Company does not have a website	55	31.1
Interim results only	7	4.0
Yes company has annual reports on its website	82	46.3
Total	177	100.0

As indicated in Table 7.3, 82 companies had an annual report on their website.Seven companies had interim results only. One of the companies that had interim results only was Ackermans & Van Haaren, a Belgian diversified company. Another one was Advani Hotels & Resorts Ltd. India, with quarterly results July 04-September 04. Under the Annual Report icon, it had two options, statutory accounts and consolidated accounts. Neither set of accounts were in English. Quick Restaurants, a Belgium chain of hotels also had half-year 2004 results on its web page. Ban Colombia, a Colombian Company, listed on the NYSE, did not have its annual report available in English, but did have it in Spanish.

These observations indicate discrepancies between financial reporting under multiple languages. The deduction from these observations is that companies do not present the same depth of information in another language as in the main reporting language. This is a major weakness and negative impact on the decision making process of a user that is not a speaker of the main language. This also has a negative impact on the qualitative characteristics of usefulness and completeness.

33 companies had no financial information on their websites at all. This finding indicates that only 73 percent of the companies with websites had some kind of financial information on their websites. This result compares closely to the findings made by Lymer (1997) indicating that 60 percent of the companies with websites had financial information as well, Grey and Debreceny (1997) found this percentage to be around 68 percent and Tallberg and Lymer (1997) who found this to be closer to 69 percent. The findings in relation to presence of annual/ interim reports are the highest in this research compared to the literature. This may be due to the notion that the Internet is being used on an increasing scale for financial reporting now as compared to the late nineties.

Out of the hotels, 19 out of the 35 hotels with websites did not disclose any type of financial information on their websites (54 percent). This supports the point that hotels may use their websites for other purposes then financial reporting such as promotion of products and services. Another point that this finding indicates is that companies use their websites for different purposes and this indicates a lack of uniformity regarding purpose in relation to presence on the Internet.

Eleven companies from the NYSE sample had websites but did not present any financial data on their websites, which represent twenty percent of the NYSE companies' sample. One company from the London stock exchange sample had a website, but did not present financial reports on its website. Three of the diversified companies (Twelve percent of the diversified companies sample) did not have financial information on their websites.

Timeliness is an important qualitative characteristic of financial information. The majority of the regulatory bodies, in their recommendations, have encouraged companies to disclose their information in time. Even if information is relevant and complete, but is not disclosed in a timely manner, it would be rendered useless.

In relation to the companies, 37 companies displayed 2004-year end results, which will be the latest reports expected considering that the data collection period was January to March 2005. Forty-six companies displayed 2003 annual reports as the latest reports. Three companies displayed lodgings with SEC as their financial reporting documents for all users on their websites. The number of pages of financial reports varied considerably as well, ranging from 8 pages to a maximum of 450 pages. These observations once again demonstrate the gap and the wide difference between reporting practices online. Companies seem to have all the flexibility regarding the range, scope and detail, as well as the time frame of the information provided.

To further emphasize this point, some companies were observed to provide the option to download the whole or parts of their financial reports. Some companies presented select financial information on their website, without the inclusion of annual reports. One such company was Sunstar Holding, a Swiss Hotel, that disclosed its net income, its share data and financial ratios, but not annual reports.

7.2.1.4 VARIABLE 4 ANALYSTS COVERAGE

The FASB has specifically recommended against providing any links to third party web pages on a company's primary web page (Financial Accounting Standards Board 2000). Companies, on the other hand, may provide a service to the users by displaying a list of analysts 'endorsed' by the company, suggesting that the company believes that these specific analysts can be relied upon in the capacity of the provision of professional advice on the company. The issue of unbiased opinion by the analysts that are recommended by the company cannot be ignored.

In relation to the sample companies, Table 7.4 provides the percentages of companies with links or detail on analysts.

Table 7.4

Is there a list of links to analyst's web pages?

	Frequency	Percent
No	169	95.5
Yes	8	4.5
Total	177	100.0

Only 8 out of the 122 companies with web pages had links to analysts' web pages or information on analysts. This observation suggests the point that companies are not comfortable in providing links to third parties on their web pages. So, whether listed or not on the NYSE, companies are adopting the recommendation made by FASB to not to provide links to analysts on their web pages. This can be described as the conservative, hassle free approach, where companies may be avoiding any issues relating to having links altogether.

An example of the kind of information that is provided in relation to links to analysts' web pages, is presented in Exhibit 7.5.

Exhibit 7.5 Example of link to analysts' information as presented on a company website

Below we offer you a list of the financial institutions that regularly provide analyses about our company and the names of the respective contact persons. In the table you can see when the analysis began as well as the last update. The publication of research reports is not possible due to legal considerations. Please contact the analyst by mail. Bank Analysts Start of coverage Update ABN AMRO Stuart Gordon July 2004 - Bank Austria Creditanstalt Alfred Reisenberger November 2000 August 2005 Berenberg Bank May 2003 August 2005 CAI Cheuvreux Victoria Granger November 2003 January 2006 Citigroup James Rivett

(Source: Telekom Austria 2005)

In Exhibit 7.5, the company has provided detail not only about the analysts but also about their coverage dates and has pointed out that it cannot publish the research reports due to legal considerations. This might suggest implication of neutrality, an image that the company does not influence the research reports of these analysts.

7.2.2 FUNDAMENTAL REPORTING

This section incorporates the observations relating to elements of financial reporting that are required by the IASB Framework, as well as other elements deemed important according to the CIFAR checklist. The items include: Segment data, subsidiary information, CEO statement, audit report, income statement, shareholder's equity statement, balance sheet, cash flow statement, notes, stock data, dividend data and the accounting standards used.

7.2.2.1 VARIABLE 5 DISPLAY OF SEGMENT DATA:

IAS 14 is the IASB standard that addresses segment reporting (Epstein and Mirza 2004). Table 7.5 provides the frequency of segment reporting by the sample companies.

Table 7.5

Product& segment information as part of financial reporting

	Frequency	Percent
No	103	58.2
Yes	74	41.8
Total	177	100.0

Out of the total sample of 177 companies, 74 companies (41 percent) displayed segmental data on their websites. Considering that 25 companies do not have any web presence at all and 122 companies had web pages, this result would indicate that 61 percent of the companies with websites displayed segmental data on their websites.

7.2.2.2 VARIABLE 6 SUBSIDIARY INFORMATION

IAS 22 (superseded by IFRS 3) provides detailed information and guidance for companies in relation to reporting regarding business combinations (Epstein and Mirza 2004). Table 7.6 provides the percentages relating to the number of companies that did have subsidiary, affiliate, and joint venture information on their websites.

Table 7.6

Presentation of Subsidiaries information as part of financial reporting

		Frequency	Percent
	No	111	62.7
	Yes	66	37.3
	Total	177	100.0

66 out of the 122 (54 percent) companies with web pages had information relating to this variable. According to IFRS 3, companies that exert control over other companies are required to present this information (Epstein and Mirza 2004). Under IFRS 3, control includes more then half voting rights, power to appoint or remove majority of board members and power to select management (Epstein and Mirza 2004). Once again, the lack of this information, would suggest weakness in Internet financial reporting due to lack of completeness.

7.2.2.3 VARIABLE 7 CEO Statement

According to the NYSE listing rules, a statement by the CEO that he or she is not aware of any violation by the company of NYSE corporate governance listing standards must form part of the financial reporting (NYSE 2005). Table 7.7 provides number of companies that did have a CEO statement as part of the financial reporting.

Table 7.7

CEO Statement

	Frequency	Percent
No	116	65.5
Yes	61	34.5
Total	177	100.0

61 out of the 122 companies (50 percent) had a CEO statement. This result indicates that all companies listed on the NYSE with a website and presenting financial data, had a CEO statement stating that he or she was not aware of any violation of the NYSE listing standards.

7.2.2.4 VARIABLE 8 AUDIT REPORT

The audit report is considered a very important element of financial reporting from a verifiability point of view. It is an opinion from a third party in relation to the adherence of the financial reports of the company to the accounting standards. Table 7.8 provides the figures relating to the presence of an audit report as part of financial reporting by companies.

Table 7.8

Audit Report

	Frequency	Percent
No	111	62.7
Yes	66	37.3
Total	177	100.0

66 out of the 82 companies with annual reports had an audit report available on the website, as part of the financial report, see Table 7.3, page 119). This represents around 80 percent of the companies with annual reports, also providing an accompanying audit report. The point 20 percent of the companies that were supposed to provide an audit report but did not do so is a significant result.

It was also found that in some instances the financial reports in the local GAAP were audited but the ones based on IAS/ IFRS were not. This is the same problem that arises with lack of content in financial reports if not in the main reporting language. It has negative affect on completeness, usefulness and verifiability of the information.

Pliva, a Croatian company, listed on the London Stock Exchange, had the following note from its auditor on the page displaying the links to its annual reports.

Exhibit 7.6 Example of Auditor emphasis on manipulation/change of financial reports by companies during presentation and distribution

FY 2004 Consolidated Statements

2005-03-02

The accompanying report of KPMG is for sole and exclusive use of the Company. Any redistribution made by the Company is to be 100% full, complete and unaltered in any way. Further, the report of KPMG is as of 01 March 2005 and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.

(Source: Pliva 2005).

Please note that the second time an attempt was made to access Pliva's annual report, the message displayed was that the file was damaged and could not be repaired. The implication here is that if the user has not stored the annual report/ relevant information on their own computer, the information may not be available real time due to technical problems. This would have a negative affect on decision making due to waste of time and inaccessibility to information.

The IASB as well as the other regulatory frameworks have emphasized for the companies to ensure that they segregate audited information from un-audited information on their websites. The companies also need to ensure that there is no implication that information is audited when its not. This is the same point being made in Exhibit 7.6. The auditor has stressed that the company should not make any changes to the annual report, thus changing the scope or the opinion of the audit report.

The nature of audit reports presented by companies on their websites is beyond the scope of this study. But as mentioned in Table 7.8 out of the 82 companies that had annual reports on their websites, 66 companies had audit reports, which imply that 80 percent of the companies that had annual reports on their websites, also had an audit report.

7.2.2.5 VARIABLE 9 INCOME STATEMENT

An Income statement is regarded as an integral part of a company's financial reporting. It provides users with information regarding the wealth created by the business in a specific accounting period. Table 7.9 provides the figures in relation to the presence of an incomes statement on companies' websites.

Table 7.9

Complete income statement

	Frequency	Percent
No	85	48.0
Yes	92	52.0
Total	177	100.0

92 out of the 122 companies (75 percent) had a complete income statement on their websites. Almost all jurisdictions around the world require that a complete income statement be a part of the financial reports of a company. Therefore 25 percent of companies not providing an income statement on their websites have a negative impact on completeness of information for these companies.

7.2.2.6 VARIABLE 10 CHANGES IN SHAREHOLDER'S EQUITY STATEMENT

According to IAS 1, the Statement of Changes in Equity forms part of the financial statements that have to be prepared by a company (IASB 2005). The purpose of this statement is to show all sources of profits or losses, income and expenses, all changes in Equity or changes in equity other than those arising from transactions with equity holders. Table 7.10 provides the percentage of companies with this statement presented online.

Table 7.10

Statement of changes in Shareholder equity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no	106	59.9	59.9	59.9
	yes	71	40.1	40.1	100.0
	Total	177	100.0	100.0	

71 out of the 122 (58 percent) companies had a statement of shareholder's equity. This result is not very impressive since it is mandatory under the IASB standards and the NYSE listing requirements.

7.2.2.7 VARIABLE 11 BALANCE SHEET

The Balance sheet is also classified as a major component of general purpose financial reports, or reports prepared under the IASB framework (IASB 2005). Table 7.11 demonstrates the number of companies with a balance sheet forming part of the financial reporting online.

Table 7.11

Complete Balance Sheet

	Frequency	Percent
No	87	49.2
yes	90	50.8
Total	177	100.0

90 out of the 122 companies (74 percent) had a complete Balance Sheet as a part of their financial reporting. This finding is similar to the percentage of companies with income statements as part of their financial reporting.

7.2.2.8 VARIABLE 12 CASH FLOW STATEMENT

Table 7.12 provides the figures in relation to the presence of a cash flow statement as part of a company's financial reporting online.

Table 7.12

Cash Flow statement

	Frequency	Percent
No	97	54.8
Yes	80	45.2
Total	177	100.0

80 out of the 122 companies (65.5 percent) had a Cash Flow Statement. This figure is slightly less than the percentage of companies of companies disclosing the Income Statement and the Balance Sheet. The European Union did not make the Cash Flow Statement compulsory in the Directives, although it is a part of GPFRS and interim reports under the IASB framework.

7.2.2.9 VARIABLE 13 NOTES TO THE STATEMENTS

Table 7.13 provides the frequency of companies that did or did not have accompanying notes to the statements in their financial reports.

Table 7.13

Notes to the statements

	Frequency	Percent
No	121	68.4
yes	56	31.6
Total	177	100.0

Fifty-Six out of the 122 (46 percent) companies had notes to the statements. This result suggests weak transparency as well as incompleteness of financial statements since the notes to the financial statements are required under the accounting legislation of most countries. Notes are also important in the sense that they provide more detail and meaning to the information presented in the bodies of the statements.

7.2.2.10 VARIABLE 14 STOCK DATA

Table 7.14 provides statistics on the number of companies presenting shares related information.

Table 7.14

Information on Stock price, share volume, shares traded disclosed

	Frequency	Percent
No	82	46.3
Yes	95	53.7
Total	177	100.0

Ninety-Five out of the 152 (62.5 percent) companies had stock data available, either on their primary websites or on secondary websites; see Tables 7.1 and 7.2 on pages 111 and 117 respectively. Stock data would incorporate graphs; volume traded, 52 week high and low and other data relating to shares, such as investment ratios. The reason that the percentage is calculated for 152 companies is because of the inclusion of companies for which data was presented on third party websites. Most of the information presented was stock information.

7.2.2.11 VARIABLE 15 DIVIDEND DATA

Table 7.15 provides the results regarding the dividend data as part of financial reporting online.

Table 7.15

Dividend per share, total dividend

	Frequency	Percent
No	115	65.0
Yes	62	35.0
Total	177	100.0

62 out of the 152 companies (40.7 percent) had some kind of dividend related data available on the Internet, either on the primary or secondary websites. This is a low disclosure result. Dividends are an income stream for shareholders. Therefore dividend data are important for an informed decision making process by shareholders.

7.2.2.12 VARIABLE 16 ACCOUNTING STANDARDS USED

This information relates to the accounting standards used by companies in the preparation of their consolidated accounts. It has implications in regards to the harmonization initiative as well. Although most national accounting standards are based on the IASB framework, some companies did mention that they are getting ready to incorporate the IAS/ IFRS in their financial reports. There are also differences between national GAAPs and the IASB Framework, and as demonstrated in Chapter V, only a few companies have adopted the IASB Framework without any modifications.

Table 7.16 is a summary of the accounting standards used by companies in the preparation of the financial reports.

Table 7.16

Accounting Standards

	Frequency	Percent
U.S.GAAP	10	5.6
IFRS	15	8.5
OTHER	38	21.5
OTHER + reconciliation to U.S.GAAP	14	7.9
IFRS + reconciliation to U.SGAAP	1	.6
unknown	95	53.7
Total	173	97.7

Out of the 78 companies with known accounting standards used, 10 (13 percent) used the U.S.GAAP, 15 (19.2 percent) used the International Accounting standards, 38 (49 percent) used a local set of accounting standards, 14 reconciled to the U.S.GAAP and 1 company reconciled from the International Accounting Standards to the U.S.GAAP.

Some companies provided statements on the adoption of the International Accounting Standards in the future. One such company was Norsk Hydro, a Norwegian company, from the diversified companies' sample, which stated in its notes that companies that were using internationally accepted accounting standards for their primary statements, would be allowed to adopt the IFRS from 2007and that the company would implement the IFRS in 2007. The note also mentioned the impact that adoption of the IFRS would have on "transaction systems, valuation models and administrative procedures". The company mentioned that at the moment it is hard for Hydro to provide detailed information on the impact of the adoption of IFRS and that amendments to both the IFRS and the U.S.GAAP were expected before 2007, via the "Convergence Project". The company also committed itself to continue to use the U.S.

GAAP as its 'primary accounting principles underlying its financial statements' (Norsko Hydro 2003a).

Quick Restaurants, a Belgian "Hotel" provided the impact of the adoption of the IFRS in a lot of detail, including tables of comparative figures with the adoption of the IFRS, as demonstrated in Exhibit 7.7.

Exhibit 7.7 Disclosure on the impact of adoption of IFRS on financial results

CONSOLIDATED INCOME STATEMENT

EUR thousand	2004 Belgian GAAP	2004 IFRS	
Sales and franchise revenues	286,706	468,322	**Sales and franchise revenues**
Restaurant expenses	(198,814)	(376,364)	Cost of sales
		91,958	**Gross margin**
		1,474	Other operating income and expenses
Operating margin	87,893	93,431	**Operating profit from restaurants**
	30.7%	*20.0%*	
Business, administration and R&D expenses	(50,940)	(54,426)	Selling, general and administrative expenses
Other operating revenues and expenses	(555)	(7,741)	Non-recurring items
Operating income	36,398	31,265	**Operating profit**
	12.7%	6.7%	
Financial income	(3,408)	(5,044)	**Financial costs**
Goodwill amortization	(2,184)	931	Share of profit or loss of associates
Net extraordinary income (expense)	(5,285)		
Deferred taxes	5,316		
Income taxes	(1,972)	(12,154)	Income taxes
Share of income (loss) of equity affiliates	1,356		
Consolidated net income (loss)	30,221	14,997	**Net profit**
Minority interests	–	(360)	Minority interests

(Source: Quick Restaurants 2004 Annual report, p. 50).

It is obvious from Exhibit 7.7 that adoption of IAS/IFRS has and would have a major impact in relation to figures represented in the financial statements. This may have an impact on the share price or the market might adapt to the change without penalizing the companies due to changes based on the adoption of a different set of accounting standards.

7.2.2.13 A NOTE ON INTERIM FINANCIAL REPORTS

According to IAS 34, interim financial reports have to include a balance sheet, an income statement, and a statement of changes in equity, a cash flow statement and notes to the statements (International Accounting Standards Board 2005). So most of the fundamental reporting elements that are an integral part of general purpose financial reports (GPFRS) and also required in interim reports.

There were fundamental reporting elements missing in both the GPFRS and the Interim reports.

7.2.3 CSR REPORTING ELEMENTS

7.2.3.1 VARIABLE 17 INFORMATION ON EMPLOYEES, WORK PLACE CONDITIONS, VALUE ADDED STATEMENTS

This is the first element under CSR reporting. Most regions, especially the ones in Europe, have a strong emphasis on this section, due to the active status of employee unions and representative groups. South Africa is another region where this nature of reporting was in more detail than other regions. Table 7.17 provides statistics on this variable.

Table 7.17

Disclosure on work place conditions and number of employees

	Frequency	Percent
No	118	66.7
Yes	59	33.3
Total	177	100.0

Fifty-nine out of the 122 companies with websites disclosed some type of information in relation to their employees/ work conditions/value added statements. An example of the type of disclosure made in relation to this variable is presented in Exhibit 7.8.

Exhibit 7.8 Example of Corporate Social Reporting Disclosure (CSR), Industrivarden, Swedish, Diversified

Note 5 Average number of employees

	2004		2003	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	22	7	22	6
Subsidiaries in Sweden	1,018	318	1,003	305
Total, Sweden	1,040	325	1,025	311
Subsidiaries outside Sweden				
Baltic countries	79	19	68	15
China	404	255	381	240
Denmark	122	15	127	18
Finland	435	90	412	82
France	307	154	314	159
Germany	103	36	116	41
Netherlands	89	24	91	25
Other	53	13	47	14
Total	1,592	606	1,556	594
Total, Group	2,632	931	2,581	905

(Source: Industrivarden 2004)

Exhibit 7.8 shows that the company has provided information on the gender break down of its employees, detail on sickness related absence, as well as gender breakdown on its board and executive management. Exhibit 7.9 and 7.10 are examples of CSR reporting under the South African accounting.

Exhibit 7.9 Example of CSR, South African company disclosure

EMPOWERMENT AND TRANSFORMATION

BEE committee

The board has established a committee on black economic empowerment in order to consider questions surrounding broad based black economic empowerment as envisaged by legislation and the Department of Trade and Industry.

BEE procurement

City Lodge Hotels recognises that the procurement of goods and services from black-owned and

In pursuit of these objectives, City Lodge Hotels recognises the historical disparity of previously disadvantaged communities, in particular, that of black women and the disabled and will therefore make procurement readily available to black suppliers whilst ensuring that all suppliers are treated in a fair manner and within the framework of its procurement policy.

In order to assist black suppliers to participate meaningfully in the economy the group will, on the basis of merit (quality, suitability and price), ensure that a percentage of its procurement needs are sourced from suppliers deemed to be BEE suppliers. While the company has reached levels of up to 30% BEE procurement on certain projects, it has still to set an overall target which will be guided by the

Group employment equity plan 2003 – 2006

Occupational category	Planned targets 2006			Achieved 2004		
	White	Designated[A]	%	White	Designated[A]	%
Legislators/Senior Officials and Managers	129	72	36	126	61	33
Professionals	3	1	25	2	2	50
Clerks	113	125	53	110	134	55
Service and sales workers	3	105	97	2	111	98
Craft and related trade workers	1	23	96	1	26	96
Elementary occupations	2	286	99	2	250	99

[A] *Designated includes Africans, Coloureds, Indians and Disabled*

(Source: City Lodge Hotels Annual report 2004a)

Exhibit 7.10 Example of CSR Disclosure by a South African company

HIV/AIDS

The group's policy on HIV/AIDS states that the group endeavours to create an environment in the workplace that is non-discriminatory towards, and supportive of, employees living with HIV/AIDS.

The group has also recognised its social responsibility towards assisting in the eradication of the HIV/AIDS pandemic by informing all its employees of the dangers of HIV/AIDS and highlighting the behaviour/ practices which expose them, and their communities, to the danger of contracting HIV/AIDS.

This commitment to HIV/AIDS awareness includes:

- The display of the City Lodge Policy on HIV/AIDS and the availability of the code of good practice in each workplace in the group.
- Availability and display of HIV/AIDS related material published by the Department of Health and Non-Governmental Organisations.
- Copies of the abovementioned literature are distributed on a regular basis.
- Training and refresher courses on the subject.
- Easy and confidential access to counselling for all employees.

In conjunction with the employment equity committee and the representative trade union, the group will now attempt to ascertain what interventions may be required in future to ensure that the number of employees infected with HIV/AIDS is kept to a minimum and that efforts are made to assist those who are infected to enjoy quality of life, thereby allowing for their continued contribution.

(Source: City Lodge Hotels Annual Report 2004b)

Exhibits 7.9 and 7.10 are extracts of the corporate citizenship and sustainability report of City Lodge Hotels, South Africa. Compared to Industrivarden, the emphasis is more on race than gender in relation to composition of employees. There is also mention of health policies that the Hotel has adopted and enforced.

7.2.3.2 VARIABLE 18 DISCLOSURE ON ENVIRONMENTAL POLICIES

Table 7.18 provides the frequencies relating to disclosure on environmental reporting online.

Table 7.18

Does the company have environmental policies

	Frequency	Percent
Unknown (Information not found)	1	.6
No	137	77.4
Yes	39	22.0

Only 39 out of the 122 companies (32 percent) had environmental policies disclosure on their websites.

One of these companies was Brascan, from the diversified companies' sample, based in Canada. It provided a summary on "The Environmental Choice Program" in Canada, which is a national program that recognizes companies that manufacture products and provide services in an environmentally friendly manner (Brascan 2005). It then provided details of its hydroelectric facilities based in Canada that met the standards of the Environmental Choice Program.

ITC, an Indian diversified company displayed a press release on its website, describing the release of the company's first Sustainability report, dated February 2005. The company stated that, 'ITC is one of the first Indian companies to come with such a detailed and comprehensive Sustainability report conforming to the Global Reporting Initiatives Guidelines of 2002.' (ITC 2005). It also described in detail the company's initiatives and projects to help the local farmers, using Information Technology to enhance Indian agriculture.

Most countries have policies in relation to disclosure on environmental reporting as part of financial reporting. This is a recent phenomenon and it seems that companies are still in the process of comfortably adopting this aspect of financial reporting.

7.2.4 CORPORATE GOVERNANCE REPORTING ELEMENTS

7.2.4.1 VARIABLE 19 DIRECTOR'S REMUNERATION

According to Cowan (2004) directors' remuneration has become a sensitive subject world-wide. Cowan (2004) has pointed out that different stakeholders are concerned about the amount of directors' pay, the link between the pay and company performance, and the degree of bonus payments, share options and pension schemes.

This variable, thus, forms a major component of corporate governance disclosure online, in regards to transparency relating specifically to management. Table 7.19 shows the level of disclosure in regards to this element.

Table 7.19

Disclosure on Directors' remuneration

	Frequency	Percent
No	123	69.5
Yes	54	30.5
Total	177	100.0

54 companies out of 82 companies that had annual reports online (66 percent) also disclosed Director's fees in their financial reports.

7.2.4.2 VARIABLE 20 CORPORATE GOVERNANCE POLICIES

According to Radner (2002) web-based disclosure of this element is a NYSE listing requirement. Table 7.20 provides the number of companies that have disclosed their corporate governance policies online.

Table 7.20

Corporate governance policies

	Frequency	Percent
No	149	84.2
Yes	28	15.8
Total	177	100.0

Twenty-Eight companies out of 82 with annual reports disclosed Corporate Governance policies on their websites. This is a mere 34 percent of companies disclosing their corporate governance policies.

Some of the companies provided detailed information on the differences between the corporate disclosure requirements in their countries, the disclosure requirements of the stock exchange on which they were listed and the actual practice by the company.

To demonstrate the type of information presented in regards to this variable, a Norwegian company adopted the sections of the Sarbanes Oxley Act that are relevant for non-U.S. companies listed on the New York Stock Exchange. The company formulated corporate directives mandatory for all parts of the company. In 2003, the company also announced a new Code of Conduct. The company has a policy that if any of the employees believe that there is a divergence from this Code, they can complain to their leader or to the head of Internal Audit. The company also provided detail on the committees set up as well as a comparison between the requirements of the NYSE and the actual practice in relation to the composition and operation of these committees Norsk Hydro 2003b).

City Lodge Hotels, South Africa, had as part of its Corporate Citizenship and Sustainability report section of its annual report, a section called ‘Board and director evaluation’. Part of this process was self-evaluation by means of a self-assessment questionnaire completed by each director.

Spur Corporation, a South African Hotel, as part of its Corporate Governance disclosure, emphasized its Chief Executive being selected as a finalist in the Deloitte’s good governance awards, under the category of Corporate Ethics and Integrity (Hogg 2004).

Further Cesky Telecom, a Czech Republic company listed on the London Stock Exchange based its corporate governance policies on the OECD principles.

Nortel Inversora, an Argentinian company listed on the NYSE, did a detailed comparison of the differences of corporate disclosure practices between the requirements of the NYSE, the Argentine Law and the actual corporate practice, as demonstrated in Exhibit 7.11.

Exhibit 7.11 Disclosure on Corporate Governance Policies, national versus NYSE rules.

NYSE Section 303A.11 requires that non-US Companies disclose any significant ways in which their corporate governance practices differ from US Companies under NYSE listing standards.
A NYSE-listed non-US company is simply required to provide a brief, general summary of the significant differences to its US investors either

1) on the company’s website (in English)
2) or in their annual report as distributed to their US investors.

Nortel Inversora has prepared the comparison in the table below, which will be incorporated on the website of Telecom Argentina, a subsidiary of Nortel Inversora, since the latter does not have a website of its own.

(Source: Nortel Inversora 2003).

An important point to note in the above extract is that the company has pointed out that the ruling asks for the company to disclose the differences in corporate governance practices either in hard copy form or on the website. In this example the company has decided to make the disclosure on its website. This choice would create variability in disclosure between non-U.S. companies listed on the NYSE. In the opinion of this researcher, this would have a negative impact on the equality of dissemination of information.

Nortel described the differences between national corporate governance rules and NYSE listing rules as in Exhibit 7.12.

Exhibit 7.12 Disclosure on differences between national corporate governance rules and the NYSE listing Rules.

> The most relevant differences between Nortel Inversora's corporate governance practices and NYSE standards for listed companies are as follows:
> **NYSE Section 303A.01** A NYSE-listed company must have a majority of independent directors on its board of directors.
>
> Under Argentine law, the board is not required to consist of a majority of independent directors. Not withstanding, when directors are appointed, each shareholder that nominates a director is required to report at the meeting whether or not such director is independent.
>
> As of May 28, 2004, Argentine companies are required to have at least two independent directors who may be members of the Audit Committee. During fiscal year 2004, Nortel Inversora had three independent directors out of the six members of its Board of Directors, as during fiscal year 2005.

(Source: Nortel Inversora 2003).

The extract is interesting because it states that companies listed on the NYSE need to have majority of independent directors on their boards. The percentage of independent directors was half for this company at the financial year end of 2005.

Exhibit 7.12 continued NYSE Listing Rules and Argentinean Law

> **NYSE Section 303A.03** Non-management directors must meet at regularly scheduled executive meetings not attended by management. Neither Argentine law nor Nortel Inversora's By-laws require that any such meetings be held.

(Source: Nortel Inversora 2003)

This is another example of non-compliance with the listing rules. There is no indication whether the non-management directors meet at all and that if they do, how often?

Exhibit 7.12 continued NYSE Listing Rules and Argentinean Law

> **NYSE Section 303A.05(a)** Listed companies shall have a "Compensation Committee" comprised entirely of independent directors.
> Neither Argentine law nor Nortel Inversora's By-laws require the formation of a "compensation committee".

(Source: Nortel Inversora 2003)

Exhibit 7.12 continued NYSE Listing rules and Argentinean Law

> **NYSE Section 303A.12 (a)** The CEO shall on a yearly basis certify to NYSE that he/she knows of no violation by the company of NYSE rules relating to corporate governance
> No such certification is required by Argentine law or by Nortel Inversora's By-laws.

(Source: Nortel Inversora 2003)

The above disclosure of the CEO's statement was not found for this company. The reason given by the company is that such a requirement is not required in Argentina. This in itself is a violation of the NYSE listing requirements.

National Australia Bank an Australian company, also listed on the NYSE, has pointed out that the NYSE allows non-U.S. companies to follow their local corporate governance requirements instead of the NYSE requirements. At the same time there are certain requirements that are mandatory to be followed. These are described by National as in Exhibit 7.13

Exhibit 7.13 National Australia bank: description of Corporate Governance compliance

> The New York Stock Exchange recently instituted a broad regime of corporate governance requirements for New York Stock Exchange listed companies. Under section 303A of the New York Stock Exchange Listing Manual (the New York Stock Exchange Corporate Governance Standards), non-US companies are permitted to follow the corporate governance requirements of their home country in lieu of the requirements of the New York Stock Exchange Corporate Governance Standards, except for certain requirements pertaining to audit committees, and certain disclosure obligations. One of those disclosure obligations is to compare the corporate governance practices of the Company with those required of domestic US companies under the New York Stock Exchange Corporate Governance Standards, and to disclose significant differences.

(Source: National Australia Bank 2004a).

It can be deduced from Exhibits 7.12 and 7.13 that companies have adopted their own versions of what is required under the NYSE Listing rules from non-U.S. companies.

For example, Magyar, a Hungarian company, had a similar complaints page on its website.The company stated that this was a part of the New York Stock Exchange Listing Requirements, where employees as well as outside parties can submit complaints about the company's accounting and audit practices (Matav 2003). Some companies have even decided to adopt additional requirements that are not mandatory for non-U.S. companies listed on the NYSE, but are compulsory for U.S. companies. An example of that is provided in Exhibit 7.14 where the company has indicated that it would like to adopt the listing requirements imposed on U.S. companies, in addition to the requirements being followed as a non-U.S. company.

Exhibit 7.14 Limitations of Corporate Governance Disclosure

A NYSE-listed U.S. company must adopt and disclose corporate governance guidelines and a code of business conduct and ethics for directors, officers and employees that meet certain requirements. A NYSE-listed U.S. company must also promptly disclose any waivers of such code for directors or executive officers. While we currently do not have corporate governance guidelines or a code of business conduct and ethics that meet the requirements imposed on NYSE-listed companies, we believe that the combination of our various internal regulations and guidelines are effective in guiding our directors, statutory auditors and employees toward good corporate governance practices and business conduct and ethics. However, we are currently considering whether or not to establish corporate governance guidelines and a code of business conduct and ethics that meet the requirements imposed on NYSE-listed U.S. companies.

(Source: Nissin 2003).

NYSE listing rules have prescribed three conditions that must be satisfied by all listed companies: 'Section 303 A: listed companies must have an audit committee that satisfies the requirements of Rule A-3 under the Exchange Act', the disclosure regarding the differences between the national and NYSE listing requirements, a statement by the CEO that he or she is not aware of any violation by the company of NYSE corporate governance listing standards (New York Stock Exchange 2004b).

For the purpose of the research, out of these 3 requirements the most important one is the disclosure requirement. The important observation is that not all companies listed on the NYSE have actually disclosed the differences between national and NYSE listing requirements. An example is Nissin, a Japanese company listed on the NYSE that has not provided a statement by its CEO explaining the departures from the NYSE listing rules. Another example is KTC, a Korean company listed on the NYSE that has not disclosed a comparison between the company practice and the NYSE corporate governance listing rules. Neither has it disclosed a CEO statement, nor information on the existence of an audit committee. On the other hand, Shinhan group, also a Korean company provided a report on the existence of an audit committee, but did not provide a CEO statement or a comparison table.

STMicroelectronics, a Swiss company listed on the NYSE, declared that it complies with United States, French and Italian securities laws, because its shares are listed in these jurisdictions (STMicroelectronics 2003). Yet there is no table describing the difference between the NYSE listing requirements and the company's corporate governance practice. The letter by the CEO stating any discrepancies in corporate governance practice is also missing.

Abbey National, a British company listed on the NYSE, has stated that ' a CEO of a U.S. company listed on the NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. In accordance with NYSE listing rules applicable to foreign issuers, Abbey's chairman is not required to provide annual compliance certification. However Abbey's chairman is required to promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with the NYSE corporate governance standards applicable to Abbey' (Abbey National 2005). These, and other examples provided before it, are in contradiction to the NYSE listing requirements, mentioned on the last page.

7.2.4.3 VARIABLE 21 DIRECTOR BIOGRAPHIES

According to Radner (2002) one of the items that must be included for best practice in relation to corporate governance disclosure, is each director's full biography and photograph. Table 7.21 provides the statistics relating to inclusion of director biographies as part of corporate governance disclosure.

Table 7.21

Director Biographies

		Frequency	Percent
	No	104	58.8
	with photo	42	23.7
	no photos	31	17.5
	Total	177	100.0

Forty-two companies (51 percent) had director biographies with photos and 31 (37 percent) had director biographies with no photos. This is a total of 73 companies that had director biographies on their websites.

7.2.4.4 VARIABLE 22 CORPORATE GOVERNANCE COMMITTEES Table 7.22 provides the statistics relating to the information provided on corporate governance committees by companies on their websites. According to Cowan (2004) the need for board committees arises from the stakeholder theory, which extends the responsibility of the Board to more users then just shareholders. Cowan (2004) has also pointed out that to give proper attention to different matters relating to corporate governance, which may not be adequately addressed at annual board meetings, companies need to set up committees of the Board.

The three most important committees recommended by Codes of Practice worldwide are: the Audit Committee, the Remuneration Committee and the Nominations Committee (Cowan 2004).

It was observed during the process of data collection as part of this research that apart from disclosing information on these committees, companies also disclosed the existence, structure and detail of other types of committees such as risk management committees.

Table 7.22

Does the business have corporate governance committees?

	Frequency	Percent
No	114	64.4
Yes	63	35.6
Total	177	100.0

Sixty-three (77 percent) of the companies with annual reports had information on Corporate Governance committees on their websites.

ITC, an Indian diversified company, was interesting in the sense that its major emphasis was on corporate governance disclosure. It did not provide any financial information in relation to financial statements, notes to the statements, or ratios. There was a strong emphasis on committee composition, charters and the Code of Conduct.

7.2.4.5 VARIABLE 23 COMMITTEE CHARTERS

Table 7.23 provides the statistics relating to the provision of information on committee charters by companies.

Table 7.23

Does the company have committee charters?

	Frequency	Percent
No	119	67.2
yes	58	32.8
Total	177	100.0

Fifty eight companies had committee charters available as well on their websites. Compared to the information on Committees, 92 percent of the companies that disclosed information on corporate governance committees also had committee charters disclosed.

7.2.4.6 VARIABLE 24 CODE OF CONDUCT

Cowan (2004 p 74) has defined Code of Conduct as “an ethical code…an ethical policy…a vehicle for stating corporate values, responsibilities and obligations”. Table 7.24 provides the number of companies with or without a Code of Conduct on their websites.

Table 7.24

Is there a code of conduct?

		Frequency	Percent
Valid	No	118	66.7
	yes	59	33.3
	Total	177	100.0

According to Table 7.24 59 companies had a Code of Conduct available on their websites. This is 72 percent of companies with annual reports, disclosing a Code of Conduct. This is a slightly higher percentage than the findings by KPMG of 67 percent in relation to the Code of Conduct disclosure; see Table 4.1, page 74.

7.2.4.7 VARIABLE 25 ARTICLE OF INCORPORATION

Jubb, Smith and Haswell (2002 p 939) have defined Articles of Incorporation as “The rules that govern the rights and obligations of a company’s members…a company’s by-laws”. Table 7.25 incorporates the statistics relating to the presence of an Article of Incorporation on companies’ websites.

Table 7.25

Is there an article of incorporation?

		Frequency	Percent
Valid	No	163	92.1
	Yes	14	7.9
	Total	177	100.0

Fourteen companies had an Article of Incorporation accessible on their websites.

7.2.4.8 VARIABLE 26 RISK MANAGEMENT

According to IAS 39 and FAS 133, companies have to disclose financial risk management policies in their financial statements. (Choi & Meek 2005).

Companies may also disclose other types of Risk management policies. Cowan (2004) has made the point that although traditionally, companies and regulators have been emphasizing on Financial Risk Management, but there are other types of risks that the companies need to address, which come under the umbrella of internal control. Table 7.26 provides statistics on disclosure by sample companies on risk management policies.

Table 7.26

Are there risk management policies?

		Frequency	Percent
Valid	no	134	75.7
	yes	43	24.3
	Total	177	100.0

Only 43 companies provided information on their risk management policies on their websites. This implies 52 percent of companies with annual reports disclosing this aspect of corporate governance disclosure. Exhibit 7.15 provides an example of disclosure on risk management policies by a Malaysian company.

Exhibit 7.15 Example of Disclosure on Risk Management Policy, Sime Darby, Malaysia

Risk policy

Risk management is regarded by the Board of Directors to be an integral part of the business operations. Management is responsible for creating a risk-aware culture and for building the necessary knowledge for risk management. They also have the responsibility for managing risks and internal control associated with the operations and ensuring compliance with the applicable laws and regulations.

The main underlying principles of the Group's policy are:

- Informed risk management is an essential element of the Group's business strategy
- Effective risk management provides greater assurance that the Group's vision and strategy will be achieved without surprises
- Each Division (and each business unit therein) is expressly responsible for managing the risks associated with its business objectives
- All material risks are to be identified, analysed, treated, monitored and reported.

The implementation of the policy and risk management framework that includes the strategy, culture, people and technology is the responsibility of the Group Chief Executive and members of the Management Committee.

Risk reporting

The Group's risk management framework provides for regular review and reporting. The reports include an assessment of the degree of risk, an evaluation of the effectiveness of the controls in place and the requirements for further controls. The key elements of the process are:

- Presentation of a summary of significant risks to the Board of Directors on a quarterly basis
- Reporting of significant risks by subsidiaries in their annual management plan
- Reporting of significant risks by Divisions to Sime Darby Berhad on a quarterly basis
- Review and discussion of key risks during the management meetings of the business units.

(Source: Sime Darby 2004).

Exhibit 7.15 gives general guidelines as to what risk management means to the business and the policies adopted for risk management. The main emphasis in the report is on financial risk management and liquidity risk management.

7.3 COUNTRY ANALYSIS OF DISCLOSURE

The sample companies investigated are from a wide range of countries. The countries have been classified into groups. The countries group classification is based on that used by the World Bank by income. The groups are: low income, lower middle income, upper middle income, and high income, (The World Bank 2004). The reason that this group classification is used is because it is assumed that higher income economies would have more resources to develop better accounting systems and therefore better disclosure.

Table 7.27 Number of companies from each country

High Income Countries							
Country	Number of companies	Country	Number of companies	Country	Number of companies	Country	Number of companies
Australia	7	Austria	1	Belgium	4	Bahamas	1
Bahrain	1	Bermuda	1	Canada	4	Cayman Islands	1
Denmark	1	Cyprus	1	Finland	1	France	9
Germany	6	Greece	5	Hong Kong	6	Ireland	3
Israel	3	Italy	5	Japan	4	Korea (South)	4
Luxembourg	1	Netherlands	3	New Zealand	3	Norway	3
Portugal	3	Puerto Rico	1	Singapore	3	Qatar	1
Spain	2	Sweden	1	Switzerland	4	United Kingdom	6
United States	2						
Upper Middle Income Countries							
Country	Number of companies	Country	Number of companies	Country	Number of companies	Country	Number of companies
Argentina	2	Barbados	1	Chile	2	Croatia	1
Czech Republic	1	Hungary	2	Lebanon	1	Lithuania	1
Malaysia	4	Mexico	5	Panama	1	Poland	2
Russian Federation	2	South Africa	8	Turkey	5	Venezuela	1
Lower Middle Income Countries							
Peru	2	Brazil	3	China	4	Colombia	1
Dominican Republic	1	Egypt	1	Honduras	1	Indonesia	4
Kazakhstan	1	Philippines	4	Sri Lanka	1	Thailand	2
Low Income Countries							
Ghana	1	India	5	Kenya	1		
Zimbabwe	1						
Other							
Taiwan	3	Guernsey	1				

7.3.1 COMPANY ONLINE DISCLOSURE SCORE

Before the disclosure scores are provided for each country, forming a part of this sample, a brief explanation is provided of how the index is calculated. More detail on this in provided in Chapter 6.

For the calculation of the disclosure index, the variables will be limited to the following and divided into two categories:

Financial: presence of an income statement, Shareholder's equity statement, Balance sheet, Cash Flow statement and notes to the statements. (5 variables) (Compulsory items under the IASB framework for GPFRs and Interim financial reports).

Non-Financial: analyst coverage, CR REP 1, CR REP 2, Corporate Governance disclosure (7 variables), total variables: 15 variables.

There is more emphasis on the non- financial variables because, as mentioned under each country analysis, most jurisdictions make the financial elements a compulsory disclosure.

The non financial variables incorporate elements that have taken up more attention and/ or attracted more regulation in recent times. It would be interesting to note the amount of emphasis placed by companies on these items in various countries, in the context of online reporting.

The score assigned to each company, would be out of a 100 calculated as: number of items disclosed (financial and non-financial)/15 * 100. This would be referred to as the online disclosure score, total, with separate financial (number of financial items disclosed/5*100) and non-financial (number of non-financial items disclosed/10 * 100) disclosure scores, presented in Table 7.28.

Table 7.28 Disclosure score per country

(D= Company Online Disclosure Score F=Company online Financial Disclosure Score NF= Company Online Non Financial Disclosure Score. The scores that were 0 have been described in the last part of the Table. Countries with sample companies that have no websites at all are: Chile, Lebanon, Mexico, Turkey, Peru, Dominican Republic, Kazakhstan, Sri Lanka, Thailand, Kenya, and Zimbabwe.

High Income Countries

Country	**Number of companies**	**Hotels H**			**Diversified D**			**New York NY**			**London L**		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Australia	7 H=3, D=2, NY=2	80	100	0	60	100	40	80	100	70			
								80	100	70			
Austria	1							60	100	40			
Belgium	4	67	80	60	60	80	50	67	80	60			
		33	80	100									
Bahamas	1							60	60	60			
Bahrain	1										80	100	70
Bermuda	1							60	60	60			
Canada	4	80	100	70	73	100	60	73	80	70			
					60	80	50						
In the subgroup above, all companies with financial reports online had a financial disclosure score of 80 or above, except for the companies from Bahamas and Bermuda. The maximum non financial score achieved was 70 by companies from Australia, Canada and Bahrain. The overall best score was achieved by companies from Australia, Canada and Bahrain.													

Country	**Number of companies**	**Hotels H**			**Diversified D**			**New York NY**			**London L**		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Cayman Islands	1							80	100	70			
Denmark	1							87	100	80			
Cyprus	1										47	80	30
Finland	1							73	80	70			
France	9 H=2, D=4,NY=3				13	0	20	53	40	60			
					80	100	70	67	100	50			
					60	100	40	53	100	30			
					73	80	70						
Germany	6 H=3,D=1, NY=2							27	80	0			
								47	80	30			

In the subgroup above (Cayman Islands to Germany, the highest Financial score was achieved by the company from Cayman Islands, the Danish company and the French companies. The highest non-financial score was achieved by the Finnish and French companies. The overall disclosure score was the highest for the Finnish company listed on the NYSE.

Country	**No.of Companies**	**Hotels**			**Diversified**			**New York**			**London**		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Greece	5 H=31 WN, 2 N,NY=2, 1 WN							33	60	20			
Hong Kong	6H=2,D=3,NY=1	53	100	30	73	100	60						
					40	100	10						
Ireland	3 H=2,NY=1							67	80	60			
Israel	3 H=2,NY=1							40	80	20			
Italy	5H=2,D=1,NY=2	47	80	30	60	100	40	87	100	80			
		60	80	50				73	100	60			

In this subgroup (Greece to Italy the highest Financial score was achieved by the companies from Hong Kong and Italy. The highest non financial score was achieved by the Italian company listed on the NYSE. The highest overall disclosure score was the highest for the Italian company listed on the NYSE.

Country	**No of cos**	**Hotels H**			**Diversified D**			**New York NY**			**London L**		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Japan	4H=2,NY=2							40	100	10			
								80	100	70			
South Korea	4 H=1,NY=2,L=1							20	60	0	73	60	80
								67	100	50			
Luxembourg	1							40	100	10			
Netherlands	3				53	100	30	47	0	70			
								80	100	70			
New Zealand	3H=2,NY=1	73	80	70									
Norway	3H=2,D=1				33	80	10						
Portugal	4H=3,NY=1							73	60	80			
Puerto Rico	1							20	0	30			
Singapore	3H=2,NY=1							87	100	80			

In regards to companies from subgroup Japan to Singapore, the highest financial score was achieved by companies from Japan, South Korea, Luxembourg, Netherlands and Singapore. Majority of these companies were listed on the NYSE. The highest non financial score was achieved by companies from South Korea (listed on the London Stock Exchange and Singapore, listed on the NYSE). The company from Singapore listed on the NYSE also had the highest overall score.

Country	**No. of companies**	**Hotels H**			**Diversified D**			**New York NY**			**London L**		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Qatar	1										40	80	20
Spain	2H=1,NY=1							80	100	70			
Sweden	1				60	100	40						
Switzerland	4H=2,D=1,NY=1				60	80	50	80	60	90			
U.K.	6H=3,D=1,NY=2				60	60	60	40	80	20			
								67	80	60			
U.S.A.	2				47	100	20				80	80	80

Between Qatar and U.S.A the highest financial score was achieved by Spanish, Swedish and American companies. Two of these were diversified. The non financial score was highest for a Swiss company listed on the NYSE. The highest overall score was for Spanish (NYSE), Swiss (NYSE) and American companies (London Stock Exchange).

Upper Middle Income Countries

Country	**No. of companies**	**Hotels H**			**Diversified D**			**New York NY**			**London L**		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Argentina	2NY=2							33	100	0			
Barbados	1										27	80	0
Croatia	1										33	100	0
Czech Republic	1										53	80	40
Hungary	2							80	100	70			
								60	100	40			
Lithuania	1										47	100	20
Malaysia	4H=3,D=1				67	80	60						
Panama	1										27	80	0
Poland	2	47	80	30							80	100	70
Russ Fed	2							33	80	10			
								33	20	40			
South Africa	8H=2,D=2NY=3,L=1				60	80	50	73	100	60	73	60	80
		73	100	60	73	80	70	40	80	20			
								87	100	80			
Venezuela	1							13	40	0			

Amongst the Upper Middle Income countries the highest financial score was achieved by Argentinean, South Africa, Lithuania, Hungary and Polish companies. The highest non financial score was achieved by two South African companies, one listed on the NYSE and one on the London Stock Exchange. The highest overall score was also achieved by a South African company listed on the NYSE.

Lower Middle Income Economies

Country	**No. of companies**	**Hotels H**			**Diversified D**			**New York NY**			**London L**		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Brazil	3H=1,NY=2							67	100	50			
								60	60	60			
China	4H=3,NY=1							67	100	50			
Colombia	1							67	60	70			
Egypt	1										73	80	70
Honduras	1										40	60	30
Indonesia	4H=3,NY=1	27	60	10									
Philippines	4H=3,NY=1	40	100	10									

In this group the highest financial score was achieved by companies from Brazil, China and Philippines. Two of these companies were listed on the NYSE. The highest non financial score was achieved by a Colombian (NYSE) and Egyptian companies (London). The overall score was highest for the Egyptian company.

Low Income Countries

Country	No. of companies	Hotels H			Diversified D			New York NY			London L		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Ghana	1										87	100	53
India	5H=3,D=1,NY=1	33	0	50	33	0	50	13	0	20			
		7	20	0									
Company from Ghana had the highest financial and overall score, non financial scores were low for all													

Other

Country	No.of companies	Hotels H			Diversified D			New York NY			London L		
		D	F	NF	D	F	NF	D	F	NF	D	F	NF
Taiwan	3H=2,L=1										20	60	0
Guernsey	1							60	100	40			
The company from Guernsey listed on the NYSE had the perfect financial score and the highest overall score., the non financial scores were low for all.													

Companies from Countries with 0 scores as well as other scores

	Companies with no websites				Companies with websites but no financial reporting disclosure			
	H	D	NY	L	H	D	NY	L
High Income Countries								
Australia					1	1		
France	1				1			
Germany	3	1						
Greece	2				1		1	
Hong Kong	1	1	1					
Ireland					2			
Israel	1				1			
Japan	2							
South Korea								
New Zealand	1						1	
Norway	2							
Portugal	2				1			
Singapore	2							
Spain	1							
Switzerland	2							
United Kingdom					3			

	Companies with no websites				Companies with websites but no financial reporting disclosure			
	H	D	NY	L	H	D	NY	L
Upper Middle Income Countries								
Argentina							1	
Malaysia	2				1			
South Africa	1				1			
Lower Middle Income Countries								
Brazil	1							
China	3							
Indonesia	2		1					
Philippines	1				1		1	
Low Income Countries								
India	1							
Other								
Taiwan	3							

7.3.2 CONCLUSION

It can be concluded from the analysis of the disclosure scores that financial reporting disclosure is higher for companies that are listed on the stock exchanges. The average overall online disclosure score for Hotels is 8.2, for Diversified companies is 46, for companies listed on the NYSE is 51 and for London stock exchange is 52. It can be deduced hotels with websites use the online presence for other reasons than financial reporting. Although Kaye and Yuwono (2002) asserted that the major goal of diversified companies is transparency and in comparison to Hotels, the Diversified companies do have a higher score, but the average score is still less then 50. It can also be deduced that regardless of the extent of legislative requirements imposed by stock exchanges, companies overall provide higher levels of disclosure on the Internet, if listed on a major stock exchange.

Disclosure levels, more specifically relating to non financial elements seem to drop for Low Income countries and ‘others’, in relation to financial reporting online.

7.3.3 COMPARISON OF RESULTS CIFAR AND STUDY

CIFAR did an average of disclosure by companies from different countries. The CIFAR country average score is presented in Table 7.29.

Table 7.29 CIFAR Average Disclosure Score (Source: CIFAR 1999)

Country	cos no.	Average	Country	cos no.	Av.	Country	cos no.	Av.
Sweden	10	83	Italy	15	62	Taiwan	4	65
Singapore	8	78	Germany	46	62	Thailand	10	64
U.K.	69	78	S.Korea	5	62	Israel	10	64
Finland	11	77	Belgium	10	61	Netherlands	31	64
Malaysia	12	76	India	13	57	Spain	18	64
Australia	28	75	Greece	8	55	Portugal	10	36
Canada	29	74	Austria	5	54	Egypt	3	24
Norway	8	74	Brazil	21	54	Switzerland	10	68
United States	263	71	Chile	10	52	Venezuela	5	40
South Africa	17	70	Turkey	8	51	Denmark	9	62
NewZealand	9	70	Colombia	10	50	Philippines	10	65
France	80	69	Argentina	10	45	Luxembourg	8	44
Hong Kong	10	69						

CIFAR has ranked the countries from the highest disclosure score to the lowest one.In comparison to the average CIFAR score, the hotels seem to be doing the worst in regards to financial reporting on their websites, regardless of the country that they belonged to. For example hotels belonging to Singapore and United Kingdom had a disclosure score of 0, in spite of these two countries ranking 2nd and 3rd according to CIFAR.

The countries that had contradictory comparisons in relation to financial reporting disclosure between this study and the CIFAR findings are shown below. Hotels will be ignored for this purpose since it has been deduced that majority of the hotels are not using their websites for financial reporting.

Norway, ranked 8th on the CIFAR check list but the 1 diversified company has a score of 33. Hong Kong was another country where the sample companies scored much less than the CIFAR average score. Philippines had an average score of 65 on the CIFAR checklist but the sample companies scored much less than this average score. The same scenario applies to Taiwan, where there was marked difference between the average score and the CIFAR score.

Further, Thailand, with an average score of 64, generated a score of 0 for 2 companies listed on the London Stock Exchange. The one company listed on the NYSE for Israel, had a score of 40 in comparison to the CIFAR average score of 64.

Germany also had sample averages of less then the CIFAR average by 40 percent.

CIFAR classified the average score for Mexico to be 60, but regardless of industry all Mexican companies from this sample generated a score of 0. The same conclusion can be made for Chile, Turkey and Argentina, the CIFAR score was an average of 52, 51 and 45 respectively, but all companies from the first two companies generated a score of 0 and the Argentinean company generated a score of 16.5.

The countries that did better then the CIFAR score were Spain, Denmark, South Korea, Colombia and Portugal, excluding the hotels.

7.4 QUALITATIVE CHARACTERISTICS AND ONLINE FINANCIAL REPORTING

According to the conceptual framework of the IASB (2001), the qualitative characteristics of financial statements (relevant to this study) are stated as:

- Understandiblity,
- Relevance: Materiality, Timeliness,
- Reliability and Faithful Representation,
- Completeness and
- Comparability.

These qualitative characteristics will now be discussed in the light of observations made in relation to Internet Financial Reporting.

7.4.1 UNDERSTANDABILITY AND FINANCIAL REPORTING ON THE INTERNET

Understandability is defined as 'information understandable by users with reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently' (International Accounting Standards Board 2001).

In the context of online reporting this characteristic can take on an additional meaning from a technical point of view. It can refer to the output on screen generated in the form of a pdf (Portable Document Format, a coding language that allows a document to be displayed on and printed from different computers in identical forms (CPUPEDIA.com 2005) or html (**H**yper**T**ext **M**arkup **L**anguage:major language of the Internet's World Wide Web) (Kristula 2004) or XML document.

Either way the readability of the document on the screen can be tiring especially when looking at large documents such as financial reports, thus requiring print outs of documents. List (2006) has provided the following reasons that would make reading a computer screen hard:

- Screens are much heavier and less portable than books.
- When reading a printed page, it's usually horizontal. But a monitor is usually vertical.
- The roughest printing job has a higher definition than a computer screen.
- Most screens are highly reflective. Most printed pages aren't.
- The formatting of most web pages is not conducive to easy reading.
- The illumination is different: computer screens are lit up from behind printed pages from above.

According to Lymer et al (1999) reporting using html format is better than using adobe acrobat for quick retrieval. As a result accessibility of information would have a major impact on the usefulness of the information. Accurate findings of companies' websites via search engines and then access to the actual information required on a company's website is a crucial factor regarding usefulness of the information. In this research it was observed that certain company websites could only be accessed via the NYSE website. The company website was not 'found' when searched for via the search engine.

7.4.1.1 LANGUAGE

Although this study did not go into detail regarding differences in versions of the reports between the local language and the English language, it is still observed that companies would display different amounts and types of information in relation to the main reporting language in comparison to the English language. The same comprehension problem will be faced by a user who is not familiar with the main reporting language, relying on incomplete or inaccurate. Unaudited information provided in the English language.

7.4.1.2 ACCOUNTING STANDARDS

As mentioned earlier only 19 percent of the companies used IFRS and 31 percent used the U.S.GAAP or reconciled to U.S.GAAP. The rest of the companies used the local GAAP. Although most of these countries have based the local GAAP on the International Accounting Standards (IFRS) it is hard to say the level of harmonization that has been achieved therefore it is hard for the user to assume that observing accounting values based on the local/ national GAAP automatically implies uniformity with IFRS. The U.S.GAAP is far more extensive than any GAAP around the world. Thus there are no means of comparison for 50 percent of the companies in relation to uniformity of accounting standards. This would have a negative impact on understandability from the user's point of view.

7.4.2 RELEVANCE

According to the IASB Framework, information is relevant if it influences the decision making process of users by assisting them in evaluating past, present and future events (International Accounting Standards Board 2001). Under relevance the following qualitative characteristics are classified: Materiality and Timeliness.

7.4.2.1 MATERIALITY

Material information is defined as 'Information if omitted or miss stated could influence the economic decisions of users' (International Accounting Standards Board 2001, p 11).

From the Internet Financial reporting point of view, it has been observed that companies in multiple instances, have omitted information that has been determined as material by the accounting standards and frameworks.

7.4.2.2 TIMELINES

Timeliness is also another aspect of relevance. ‘To be useful information must be provided to users within the time period in which it is most likely to impact on their decisions (International Accounting Standards Board 2001).

It has been found that multiple companies have relieved themselves of the responsibility of providing financial reporting information on a timely basis via their websites.

There are contradictions relating to what regulatory bodies say companies should do in relation to providing information on their websites. For example The Commision des -Operations de Bourse (1999) a French public independent regulatory agency recommends that:

> The information provided by a company on its web site should be accurate, precise and sincere. Any links to additional sites should be easily identifiable. Disclaimers on the website of the company should be clearly identified with all contents of the website to which they hold.
> If there are any errors on the website they should be quickly identified, a warning should be issued and the mistake should be rectified.

On the other hand Financial Accounting Standards Board (2000, p. 72) suggests that:

> Companies should provide cautionary disclaimers accompanying everything presented on the web page including forward-looking statements and speeches, not provide links to analysts' websites, include full sets of statutory reports and notes, and avoid duty to update disclosures by putting disclaimers against updated information.

As a result, it can be deduced that presentation of accounting information on a company’s website becomes a legal issue and qualitative characteristics such as materiality and timeliness become compromised due to the presence of disclaimers, voiding the company of responsibility in relation to the contents of its website.

Table 7.30 provides the time frame of companies’ financial reports accessed in the period of June to October 2005. The major point of observation is that 46 of the companies had 2003 financial reports and 2 had pre-2003 reports. This is 54 percent of the companies with annual/interim reporting that had 2003 or pre-2003 reports in the time period of June –October 2005.

Table 7.30

The latest period of the financial report

	Frequency	Percent
Unknown	86	48.6
Pre-2003	2	1.1
2003	46	26.0
2004	38	21.5
Form 20-F	4	2.3
FORM 10-K	1	.6
Total	177	100.0

On a positive note, the ready availability of online reports 24 hours 7 days a week may generate better timeliness and usefulness of financial information. Speed and ease of technology adoption in various regions of the world has a major impact on accessibility to information. This is assuming that there are no technical breakdowns such as server breakdowns or high costs relating to access to the Internet.

7.4.3 RELIABILITY

According to the IASB framework, Reliability is defined as 'information that is free from material error and bias and can be depended on by users to represent events and transactions faithfully (International Accounting Standards Board 2001).

This study has found that reliability of information cannot be guaranteed in relation to online financial reporting. This is due to 2 main factors: the absence of online audit reports for majority of companies. The second factor is the presence of disclaimers on companies' websites releasing the company from any liability in relation to the accuracy or completeness or timeliness in relation to information presented on a company's website. Also the companies did not have a seal or assertion by any third party stating or implying the accuracy and reliability of the content of the website. Therefore the notion projected by Litan and Wilson (2000) that the Internet should provide more reliable information is questionable since online audit processes may be absent or incomplete and there may be no assertions made by third parties in relation to the accuracy and reliability of the information presented. Disclaimers made by companies would also raise questions regarding the reliability of the information. An example of a disclaimer generating this notion is provided below:

> While Industrivärden uses reasonable efforts to obtain information from sources which it believes to be reliable, Industrivärden makes **no representation** or warranty (neither express or implied) that **the information contained on its website is accurate, reliable or complete**.
>
> (Source: Indutrivarden 2005).

Due to the presence of the disclaimers none of these characteristics can be guaranteed, including the qualitative characteristic of completeness. IASB states that 'omissions make financial statements just as wrong as unreliable or irrelevant information' (Alferdon, Leo, Picker, Pacter & Radford 2005). Disclaimers like these weaken the assertions made by authors such as Litan and Wilson (2000) that the Internet ought to provide a more accurate picture of the organization's current and future prospects.

7.4.4 COMPLETENESS

The observations made in relation to disclosure have emphasized the point that companies' financial reporting is lacking in completeness in one form or another. There are variables missing from one or more of the financial reporting type groups, ranging from a few to many. This would have a negative affect on completeness and would therefore make comparability of reports harder as well.

7.4.5 COMPARABLITY

The two aspects of comparability are being able to evaluate the information over time for one company and being able to compare different companies from an industry. As mentioned in detail, companies are presenting a wide array of information and due to gaps that exist in information available, comparability may become harder to achieve. None the less the majority of the companies did provide comparison information between time periods in relation to financial data in the annual reports, generating comparability.

7.5 CONCLUSION

A detailed outlay of the observations and findings of this research was provided in this chapter. The 26 variables were described in detail in relation to the sample companies selected and the type of information presented by companies in relation to these variables. It was observed that there is a wide array of information presented in relation to the variables, depending on not only region bot also the type of company investigated. There were examples of unique types of disclosure that was specific to a region such as the CSR disclosure in relation to human resources found in the annual reports of South African companies.

Certain important elements of financial reporting (compulsory based on regulatory requirements) were found to be lacking. For example the lack of audit reports for majority of the companies.

The countries were divided into High income, Upper middle, lower middle, low income and the 'other' regions categories. Disclosure scores (derived from the CIFAR checklist) were assigned to the companies based on the items found from the checklists in the financial reports/ secondary data provided. These were then compared to the CIFAR scores and abnormalities were identified.

The chapter finished by linking in the literature and the observations made in this study with the qualitative characteristics framework identified in Chapter1. The next chapter provides a summary of the literature review, the findings made in this research and the regulatory requirements. The impact of this study on research and practice is also provided. Chapter VIII is the final chapter and it sums up various aspects and impacts of this study.

CHAPTER VIII
SUMMARY AND CONCLUSIONS

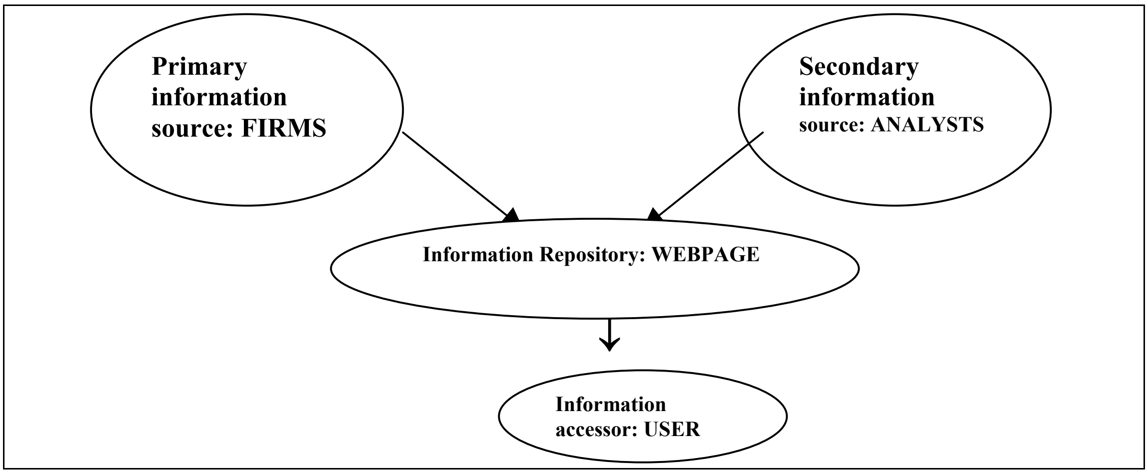
8.1 INTRODUCTION

According to Litan and Wilson (2000) the transition from hard copy to Internet usage for presentation of financial information requires major changes in the legal and regulatory framework in which economies function. In this research the emphasis has been on the disclosure aspect of financial reporting online.

Figure 8.1 has been reproduced from Chapter 1. It demonstrates the fundamental process of financial reporting from source to user, according to the viewpoint taken in this research. It ties in the process of information flow from primary and secondary sources of information to users In this research various aspects of primary information were investigated. These included financial and non-financial reporting disclosure.

Secondary sources of information were also considered briefly such as nature of information presented on finance websites such as 'Yahoo Finance'.

Figure 8.1 Financial Reporting via the Web



8.2 COMPARISON BETWEEN LITERATURE, REGULATORY REQUIREMENTS AND FINDINGS IN THIS STUDY

Based on the literature review and theory on Internet Financial Reporting a comparison between past literature, regulatory requirements and the findings of this study has been formulated in relation to the primary and secondary sets of financial information. The comparison has been divided into the following sections.

- 8.2.1 Secondary sources of company information,
- 8.2.2 Qualitative characteristics: Relevance,
- 8.2.3 Qualitative characteristics: Timeliness,
- 8.2.4 Qualitative characteristics: Reliability,
- 8.2.5 Information security,
- 8.2.6 Accounting harmonization,
- 8.2.7 Disclosure,
- 8.2.8 Corporate Social Responsibility reporting,
- 8.2.9 Corporate Governance,
- 8.2.10 Auditing.

8.2.1 SECONDARY SOURCES OF COMPANY INFORMATION

The two major secondary sources of company information that require formal lodgement by companies are the U.S. EDGAR and the Canadian SEDAR systems.

The System for Electronic Document Analysis and Retrieval (SEDAR) was developed in Canada for the Canadian Securities Administrators (CSA) to:

- Facilitate the electronic filing of securities information,
- Allow for the public dissemination of Canadian securities information; (System for Electronic Document Analysis and Retrieval 2006).

EDGAR, the Electronic Data Gathering, Analysis, and Retrieval system, performs automated collection, validation, indexing, acceptance, and forwarding of submissions by companies and others who are required by law to file forms with SEC (U.S. Securities and Exchange Commission 2005).

Other sources of secondary information include financial information websites and Stock Exchange websites.

<u>Positive aspects of the secondary sources of information</u>: EDGAR can be accessed free of charge. It has submitted filings for companies. The annual reports can be opened as form 10-k, 6-k etc. These formats are different from financial reports presented by companies on their websites.

Negative aspects of the secondary sources of information: The SEDAR system requires an initial fee of $780 (Canadian Dollars).The London stock exchange had fundamental stock data available for a listed company. There was a charge of ten pounds to access a company annual report via the stock exchange website. There was no link to the company's website as presented by the New York Stock Exchange.
Study Findings: There were a majority of websites that provided companies' financial reports. There was a range in relation to content and detail of information presented. Some websites required a subscription or purchase of report to be accessible.

In this study the New York stock exchange was found to be the most 'user friendly' and informative secondary source of information. This was due to the range of information provided and direct links to companies' websites.

It was not possible in this study to subscribe to the SEDAR system in order to analyse the information provided and compare it with information provided on companies' websites due to the costs associated with the service.

The following sections relate to the primary source of data which is the company website. It relates aspects of qualitative characteristics of information with literature, regulatory framework and observations made in this research.

8.2.2 QUALITATIVE CHARACTERISTICS: RELEVANCE

According to the IASB framework information is relevant when 'it influences the economic decisions of users by helping them evaluate past, present or future events, or confirming or correcting their past evaluations' (International Accounting Standards Board 2001).

Regulatory requirements:

According to the IASB guidelines:

- All price sensitive data should be available as soon reporting restrictions have been complied with on the website.
- Key data should be available for downloading for offline analysis.
- Users should be notified of significant changes to website.
- Supplementary financial information not widely available should be provided online for the benefit of the stakeholders (Lymer et al 1999)

The Commision des-Operations de Bourse (1999) has provided the following recommendations.

- Documents listed on the website should be clarified as either complete, or as summaries or extracts.
- With summaries and extracts reference should be made as to where the whole document can be obtained.

Literature Findings: Abdolmohammadi, Harris and Smith (2002) have stated that XML provides on the spot, dynamic analysis of data.

Study Findings: In this study it was found that companies have disclaimers in relation to information provided on websites relieving the companies of responsibilities regarding completeness or quality of information presented.

As demonstrated in the findings in this study, majority of companies had different elements of financial reporting missing. These elements are considered fundamental in relation to regulatory requirements of the relevant country. Thus the IASB and COB guidelines of provision of complete, quality information, does not seem to be implemented by majority of the companies investigated. This would mean that information that is relevant for decision making may be lacking for most companies. The degree of missing information has been found to vary between companies in relation to scale and scope.

There is a lag between regulation and practice in relation to financial reporting on the Internet. Chapter IV provided a detailed analysis of the regulatory requirements in relation to financial reporting disclosure. It has been observed that the majority of companies are missing key data that may relate to fundamental reporting, corporate governance reporting and or CSR reporting. XML and XBRL are still in the experimental stage to be used for the purpose of financial reporting.

8.2.3 QUALITATIVE CHARACTERISTICS: TIMELINESS

Timeliness is considered a sub-characteristic of Relevance. According to the IASB framework, information needs to be presented within the time period which will influence the decision making of the users the most (International Accounting Standards Board 2001).

Regulatory requirements: The IMF launched a Special Standard in 1996 dealing with timely release of data with equal and ready access for all users (International Monetary Fund 2003).

Literature Findings: According to Hodge, Kennedy and Maines (2002) technologies such as XBRL that facilitate directed searches and simultaneous presentation of related financial statement and footnote information have the capability to extract and view all similarly coded information, regardless of where the information is presented in the financial statements.

According to Bovee et al (2002) XBRL tagging is not 100% or is too general; information can be either lost or not accurately comparable or understandable, thus affecting timely release and use of financial information. The authors have also pointed out that the timely release of information by companies may not be fulfilled by all companies in relation to disclosure on websites.

Lymer et al (1999) have also supported the same notion that electronic dissemination of information may not have eased timely discovery of information.

Study Findings: In this study it was found that 37 companies (44 percent) displayed 2004-year end results. 46 companies (56 percent) displayed 2003 or pre-2003 annual reports as the latest reports, as at March 2005.

The majority of the literature has made a lot of promises in relation to what XBRL can offer. XBRL is studied in more detail in chapter III. XBRL is still in the experimental phase and is being tested as a pilot project within some companies/ organizations.

Timeliness has two aspects: the time frame to which reports/ information relate and the timely access to information. It seems that companies are releasing annual reports as per convenience. The data were collected over the period of March to September 2005. Therefore the reports were lagging by at least one period for 56 percent of the companies with financial reports on their websites. Timely access to information is affected by various factors such as technical aspects, degree of easiness in relation to readability and finding of information required.

8.2.4 QUALITATIVE CHARACTERISTICS: RELIABILITY

Reliability has been defined by the International Accounting Standards Board (2001) as information that is free from major error and bias and can be depended upon by users.

Regulatory requirements: The IASB Recommendations in relation to financial reporting online are that the reports provided online should have the same scale and scope as traditional hard copy versions, otherwise any information lacking or additional information should be disclosed as such. Also, that any errors existing should be clearly identified (Lymer et al. 1999).

According to the Commision des-Operations de Bourse (1999) the information provided by a company on its web site should be accurate, precise and sincere. Any links to additional sites should be easily identifiable. Disclaimers on the website of the company should be clearly identified with all contents of the website to which they hold. If there are any errors on the website they should be quickly identified, a warning should be issued and the mistake should be rectified.

According to the Financial Accounting Standards Board (2000) companies should provide cautionary disclaimers accompanying forward-looking statements and speeches, not provide links to analysts' websites, include full sets of statutory reports and notes, avoid duty to update disclosures by putting disclaimers against updated information and update security measures.

Literature Findings: According to Litan & Wilson (2000) the Internet promotes accurate current & future financial reporting. According to Rogers (2003) XBRL is the promise to help make public companies more consistent in the way their financial data is transmitted, presented and reported to investors. Rogers (2003) has further supported the use of XBRL by stating that XBRL would also promote truly transparent financial information in annual reports, quarterly statements and other documents.

Branson (2002) has also stated in favour of XBRL that business organizations can satisfy the reporting requirements of multiple government bodies in one go, thus avoiding the need of manual re keying of data or repetitive effort. Compliance can imply reliability of financial information.

Hannon (2002) has emphasized that using XBRL would not guarantee that the information presented via the instance documents is accurate, precise and reliable. It is still up to the organization preparing the documents as to what figures they put in for different accounting elements.

RGEC (1999) on the other hand has asserted that the Internet may allow misrepresentation by companies and third parties including analysts. Debreceny, Grey and Rahman (1999) have raised doubts in relation to third party information declaring that providing links on companies' websites to third party information may raise legal problems for companies.

<u>Study Findings:</u> **In this study it has been found that percentage of existence of links to analysts' web pages is very low at 6.5 percent only. Therefore it seems that most companies follow the FASB recommendation of not providing links to analysts' websites.**

The lack of audit reports for some companies also has a negative affect on the perceived reliability of the information.

Accuracy, reliability and faithful representation are affected at various points and in different ways in relation to financial reporting. Hannon (2002) has pointed out that XBRL (in experimental stage, not yet implemented on a wide scale) would not guarantee accuracy. This is the responsibility of the company. If the company decides to manipulate information or provide incomplete information, the Internet can neither improve nor degrade that situation. Using languages such as XBRL may help reduce human error and reduce re-keying of data thus promoting more accurate information.

8.2.5 INFORMATION SECURITY

Information Security has an important affect on information reliability. Information should be protected from manipulation and unauthorized change.
Regulatory requirements: The IASB Recommendations are that:

- Users should be notified of significant changes to website,
- Internal link integrity should be assured at all times,
- External link integrity should be assured to an optimal level,
- All security provisions should be made to ensure integrity of the data,

- Errors existing should be clearly identified (Lymer et.al 1999).

  The Web Trust Security standard incorporates the following factors.
- Website of the organization should maintain effective controls and practices to address security matters such as encryption of private and confidential customer information,
- Information should be protected once it reaches the site,
- The site should be protected against virus transmission, and
- Customer approval should be obtained before the site stores alters or copies information on the customer's computer (Web Trust 2006).

Study findings: In this study it was found that some companies have disclosed Risk management policies in relation to I.T. risk management. It has also been observed that XBRL based reports do not have measures to deal with information integrity. The quality of the information is dependent upon the source of entry.

Information security is strongly dependent on the measures adopted by the company to protect the integrity of the financial information presented on its website. It has to take measures to ensure that inaccurate or misguided information is not presented on its website and then to ensure that it is not vulnerable to unauthorized change once on the website. It has to take measures to ensure that employees do not misuse information or disclose information on the Internet without authorization from the company. In this study it was observed that some companies had disclosed systems and measures in place to protect the integrity of the information.

8.2.6 ACCOUNTING HARMONIZATION

According to Tay and Parker (1990) harmonization is a process by which accounting moves away from total diversity of practice. The end result is the state of harmony where all participants practice a limited number of very closely related methods.

Regulatory recommendations: According to the IASB Recommendations:

- Multiple GAAP reports should be presented on the web site,
- Boundaries of IAS financial statements should be clearly set out,
- GAAPs' and IAS based financial reports should be clearly identified,
- Reports based on GAAP should be reconciled with IAS and the differences should be explained (Lymer et al 1999).

In 2000 the European Commission announced that by 2005, approximately 6,700 companies listed on a regulated market would be required to prepare consolidated accounts in accordance with IAS. IAS have been preferred over U.S.GAAP because the IAS have been "drawn up with an international perspective, rather than being tailored to the U.S. environment' (European Commission 2005).

Literature findings: Branson (2002) has identified XBRL as a reconciliation tool that would allow companies to reconcile statements between various GAAPs in less time.

Chen, Sun and Wang (2002) have pointed out that the Accounting Regulation for listed companies introduced in 1998 by the Chinese government as an incentive to promote harmonization has not been effective in reducing the gap between Chinese and IAS earnings. Street and Gray (2001) found that in spite of claims by the companies that they did comply with IAS, most of the compliance levels were low. Street and Bryant (2000) found that there was major non- compliance in the annual reports of 1996 of 49 large companies in relation to implementation of the International Accounting Standards.

Bhushan and Lessard (1992) have stated that detailed U.S.GAAP is a deterrent for non-U.S. firms as well as for domestic firms.

Study findings: In this study it was found that only 13.4 percent of companies with annual financial reports on their websites used the International accounting standards and one company reconciled to the International accounting standards.11.2 percent of the companies in this study used the U.S.GAAP and 17 percent reconciled to the U.S.GAAP. Approximately 60 percent of companies listed on the NYSE with financial reports on their websites, reconciled their statements to U.S.GAAP or presented statements based on U.S.GAAP on their websites.

As Street and Gray (2001) have pointed out, there is a gap between what is prescribed and what is practised. Certain parties would argue that recommending or prescribing harmonization from a regulation point of view would imply total obedience and implementation of what is prescribed. As found in this research as well as the literature such as the work done by Chen, Sun and Wang (2002) this is not necessarily the case. Implementing regulation is more difficult than passing regulation. It is ultimately up to the company what or how much it decides to implement. This goes back to the Agency theory, where the cost/ benefit analysis from the manager's/ company's point of view may take precedence over any regulation or prescription. If a company could get away without following regulation, without incurring a penalty then it would. This may not be the case for all companies but it is definitely the case for some.

Companies listed on the NYSE may provide alternative sets of accounts from what is submitted to SEC, based on non U.S.GAAP, and or not reconciled to U.S.GAAP. IASB has pointed out that companies may not imply compliance with the standards unless there is total compliance, without exception. In Australia, it has been observed that exceptions have been made to International accounting standards that are not appropriate within the Australian context. Is it the same view that companies take in relation to implementation of regulation?

8.2.7 DISCLOSURE

Disclosure: refers to the projection of financial, non-financial, voluntary and corporate governance items being presented by companies on their websites.

<u>Regulatory recommendations:</u> According to the IASB Recommendations the reports provided online should have the same scale and scope as traditional hard copy versions, otherwise any information lacking or additional information should be disclosed as such. Also that detailed information about the annual reports should be clarified as being audited or not and conforming to IAS or not. Financial statements should be archived and clearly identified (Lymer et al 1999).

A revised corporate governance rule requires the companies that make up the All Ordinaries Index (top 500) for information to be put on the company's website within 24 hours after lodgement with ASX. The rule also applies to half year reports, where they must be disclosed on the website as well (Parker & Porter 2003).

According to the FASB recommendations companies should include full sets of statutory reports and notes (Financial Accounting Standards Board 2000)

<u>Literature findings:</u> Schneider (2002) stated that XBRL would transform investor relations, by providing investors with more information, without actually creating a greater burden for the organization preparing the financial reports. Cuneo (2002) has proposed that use of XBRL would make it harder for managers to hide information in footnotes, thus increasing the integrity of financial reports. Adhikari and Tondkar (1992) found that most disclosure required was by the New York Stock exchange, followed by the London stock Exchange.

According to Hodge, Kennedy & Maines (2002) managers do not disclose notes to avoid costs and hide important information. Lymer et al (1999) found that the range of fundamental financial reporting disclosure was between 25 percent and 65 percent only. Walsh and Godfrey (2000) found that limited accounting information is provided by most companies on their websites especially the Banking and Services sector and Insurance companies. Marston & Leow (1998) found that only 54 percent of sample companies disclosed financial information on websites.

<u>Study findings:</u> In this study it was found that 73 percent of the companies with websites used their websites to present financial information. This is above the percentages generated by Lymer et al (1999) but similar to the findings made by Oyelere, Laswad and Fisher (2003).

The majority of this thesis has been about financial reporting disclosure and its various elements. There has been a spectrum of disclosure scores from 0 to 100 in this study. Overall it seems that high-income countries may have better scores than the other regions, but the degree of variability in scores within the sub-classifications is still substantial.

8.2.8 CORPORATE SOCIAL RESPONSIBILITY REPORTING

According to the World Business Council for Sustainable Development (WBCSD) Corporate Responsibility is defined as 'The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life' (KPMG 2005).

Regulatory recommendations: The OECD Guidelines for Multinational Enterprises recommend that managers of enterprises give appropriate attention to environmental issues in their business strategies and day-to-day operations. The guidelines are recognised as one of the world's foremost corporate voluntary codes of conduct (OECD 2006).

Literature findings: Wilson & Lombardi (2001) have mentioned that shareholders are demanding that companies to include environmental reporting in the annual reports, Internet based financial reporting being partially responsible for this shift in demand. According to the KPMG (2005) 14 out of the 16 countries researched by KPMG have some sort of mandatory requirements for CSR reporting. The only exceptions are Italy and South Africa.

KPMG (2005) found that 52 percent of G250 and 33 percent of N100 companies issued separate Corporate Responsibility (CSR) reports in 2005. Nobes and Parker (2002) have pointed out that Corporate Social Reporting has received little attention from U.K. Regulatory bodies. According to Gray and Bebbington (2001) environmental accounting has had no legislative or statutory backing at present. Thomas & Kenny (1997) found that 1 out of the three (33 percent) Italian companies made environmental disclosure, one had incomplete data and the third didn't have any data at all.

Study findings: In this study it was found that U.K. companies that did disclose non-financial information on their websites had an average non-financial disclosure score of 47.

It was also found that 2 out of 5 companies presenting environmental reporting information on their websites, which is 40 percent of the companies.

Environmental reporting is a recent phenomenon. There was no international standard on triple bottom line reporting until 2001 (Wilson & Lombardi 2001). This reporting is on the rise as Wilson & Lombardi (2001) have pointed out that shareholders are demanding companies to include environmental reporting in the annual reports.

8.2.9 CORPORATE GOVERNANCE

According to Cowan (2004, p 74) Corporate Governance is defined as 'The way that companies are directed and controlled'. Corporate Governance includes directors' information, information on governance committees, Articles of incorporation, committee charters and the other elements mentioned under the umbrella of corporate governance.

Regulatory rules and recommendations: NYSE listing rules have described three conditions that must be satisfied by all listed companies:

' Section 303 A: Listed companies must have an audit committee that satisfies the requirements of Rule A-3 under the Exchange Act, the disclosure regarding the differences between the national and NYSE listing requirements and a statement by the CEO that he or she is not aware of any violation by the company of NYSE corporate governance listing standards (NYSE 2005).

Literature findings: Radner (2002) found that according to a survey conducted by McKinsey & Co. 80% of the respondents were happy to pay a premium for companies that are visibly well governed. Radner (2002) has also pointed out that most companies are disclosing corporate governance policies and practices at various levels from meeting the minimum requirements to having mini sites just devoted to Corporate Governance.

KPMG (2005) findings on corporate governance disclosure suggest that 61 percent of companies had a section on corporate governance in their reports.

A study of 135 companies conducted by Blunn & Company found that 84% of the companies did not have a corporate governance section on their website and only 14% prominently displayed their Corporate Governance policies.

Study findings: In this study it was found that 63 companies (75 percent) had information on Corporate Governance committees on their websites. In this study it was found that 28 (34 percent) of companies disclosed Corporate Governance policies on their websites. The observations made in this study were similar to Radner's (2002) in that companies display a wide range of information on corporate governance. Companies listed on the NYSE have variations in relation to adhering and application of the NYSE listing rules.

It has been observed in this study that companies are presenting different aspects of corporate governance at different levels. This, once again, supports the same finding that information is varied on the Internet. There is a lack of uniformity as to what the user sees on companies' websites. It was also observed in this research that companies are not following the three conditions of corporate governance in order to stay listed on the NYSE.

8.2.10 AUDITING

Auditing is an essential component of financial reporting in regards to the annual financial reports. Most jurisdictions as well as the International reporting frameworks have made it compulsory for general-purpose financial reports to be audited.

Regulatory recommendations: According to AGS 1050 the main risk identified with presentation of financial reporting online is the inappropriate association of un audited information with the audit report. The recommendations provided are:

- Additional assurance from the auditor.
- Effectiveness of controls over audited financial information, as well as other information provided on the website.
- Additional information to be provided by auditor: specific reference to audited statements by name, advice to readers that the audit report only relates to the statements specified in the report and advice to readers to confirm the content of online reporting with hard copy and separation of audited information from unaudited information (The Institute of Chartered Accountants in Australia 2006).

According to the IASB (Lymer et al 1999) boundaries should be clearly set out between audited financial statements and related financial information.The Auditor's report should make clear which sections of the reports have been subjected to auditor's opinion.

The Securities and Exchange Commission (SEC), in Securities Act Release No. 33-7233, indicates that electronic sites are a means of distributing information and are not 'document thus auditors are not required by Section 550 to read information contained in electronics sites, or to consider the consistency of other information (Gray & Debreceny 2001).

Literature findings: A benefit mentioned by Zabihollah and Turner (2002) in relation to using XBRL as a reporting language is continuous auditing. Lymer et al. (1999) found 28 percent of sample companies disclosing Audit reports on their websites. Lymer (1997) found that increasing number of companies was providing un-audited information on their websites.

Study Findings: In this study it was found that 80 percent of the companies had an audit report accompanying the financial reports, for companies that presented their annual financial reports.

The Auditing and Assurance standards and guidance statements are issued by the Auditing and Assurance Standards Board (AuASB) which comes under the umbrella of the Financial Reporting Council. The standards have to be applied to all financial report audits as well as to other financial/ non financial information (The Institute of Chartered Accountants in Australia 2006). The guidance statements are there to provide detailed assistance on the implementation of the standards. AGS 1050 has clarified that the preparation and presentation of the financial report on the website remains the responsibility of the management but the auditor needs to face certain factors that may result in ' risk of audit report being inappropriately associated with un audited information on company's website' (The Institute of Chartered Accountants in Australia 2006, p856).

AGS 1050 has emphasized that the auditor may provide additional assurance in relation to online financial reporting. AGS 1050 has shifted the responsibility on the auditor of assessing whether additional statements are required in an audit report meant specifically for online reporting. The responsibility for the quality and security of information on a company's website still rests on the shoulders of the management.

8.3 FINDINGS IN THIS STUDY

The purpose of this study was to investigate the extent, quality and scope of financial reporting by companies from various countries on the Internet. Various aspects of financial reporting were investigated, such as contents of financial reports, corporate governance disclosure, auditing implications, environmental reporting and corporate social responsibility reporting (CSR). These were compared to the legal and regulatory requirements in relation to these elements. The elements were investigated on companies' websites by way of checklists. Disclosure scores were generated in order to determine the level of transparency in relation to various financial and non-financial items on companies' websites.

One hundred and seventy- seven companies were investigated. These were derived from the hotel industry, diversified companies, companies listed on the NYSE and companies listed on the London Stock exchange. These checklists were derived from two sources. The first one was based on the Centre for International Financial Analysis & Research (CIFAR) checklist (CIFAR 1995). The second source was the CCBN Best Practice in online corporate governance Disclosure checklist, based on the Sarbanes Oxley Act (Radner 2002).

This section provides a summary of the findings discussed in more detail in Chapter VII. The results are classified according to the name and type of country.

8.3.1 DO COMPANIES HAVE WEBSITES?

In order to investigate the quantity and quality of financial information presented by companies online, it was important to determine how many companies actually had a website. The findings of this research have indicated that 31 percent of the companies formulating the sample did not have a website at all, of which 78 percent were hotels. 62 percent of the companies that did not have a primary website did have some information available on a secondary website.

The companies that did not have any sort of web presence at all were from the following regions:

Table 8.2 Countries with companies that did not have any web presence

HIC	UMIC	LMIC
Greece	Malaysia	Indonesia
Portugal	Turkey	Peru
Spain		Phillipines
Switzerland		Sri Lanka
Hong Kong		China
Japan		
Norway, Singapore		

8.3. 2 DO COMPANIES PRESENT FINANCIAL REPORTS ON THEIR WEBSITES?

There were 122 companies that had a primary website. 82 out of these 122 companies (67 percent) presented annual reports on their websites. 5.7 percent of the companies presented interim results only. The highest percentage of companies not disclosing any type of financial reports on their websites were hotels at 54 percent.

8.3.3 DO COMPANIES PROVIDE LINKS TO SECONDARY WEB PAGES, SUCH AS TO ANALYSTS' WEB PAGES/ EMAILS?

Almost all the regions have a low percentage of companies without links to analysts' web pages, except for Low Income countries and 'others' that did not have any links to analysts' web pages. The over all percentage of existence of links to analysts' web pages is very low at 6.5 percent only.

8.3.4 DO FINANCIAL REPORTS ONLINE ENCOMPASS AN AUDIT REPORT?

Only 57.4 percent of the companies had an audit report accompanying the financial reports, for companies that presented their annual financial reports. All companies, regardless of region are required to provide an audit report with their annual financial reports. So this aspect of financial reporting online needs attention and updating in regards to the scope of the information covered. It was also observed that some companies deliberately presented their interim reports, even though the option was to present annual reports. The reason may be that interim reports do not require an audit report in most regions.

8.3.5 DO COMPANIES PROVIDE SOCIAL RESPONSIBILITY REPORTING ON THEIR WEBSITES, AS PART OF THE FINANCIAL REPORTING?

This question was divided into two sections.

a) CSR Reporting 1: The first one related to work place conditions, employees and value added statements, any community projects adopted by the firm.

b) CSR Reporting 2: The second section related to Environmental accounting and disclosure.

a) CSR Reporting 1:

Forty eight percent of the companies with websites disclosed some type of Corporate Social Responsibility reporting. According to the KPMG research (2005) the two countries that have the highest number of separate CSR reports are Japan and the U.K. As far as this research is concerned U.K. and Japan did not have the highest disclosure in relation to CSR reporting. There are no mandatory CSR reporting requirements in South Africa, yet it was the region with the most amount of CSR reporting, in the sample. Italy was another country without mandatory CSR requirements that disclosed aspects of CR reporting.

b. CSR reporting 2:

The second aspect of CR related to environmental accounting and disclosure. The countries that stood out based on the observations made in this study were: Canada, Colombia, Denmark, Finland, France, Hungary, South Korea, Netherlands, South Africa and Spain.

8.3.6 DO COMPANIES DISCLOSE CORPORATE GOVERNANCE PRACTICE AND FRAMEWORKS AS PART OF THE ONLINE FINANCIAL REPORTING?

8.3.6.1 DIRECTOR BIOGRAPHIES

The countries with more then 50 percent of companies disclosing director biographies on the websites are presented in Table 8.3.

Table 8.3 Countries with majority of companies disclosing director biographies

HIC	HIC	HIC	HIC	UMIC	LMIC	LIC
Australia	Canada	Italy	Netherlands	Barbados	British Honduras	Ghana
Austria	Cayman Islands	Luxembourg	Puerto Rico	Hungary	Colombia	South Korea
Bahamas	Finland	Cyprus	Spain	Lithuania	Egypt	
Bahrain	France	Denmark	Switzerland	Czech Republic		
Belgium	Hong Kong	Sweden		Poland		
Bermuda	Israel	U.S.A.		South Africa		

(22 HIC, 6 UMIC, 2 LIC)

8.3.6.2 CORPORATE GOVERNANCE COMMITTEES

Countries with equal to or more then 50 percent of companies with corporate governance committees as shown in Table 8.4.

Table 8.4 Countries with majority of companies disclosing information on corporate governance committees

HIC	HIC	HIC	LMIC	LIC	O	UMIC
Australia	Canada	Netherlands	Colombia	Ghana	Guernsey	Poland
Bahamas	Cayman islands	Spain	Egypt	India		South Africa
Bahrain	Denmark	Switzerland	Brazil	South Korea		
Belgium	Finland	U.S.A				
Bermuda	France	15 countries	3 countries	3 countries	1 country	2 countries

8.3.6.3 COMMITTEE CHARTERS

The countries with equal to or more then 50 percent of companies with committee charters are presented in Table 8.5.

Table 8.5 Countries with majority of companies disclosing committee charter

HIC	HIC	HIC	HIC	LMIC	LIC
Bahamas	Cayman Isl.	France	Spain	Brazil	India
Bahrain	Denmark	Italy	Switzerland	Egypt	1 country
Belgium	Finland	Netherlands	U.S.A 12 Countries	2 countries	

8.3.6.4 CODE OF CONDUCT

The countries with 50 percent or more of companies with a code of conduct are presented in Table 8.6.

Table 8.6 Countries with majority of companies disclosing a Code of Conduct

HIC	HIC	LMIC	UMIC	LIC	O
Bahamas	Netherlands	Brazil	Russian Federation	Ghana	Guernsey
Bahrain	Switzerland	Colombia	Hungary	South Korea	
Belgium	Cyprus	Egypt	Poland		
Bermuda	Denmark	3 countries	3 countries	2 countries	1 country
Canada	Finland				
Cayman Islands	Italy				
Israel	U.S.A 14 countries				

8.3.6.5 ARTICLE OF INCORPORATION

The countries with 50 percent or more companies with an article of incorporation are presented in Table 8.7.

Table 8.7 Countries with majority of companies disclosing an Article of Incorporation

HIC	HIC	UMIC
Finland	U.S.A	Czech Republic
Switzerland	3 Countries	Hungary
		2 countries

8.3.6.6 CORPORATE GOVERNANCE GUIDELINES AND POLICIES

Countries with 50 percent or more of companies with corporate governance policies are presented in Table 8.8.

Table 8.8 Countries with majority of companies disclosing an Article of Incorporation

HIC	HIC	LMIC	UMIC
Bahrain	Portugal	Colombia	Czech Republic
Belgium	Spain	Egypt	Poland
Bermuda	Switzerland	2 countries	2 countries
Finland	U.S.A		
Italy	9 countries		

8.3.6.7 RISK MANAGEMENT POLICIES

Countries with 50 percent or more companies with risk management policies are shown in Table 8.9.

Table 8.9 Countries with majority of companies disclosing an Article of Incorporation

HIC	HIC	HIC	UMIC	LIC
Australia	France	U.S.A	Hungary	Ghana
Canada	Netherlands	7 countries	1 country	1 country
Cyprus	Spain			
Denmark	Sweden			

According to Dobler (2005) there are specific reasons such as Agency theory that would not allow managers to disclose the company's risk management policy. Another reason described by Dobler (2005) is the uncertainty associated with risk management policies, which would deter managers from disclosing them in the financial reports.

8.3.7 DO COMPANIES DISCLOSE THE 5 FINANCIAL STATEMENTS REQUIRED BY IAS 1?

There were 5 financial items chosen for the purpose of this research. These are the 4 financial statements, Balance sheet, Income statement, Cash Flow statement, statement of changes in shareholder's equity and the notes to the statements.

8.3.7.1 CASH FLOW STATEMENT

There are certain countries that have companies that do not present cash flow statements although they have websites, presented in Table 8.9.

Table 8.9 Countries with NO cash flow statements

HIC	LMIC
Cyprus	Colombia
Puerto Rico	Dominican Republic
2 countries	Peru 3 countries

The other countries have a mixture of companies presenting a cash flow statement or not.

8.3.7.2 BALANCE SHEET

The companies that did have annual reports/ interim results but did not present a complete balance sheet as part of the financial reporting belonged to the following countries: Australia (HIC), Belgium (HIC), Netherlands (HIC) and United Kingdom (HIC).

8.3.7.3 INCOME STATEMENT

Companies that had financial reports, but did not include an income statement belonged to the following countries: Australia (HIC), Malaysia (UMIC) and Netherlands (HIC).

8.3.7.4 SHAREHOLDER'S EQUITY STATEMENT

The countries that encompassed companies that did not have the Statement of Shareholder's Equity as part of the financial reports are presented in Table 8.10.

Table 8.10 Countries with NO statement of Shareholder's equity

HIC	HIC	LMIC	LIC	UMIC
Australia	Spain	British Honduras	South Korea	Panama
France	United Kingdom	Colombia		Russian Federation
Greece	U.S.A	Egypt		
Netherlands	8 Countries	Indonesia		
Portugal		4 Countries		2 countries

8.3.7.5 NOTES TO THE STATEMENTS

Companies that have financial reports online but did not present notes to the statements belong to the countries presented in Table 8.11.

Table 8.11 Countries with NO notes to the statements

HIC	HIC	HIC	UMIC	LMIC	LIC
Australia	Germany	Portugal	Czech Republic	Brazil	India
Belgium	Ireland	Qatar	Poland	British Honduras	South Korea
Canada	Italy	Switzerland	Russian Federation	Indonesia	
Finland	Netherlands	13 countries	South Africa	3 countries	2 countries
France	Norway		Argentina 5 countries		

In Chapter III, the work of Hodge, Kennedy and Maines (2002) was discussed, in the context of the user's cognitive learning process and the manager manipulation of putting useful information in the notes to the financial statements rather than the main body of the financial statements. As demonstrated above, there are a large number of companies from various countries that do not display notes to the financial statements on the websites.

8.3.8 DO MAJORITY OF THE COMPANIES USE INTERNATIONALLY RECOGNIZED ACCOUNTING STANDARDS OR ARE NATIONAL ACCOUNTING STANDARDS MORE PREVALENT IN RELATION TO FINANCIAL REPORTING ONLINE?

Table 8.12 provides the proportion of companies using the different accounting standards.

Table 8.12 Acounting Standards used by type of country

		Type of country					Total
		High income	Upper middle income	Lower middle income	Low income	Other	
Accounting Standards used	U.S.GAAP	7	2	0	0	1	10
	IFRS	6	8	0	1	0	15
	OTHER	32	4	2	0	0	38
	OTHER + RECONCILIATION TO U.S.GAAP	8	2	3	0	1	14
	IFRS + RECONCILIATION TO U.SGAAP	1	0	0	0	0	1
	unknown	45	22	20	7	2	96
Total		99	38	25	8	4	174

The sample had 56 companies listed on the NYSE.Six out of these 56 companies used the U.S.GAAP directly and 14 companies reconciled from the local GAAP to the U.S.GAAP. 4 companies listed on the NYSE did not have a website. 1 company listed on the NYSE did not have information available in English. 11 companies listed on the NYSE did not have annual report on their website; the accounting standards used for 5 companies with financial reports was unknown. 57 percent of the companies with websites and financial reports on the websites, listed on the NYSE, followed the U.S.GAAP or reconciled to the U.S.GAAP from another set of accounting standards. This could imply that the company is submitting a separate set of documents to the NYSE (Form 20-F) and disclosing another set of accounts on its website that may be the general practice.

8.3.9 DO COMPANIES PROVIDE AN AUDIT REPORT ACCOMPANYING THE FINANCIAL REPORTS?

Table 8.13 provides the results by country in regards to the existence of an audit report.

Table 8.13 Disclosure of audit report by type of country

		Type of country					Total
		High income	Upper middle income	Lower middle income	Low income	Other	
Audit Report	No	55	25	21	7	3	111
	Yes	46	14	4	1	1	66
Total		101	39	25	8	4	177

The number of companies with no audit reports are higher than the number of companies that do have audit reports, regardless of type of country.

8.4 FINDINGS OF THIS STUDY ON FINANCIAL REPORTING ON THE INTERNET

There is substantial variation regarding the level of financial disclosure by companies on the Internet.

- Newer technologies and languages such as XBRL are not being used currently on a wide scale. Thus the notion of real time/continuous reporting and data extraction (to the degree offered by XBRL) are qualities not currently in place for a large number of companies.
- Online Corporate Governance disclosure is varied on a spectrum from no disclosure at all to detailed disclosure, beyond regulatory requirements.
- There is a degree of difference between levels of financial reporting between industries; for example the Hotel industry is lagging in online financial reporting compared to other industries incorporated in this study.
- Auditing compliance disclosure and coverage is limited in relation to online financial reporting.
- Corporate Social Reporting disclosure is more extensive in certain countries than others, especially South Africa, where companies have disclosed beyond the regulatory requirements.
- There is no third party seal on any of the websites declaring that the company website is accurate and reliable. Although some companies have feedback surveys to improve the quality and content of their websites.

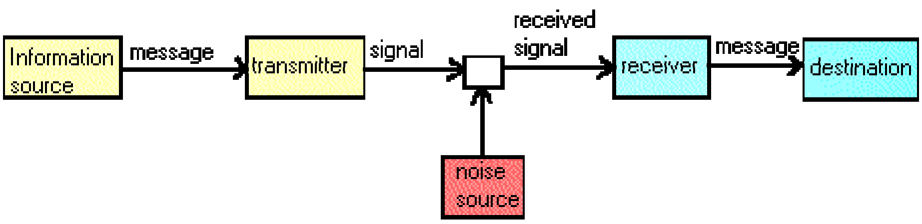
In relation to the qualitative characteristics, these findings would imply that the Internet is not a reliable medium of presentation of financial information. The qualitative characteristics of completeness, uniformity, comparability, materiality, verifiability and timeliness are all compromised due to the presence of disclaimers, variations in reporting disclosures, lack of audit reports. None the less it is important not to generalize since some companies have been providing optimal reporting disclosure via their websites. It is still confusing since it becomes hard to comprehend what to expect due to the vast variability in financial reporting disclosure across countries and within countries and across various types of companies.

8.5 COMPARISON BETWEEN FINDINGS AND THEORY

Table 8.14 provides a comparison between the theories mentioned in chapter 2 and the findings and observations made in this study.

Table 8.14 Theories and observations

a. Communications Theory

Theory	**Observation**
Communications Theory (Shannon and Weaver Model) (The Shannon & Weaver 1949)  For the purpose of this research the information source is the company (or a secondary source if the company does not have a website or does not present financial information on its website). The transmitter is the Internet. It is an electronic medium of presentation of financial reporting via a company's website. The focus in this research has been the information source and the nature of the information transmitted via the transmitter, the channel, which is the Internet. Information quality and completeness is heavily dependent upon the Information source. At the same time there is also the risk of manipulation and or change because of the channel, the transmitter, the medium. Inadequate security measures and controls may result in information being tampered with on a company's website.	**It has been observed that the source of information being companies, are providing an array of accounting information on their websites. The information ranges in quality, scale and depth. In various circumstances the information presented does not follow regulatory requirements. The Internet as a communication channel has extensive potential to provide timely, complete, extractive information but the reliance is on the source.**

b. Entity Theory

Theory	Observation
The entity theory emphasizes the concept of "stewardship" or "accountability" where the business is concerned about its survival and the business projects financial information to equity holders in order to meet legal requirements and to maintain a good relationship with them in case more funds are needed in the future (Paton 1962). Certain regulators such as the IASB have emphasized that the nature and quality of information presented on a company's website should not be different from hard copy. Others such as the FASB have presented a different view, allowing companies to compromise the quality of online financial reporting. Thus also compromising the concept of accountability.	**Disclaimers used by companies in relation to accounting information presented on websites raise concern about the responsibility entailing the 'accountability' concept. Lack of completeness of information in certain cases and lack of timely reporting also raise doubts about 'accountability' in relation to Internet based financial reporting. In other cases presentation of additional information beyond legal requirements, supports the entity theory.**

c. Enterprise Theory

Theory	Observation
Waino Soujanen (1954) views that the enterprise is a social institution where decisions are made that affect a number of interested parties: shareholders, employees, creditors, customers, various government agencies and the public. In the context of this research the starting point of the Enterprise theory would be the decision by a company to have a website or not. This would then lead to the purpose of the website, whether it would be used for financial reporting online. The amount and quality of information presented would then also impact stakeholders. In this regards the type of information presented is important, whether it is fundamental reporting, corporate governance disclosure or CSR reporting. Presence or not of any of these elements of corporate reporting would have different impacts on different types of users of information as well as their decision making process.	**31 percent of the companies investigated in this study did not have a website. These companies have chosen not to reach beyond a number of interested users that may utilize company information if presented on the Internet. The social implications may be limiting in view of raising funds and public image or it may be that these companies do not feel the need to reach a wider audience. These companies were from High Income, Upper Middle income and Low Income countries.** **Companies may or may not provide complete accurate information on their websites. This would have an impact on the decision making process of users. Users may find alternative means to satisfy their information needs such as alternative ways of gathering the information such as ordering hard copy reports from the company. The extent of disclosure of the various elements of financial reporting have been discussed earlier in section 8.2.1 and Chapter 7.**

d. Regulatory Capture Theory

Theory	Observation
This theory emphasizes the role of the manager as a major influence on the regulatory agencies and the rules that they develop and try to enforce. Capture theorists provide the views that while the purpose in fact or origin of regulation is to protect the public interest, this process is not achieved because, in the process of regulation, the regulated comes to control or dominate the regulator (Posner 1974).	• FASB recommendations seem to be practiced at a wider scale by companies. This has been observed by the presence of disclaimers, not providing links to analysts' websites (93.5 percent of sample companies), avoid duty to update disclosures by putting disclaimers against updated information and update security measures. The Securities and Exchange Commission (SEC), in Securities

The Findings in this study suggest that companies may implement regulation policies to suit their needs, with the affect of ignoring and or non implementation of certain policies or guidelines. They may nor may not have the need to influence the regulator to change the policies to suit to their needs.	Act Release No. 33-7233, indicates, • According to Section 550 of the U.S. SEC Securities Act'Electronic sites are a means of distributing information and are not 'documents.Thus, auditors are not required by Section 550 to read information contained in electronics sites (Gray & Debreceny 2001). This would imply that auditors at no point are responsible for what type of financial reporting information is placed by a company on its website. This is opposing to the Australian view, where auditors need to have a look a the final version of what is being represented as audited on a website. Forty-three percent of companies with annual reports did not have accompanying audit reports.

e. User's Cognitive Learning Process

Theory	**Observation**
• The theory is based on the notion that investors and creditors react less strongly to information disclosed in footnotes than to information recognized on the face of financial statements, due to cognitive process limitations Hodge, Kennedy and Maines (2002) • Hodge, Kennedy and Maines (2002) have asserted that managers lobby against certain elements being recognized in the body of the financial statements rather than disclosed in the notes to the financial statements. Hodge, Kennedy and Maines (2002) identified most users as "sequential" searchers, who look at the financial reports in the order in which they are presented, as compared to "directive" searchers who go directly to the information that they need.	**38 percent of companies with annual reports did not have notes accompanying the reports. This is an extension of companies providing vital information in notes to the statements. These companies are eliminating the choice in relation to data extraction by ' directive' searchers by not making the information available altogether.** **In other words provision of incomplete information on a company's website results in very limited choice for users who are aware of the type of information required for decision making.**

8.6 IMPLICATIONS FOR RESEARCH

The findings made in this study have implications for future research in Internet financial reporting.

The number of companies using the Internet for financial reporting varies depending on the type of industry to which the sample companies belong to. Listing on a major stock exchange also has a significant impact on financial reporting on companies' websites. This is due to the extent of regulatory requirements by stock exchanges for listing purposes.

The spectrum of information in the context of financial reporting disclosure is wide. Although there are recommendations made by various bodies, there is no exact framework defining what should be disclosed on companies' websites in relation to financial reporting.

The report by Lymer et al (1999) has identified Internet reporting as being in its embryonic stages and has proposed a " Code of Conduct" to be put into place for organisations to follow who want to be recognised under the umbrella of the International Accounting Standards.

Both Lymer et al (1999) and Cohen (2000) have identified "audit" and "attestation" of financial information by auditors and bodies like the "Web Trust" and the EDGAR (Electronic Data Gathering and Reporting). These bodies were not identified on any of the websites of companies that formed a part of this study. This study questions the weight of guidelines and recommendations made by regulatory bodies and recommends it being investigated in the context of online financial reporting: the phenomenon of de jure versus de facto financial reporting in the context of the Internet.

The disclaimers on the websites relieve the company of any liability issues that may arise due to lack of information or lack of quality of information. The detail of disclosures is also varied between companies, depending on their origin. For example detail of disclaimers made by French companies is far less then those made by U.S. companies. Interesting research questions arise from this observation. What is the motive behind the disclaimers? Is it purely intended to protect the company against liability issues or is it a means of escaping responsible financial reporting on websites? Why do some companies place more emphasis on presentation than on quality and content of financial reporting on websites?

Auditing bodies have released guidelines in relation to online financial reporting impact on auditors' responsibilities and duties. Various bodies have recommended that companies make the differentiation between audited and un-audited information very clear. The U.S. system does not consider the Internet based reports as coming under the definition of a 'document' thus relieving the auditor of the duty to attest what is presented on a company's website. Other jurisdictions need to be investigated to compare their stance on auditor's role and responsibility in relation to online financial reporting.

The guidelines issued by various regulatory bodies in relation to online reporting although suggesting similar recommendations to maintain and enhance the quality of online reporting, seem scattered. The IASB project was handed over to IFAC, but no progress was found on this project under IFAC. An important future direction for research is to study the validity of research projects adopted by different bodies and organizations? What determines the success or failure of a project? Why do projects loose their viability, even if they relate to something current and having a major impact on the accounting framework itself?

8.7 IMPLICATIONS FOR PRACTICE

The purpose of this section is to describe the impact of this research on the implementers of regulation, the sources of financial reporting: the companies.

The main applications of this research are: as an analytical tool, where the company may use the checklists to determine whether the elements listed are actually disclosed. And if they are not, the company may use the information to assess the reasons behind non-disclosure.

This research has pointed out the gap (substantially broad for some countries) between reporting frameworks that relate to corporate financial reporting in general, in the context of online financial reporting and actual practice and disclosure. The findings of this research point out that companies are inconsistent in relation to what is presented on their websites in relation to financial reporting. This relates to what has been prescribed for the companies to disclose and what is actually practised.

Formats of reports are varied from 'interactive menus' to hand written statements scanned onto the website. This would imply that some companies strongly believe and promote the idea of user friendly financial reporting. These are also the companies that utilize the Internet's technical capabilities of promoting a better interface than hard copy. Other companies that may have recently adopted the Internet as a medium of financial reporting are utilizing only the fundamental capabilities of the Internet. Companies may compare different interfaces to choose the ones best suited to provide quality financial reporting to the users.

None of the companies that were investigated had any mention of XBRL as a reporting language that may be used in the future. The major benefit claimed is that of cost reduction due to reduced data entry. Other benefits mentioned include more accurate and timely reporting, flexibility, ease of conversion between languages and GAAPS. Companies may wish to investigate XBRL's viability in the context of their environment.

Companies were not short of disclaimers regarding the contents of their websites. None the less there were companies that did provide adequate financial reporting disclosure, in some instances more than required by regulatory bodies. This may suggest a cautionary step to protect against litigation. Companies may want to take steps to increase user confidence in the quality of information presented on websites. This may include verification from third parties such as Web Trust to provide a rating for the quality of the company's website.

Companies can use the observations made in this research to develop bench marks of best practice regarding disclosure on the Internet. Internet financial reporting has various aspects, which were defined as a dozen variables in this research. Companies can study the variables that they have not identified and presented on their websites or that they have weaknesses in reporting and use examples provided of best practice to improve financial reporting online.

In this research companies were assigned to different regions based on the World Bank's (2004) classification based on Gross National Income. It was observed that Lower middle income and Low-income countries specifically, need to improve the online financial reporting, as most of the companies from these regions are disclosing less then complete aspects of financial reporting. Once again they can use companies with better disclosure scores as benchmarks.

As identified by this research Internet financial reporting is varied in composition, depth, reliability, completeness and lacks uniformity. One of the recommendations in this study is for IASB to pick up this project again and align it with the harmonization initiative. Based on the observations made in this study, the following recommendations are provided for companies and regulatory bodies to implement.

- The companies should enhance the qualitative characteristics in relation to financial reporting on the Internet.
- Companies should release reports online at the same time as hard copy.
- Companies should provide audit reports in relation to all accounting information released on the website or differentiate clearly between audited and un-audited sets of financial information,
- Provide corporate governance disclosure based on internationally recognized guidelines,
- Provide a user-friendlier format for presentation of financial reports such as a Table of Contents at the start of the report, with links to individual items.
- Maintain the same content of reports in 'English version' of the reports as in the 'local' version. Provide the same depth and detail in the english version,
- The regulatory bodies and professional bodies as well as the large multinationals around the globe should work together on setting templates for companies to work with, therefore providing a uniform disclosure of financial reporting.

8.8 CONTRIBUTIONS OF THIS STUDY

In this study detailed investigation has been carried out on the financial information content of companies disclosed on the Internet. The Internet has evolved recently as a medium of information source, more specifically in the context of financial reporting. Various aspects of online financial reporting such as basic financial reports, corporate governance reporting, CSR reporting, environmental reporting and the auditing aspects of financial reporting have been observed in relation to nature and depth of content.

The Internet is a complex environment in the context of financial reporting due to many factors such as the varied nature of financial reporting and the lack of a pre-determined structure for online reporting.

In this research majority of the aspects of online financial reporting have been brought together and gaps in the disclosure aspects of online financial reports have been identified. The identification of the strengths and weaknesses of various aspects of online financial reporting for specific types of companies provide a valuable insight into how online financial reporting is utilized and presented by companies from different industries and different regions.

It has been observed that in spite of rigorous disclosure requirements by regulatory bodies, companies still manage to provide less than complete or optimal disclosure.

8.9 RECAPPING THE 'PROBLEMS' OR 'WEAKNESSES' OF FINANCIAL REPORTING ON THE INTERNET, IDENTIFIED IN PREVIOUS CHAPTERS

The following 'problems' or weaknesses have been observed:

- Technological,
- Accounting Harmonization and Practise,
- Auditing Implications,
- Regulatory bodies,
- Corporate Governance disclosures,
- CSR reporting.

8.9.1 TECHNOLOGICAL

XBRL was studied in detail. It was observed that the majority of literature supports the notion of a reporting language that would reduce the time and costs associated with data entry. It has been promised that XBRL would provide extra ordinary extraction capabilities, that regulatory bodies would be able to study a greater sample of companies to identify mistakes with the use of XBRL. At the same time it was also observed that XBRL is still in experimental stages, that regulatory bodies have only a few samples of companies providing reports in the form of XBRL documents. Although XBRL is free to use language, the supporting programs are not. It was found to be hard to bring various aspects of XBRL together in order to identify the benefits that may be utilized by using XBRL. The sample companies utilized either html or adobe acrobat to present the financial reports. Some companies also used Java facilities but any detail on that is beyond the scope of this study.

8.9.2 ACCOUNTING HARMONIZATION AND PRACTICE

A few numbers of companies were observed to use either the international accounting standards or the U.S.GAAP for reporting on their websites. This lead to the notion that companies may be providing a separate set of reporting documents to regulatory bodies in comparison to the reports presented on the websites. Some companies listed on the NYSE or the London Stock Exchange did not even have primary websites. This led to the conclusion that independent of regulatory requirements, some countries/ companies have not yet realized the benefit or importance of using the Internet for financial reporting or for communicating with the users of the financial reports.

8.9.3 AUDITING IMPLICATIONS

The Internet is posing new questions for auditors in relation to their roles and responsibilities. It provides opportunities for additional assurance services as part of which auditors may help companies generate better financial reporting on their websites.

8.9.4 REGULATORY BODIES

Detail was provided on the regulatory bodies that have provided recommendations/ guidelines/ rules in relation to online financial reporting. It was observed that there is a substantial gap between the ‘ideal’ regulatory framework and actual disclosure. The difference between de jure and de facto is extensive for most companies.

8.9.5 CORPORATE GOVERNANCE DISCLOSURES

It was observed in this study that there was a spectrum of corporate governance disclosures from nil to detail. It was observed that some companies would not display all the information required by the regulation on their websites. This once again supports the point that there is a gap between de jure and de facto in this case in relation to corporate governance disclosure.

8.9.6 CSR REPORTING

Elements disclosed were also studied in this research. Similar discrepancies were observed as in relation to the elements mentioned earlier that is gaps in the discosures made.

The observations and findings made in this research challenge the optimal implementation of the regulatory frameworks, the qualitative characteristics and the accounting disclosure that may be taken for granted if described as part of legislation and guidelines but may not be put in practice.

8.10 LIMITATIONS OF THE STUDY

The initial approach in this study was to look at the various aspects of online financial reporting, from the point of view of the user, the regulatory bodies and the companies. In this research, the point of the view of the user has been adopted, in the capacity of accessing and studying the websites by the researcher.

Due to the high costs associated with XBRL support software and subscription fees to SEDAR, these elements remain to be tested and studied in more detail at a later stage.

In this study the major variables from the CIFAR checklist were investigated for disclosure, without going into too much detail regarding individual items in the checklist.

The purpose of the study was to investigate the use of the Internet for financial reporting purposes by a wider scope of countries from different parts of the world, rather than just a few regions. Although the sample size is small for some regions, it none-the-less provides a picture of the common trends as well as anomalies regarding financial reporting practices in the regions investigated.

There are aspects of online reporting security that were beyond the scope of this study. These include the technical aspects of Information systems such as development of passwords and firewalls and systems that can be investigated from an information technology person’s point of view.

8.11 FUTURE RESEARCH

The purpose of this thesis was to study various aspects of Internet financial reporting. The findings have opened up the following avenues for investigation:

- The sample incorporated only the Hotels, companies listed on the NYSE and the London Stock Exchange and Diversified companies. Additional companies can be studied from other industries/ groups and compared to the findings of this dissertation,
- Auditors' point of view in regards to Internet Financial reporting can be investigated further.

APPENDIX 1: NON U.S. COMPANIES LISTED ON THE NEW YORK STOCK EXCHANGE

ARGENTINA (*10 DR cos.*)
BBVA Banco Francés S.A. BFR Banking
IRSA-Inversiones y Representaciones, S.A. IRS Real Estate Development 1
MetroGas, S.A. MGS Gas Distribution
Nortel Inversora S.A. NTL Telecommunications
Petrobras Energía Participaciones S.A. PZE Holding Co./Oil/Gas Refining
Quilmes Industrial (QUINSA) S.A. LQU Holding Co./Beer Production
TELECOM ARGENTINA STET-France Telecom, S.A. TEO Telecommunications
Telefónica de Argentina, S.A. TAR Telecommunications
Transportadora de Gas del Sur, S.A. TGS Gas Transportation YPF Sociedad Anónima
YPF Oil/Gas Exploration

AUSTRALIA (*12 ADR cos .*)
Alumina Limited AWC Diversified Minerals
Australia and New Zealand Banking Group Limited ANZ Banking/Financial Services
BHP Billiton Limited BHP Mining/Exploration/Productio 5/28/87
Coles Myer Ltd.
CM Retail Operations
James Hardie Industries N.V.
JHX International Bldg. Materials
National Australia Bank Limited NAB Banking
News Corporation Limited (The) NWS International Media
News Corporation Limited (The) (PFD) NWSA International Media
Orbital Engine Corporation Limited OE Engine Technology Dev./Mfg.
Rinker Group Limited *(Rinker)*
RIN Heavy Building Materials Mfg
Telstra Corporation Limited TLS Telecommunications
Westpac Banking Corporation WBK Banking
WMC Resources Ltd WMC Minerals Development/Prod.

AUSTRIA
Telekom Austria AG TKA Telecommunications

BAHAMAS (*2 non-ADR cos.*)
Kerzner International Limited KZL Resorts & Casinos Developmen
Teekay Shipping Corporation TK Crude Oil/Petroleum Transp.

BELGIUM (*1 ADR co.*)
Delhaize Group DEG Food Retail

BERMUDA
ACE Limited ACE Property/Casualty Insurance
American Safety Insurance Holdings, Ltd. ASI Holding co. /Specialty Insurance
Annuity and Life Re (Holdings), Ltd. ANR Holding co./Reinsurance
Aspen Insurance Holdings Limited AHL Property/Casualty Insurance

Axis Capital Holdings Limited AXS Specialty Ins./Treaty Reins.
Bunge Ltd. BG Agribusiness and Food
Cooper Industries, Ltd. (New) (Bermuda) CBE Electrical Products Manufacture
Endurance Specialty Holdings Ltd. ENH Insurance and Financial Svcs.
Everest Re Group, Ltd. RE Holding co./Reinsurance
Frontline Ltd. FRO Crude Oil Transportation Svcs
Ingersoll-Rand Company Limited (Bermuda)*(IR)* IR Industrial Equipment Mfg.
Montpelier Re Holdings Ltd. MRH Reinsurance
Orient-Express Hotels Ltd. OEH Hotel and Leisure
PartnerRe Ltd. PRE Reinsurance/Prop.& Cas. Ins.
PXRE Group Ltd. PXT Reinsurance 10/6/99 O
RenaissanceRe Holdings Ltd. RNR Reinsurance
RenaissanceRe Holdings Ltd. (PFD) RNRPRA Reinsurance
Scottish Re Group Limited SCT Reinsurance
Sea Containers Ltd. SCRA Transportation/Real Estate
Sea Containers Ltd. SCRB Transportation/Real Estate
W.P. Stewart & Co., Ltd. WPL Equity Investment Mgmt. Svcs
Willis Group Holdings Limited WSH Risk Management & Insurance
XL Capital Ltd. XL Insurance and Financial Svcs.
XL Capital Ltd. (PFD) XLPRA Insurance and Financial Svcs.

BRAZIL
Aracruz Celulose S.A. ARA Bleached Eucalyptus Pulp Pro
Banco Bradesco S.A. BBD Private Banking
Banco Itaú Holding Financeira S.A. ITU Banking
Brasil Telecom Participações S.A. BRP Telecommunications
Brasil Telecom S.A. BTM Telecommunications
Braskem S.A. BAK Petrochemicals
Companhia Brasileira de Distribuição CBD Food Retail
Companhia de Bebidas das Americas *(AmBev)* ABV Beverages
Companhia de Bebidas das Americas *(AmBev)* ABVC Beverages
Companhia de Saneamento Básico do Estado de São Paulo-SabSBS Water Utility
Companhia Energetica de Minas Gerais-Cemig CIG Electric Utility
Companhia Paranaense de Energia-COPEL ELP Electricity Generation
Companhia Siderurgica Naciona *(CSN)* SID Steel Manufacture/Dist.
Companhia Vale do Rio Doce *(CVRD)* RIOPR Iron Ore Production/Dist.
Companhia Vale do Rio Doce *(CVRD)* RIO Iron Ore Production/Dist.
Embraer-Empresa Brasileira de Aeronáutica S.A. ERJ Aircraft Design/Manufacture
Embratel Participações S.A. EMT Telecommunications
Gerdau S.A. GGB Steel Production
Perdigão S.A. PDA Food Production
Petróleo Brasileiro S.A.-PETROBRAS PBR Oil and Gas
Petróleo Brasileiro S.A.-PETROBRAS PBRA Oil and Gas
Sadia S.A. SDA Food Production
Tele Celular Sul Participações S.A. TSU Telecommunications
Tele Centro Oeste Celular Participações S.A. TRO Telecommunications
Tele Leste Celular Participações S.A. TBE Telecommunications

Tele Nordeste Celular Participações S.A. TND Telecommunications
Tele Norte Celular Participações S.A. TCN Telecommunications
Tele Norte Leste Participações S.A. TNE Telecommunications
Tele Sudeste Celular Participações S.A. TSD Telecommunications
Telebras HOLDRs TBH Telecommunications
Telecomunicaçôes de Sao Paulo S/A-Telesp TSP Telecommunications
Telemig Celular Participações S.A. TMB Telecommunications
Telesp Celular Participações S.A. TCP Telecommunications
Ultrapar Participações S.A. UGP Industrial Group/Gas Dist.
União de Bancos Brasileiros S.A. *(Unibanco)* UBB Banking
Votorantim Celulose e Papel S.A *(VCP)* VCP Pulp and Paper Production

CANADA
Abitibi-Consolidated Inc. ABY Newsprint/Uncoated Groundw
Agnico-Eagle Mines Limited AEM Gold Exploration/Prod.
Agrium Inc. AGU Fertilizer Production/Distribut
Alcan Inc. AL Aluminum Mfg./Prod.
Bank of Montreal BMO Banking
Bank of Nova Scotia (The) *(Scotiabank)* BNS Banking
Barrick Gold Corporation ABX Gold Mining
BCE Inc. BCE Communications
Biovail Corporation BVF Pharmaceutical Products
Boardwalk Equities Inc. BEI Property Management and Inv
Brascan Corporation BNN Diversified Products & Svcs.
Brookfield Properties Corporation BPO Real Estate Development
CAE Inc. CGT Simulation & Controls Equipm 7/29/02 C
Cameco Corporation CCJ Uranium and Gold Production
Canadian Imperial Bank of Commerce (*CIBC*) BCM Banking
Canadian National Railway Company CNI Railroad Systems Operation
Canadian Natural Resources Limited *(CNRL)* CNQ Oil and Gas Exploration
Canadian Pacific Railway Limited CP Railway Operation
CanWest Global Communications Corporation CWG Television Broadcasting
Celestica Inc. CLS Electronics Manufacturing Svc
CGI Group Inc. (The) GIB Information Technology Svcs.
CHC Helicopter Corporation FLI Offshore Helicopter Svs.
Corus Entertainment Inc. CJR Broadcasting
Cott Corporation COT Soft Drink Supplier
CP HOLDRs HCH Transportation/Energy/Real E
CP Ships Limited TEU Container Shipping 8
Domtar Inc. DTC Pulp/Paper Production
Enbridge Inc. ENB Energy Transp./Dist. Svcs.
EnCana Corporation ECA Oil and Gas
Enerplus Resources Fund (Enerplus) ERF Energy Advisory and Managem
Extendicare Inc. EXEA Health Care Facilities
Fairfax Financial Holdings Limited FFH Financial Services
Fairmont Hotels & Resorts Inc. FHR Luxury Hotels & Resorts
Fording Canadian Coal Trust FDG Metallurgical Coal Production

Four Seasons Hotels Inc. FS Luxury Hotels Management
Gildan Activewear Inc. GIL Activewear Manufacture/Mktg
Glamis Gold Ltd. GLG Gold Mining
Goldcorp Inc. GG Gold Mining
INCO Limited N Diversified Metal Production
Intertape Polymer Group Inc. ITP Specialized Polyolefin Plastics
Intrawest Corporation IDR Resorts/Theme Parks
IPSCO Inc. IPS Steel Manufacture
Kingsway Financial Services Inc. KFS Property and Casualty Insuran
Kinross Gold Corporation (new Kinross) KGC Gold Production
Magna International Inc. MGA Automotive Part Mfg.
Manulife Financial Corporation MFC Diversified Financial Services
Masonite International Corporation MHM Door Manufacture
MDS Inc. MDZ Health and Life Sciences
Meridian Gold Inc. MDG Gold Mining
MI Developments Inc. MIM Real Estate Development
Moore Wallace Incorporated MWI Integrated Print Mgmt.
Nexen Inc. NXY Energy and Chemicals
Nexen Inc. (PFD) NXYPRA Energy and Chemicals
Noranda Inc. NRD Minerals and Metals
Nortel Networks Corporation NT Telecommunications
Nova Chemicals Corporation NCX Chemicals-Special
Oppenheimer Holdings Inc. OPY Diversified Financial Services
Pengrowth Energy Trust PGH Oil and Gas Production
Petro-Canada PCZ Oil/Gas Production/Refining
PetroKazakhstan Inc. PKZ Oil/Refined Products Explorat
Placer Dome Inc PDG Gold Mining
Potash Corporation of Saskatchewan Inc. *(PotashCorp)* POT Integrated Fertilizer
Precision Drilling Corporation PDS Oilfield/Industrial Svcs.
PrimeWest Energy Trust PWI Oil and Gas Royal Trust
Quebecor World Inc. IQW Commercial Printing
Ritchie Bros. Auctioneers Incorporated RBA Industrial Equip. Auctioneer Rogers Communications Inc. RG Communications Services
Rogers Wireless Communications Inc. RCN Wireless Telecommunications
Royal Bank of Canada RY Financial Services/Banking
Royal Group Technologies Limited RYG Plastic Building Products
Shaw Communications Inc. SJR Communications Services
Sun Life Financial Inc. SLF Diversified Financial Services
Suncor Energy Inc. SU Oil/Gas Production
Talisman Energy Inc. TLM Oil/Gas Production
TELUS Corporation TU Telecommunications
Thomson Corporation (The) TOC Information Services
Toronto-Dominion Bank (The) TD Banking
TransAlta TAC Electric Generation/Marketing
TransCanada Corporation TRP Energy and Related Services
Zarlink Semiconductor Inc. ZL Telecomm. Equip./Sys. Mfg.
BBVA Preferred Capital Ltd. (PFD) BBVPRB Finance/Banking

Espirito Santo Overseas Limited (PFD) ESBPRB Finance
Fresh Del Monte Produce Inc. FDP Fresh Produce Production/Dist

CAYMAN ISLANDS
GlobalSantaFe Corporation GSF Offshore/Land Contract Drillin
NewsCorp Overseas Limited (PFD) NOPPRA Finance
NewsCorp Overseas Limited (PFD) NOPPRB Finance
Noble Corporation (New) (Cayman Islands) NE Holding Co./Oil and Gas Service

CHILE
Administradora de Fondos de Pensiones-Provida, S.A. PVD Invest. Mgmt./Advis.Svcs.
Banco de Chile BCH Banking
Banco Santander-Chile SAN Banking
BBVA Banco BHIF BB Banking
Chilesat Corp S.A. CSA Telecommunications
Compañía Cervecerías Unidas S.A. CU Beverage Prod./Mktg./Dist.
Compañia de Telecomunicaciones de Chile, S.A. CTC Telecommunications
Cristalerías de Chile, S.A. CGW Containers-Metal/Glass
Distribución y Servicio D&S S.A (*D&S*) DYS Retail-Supermarket Oper.
Embotelladora Andina, S.A. AKOA Coca-Cola Production/Dist.
Embotelladora Andina, S.A. AKOB Coca-Cola Production/Dist.
Empresa Nacional de Electricidad, S.A. (Chile) EOC Electricity Generation
Enersis, S.A. ENI Holding Co./Electricity Gen.
Lan Chile S.A. LFL Airline Services
Madeco S.A. MAD Non-Ferrous Products Mfg.
Masisa S.A. MYS Wood Products 6/17/93 A IPO
Quiñenco S.A. LQ Diversified Industrial/Fin. Svcs
SQM-Sociedad Química y Minera de Chile, S.A. SQM Chemicals-Diversified
SQM-Sociedad Química y Minera de Chile, S.A. SQMA Chemicals-Diversified Viña Concha y Toro, S.A. VCO Wine Production/Export

CHINA
Aluminum Corporation of China Limited *(Chalco)* ACH Aluminum Production China Eastern Airlines Corporation Limited CEA Airlines Operation
China Life Insurance Company *(China Life)* LFC Commercial Life Insurance
China Petroleum and Chemical Corporation*(Sinopec)* SNP Petroleum & Petrochemicals
China Southern Airlines Company Limited ZNH Commercial Airline Services
China Telecom Corporation Limited CHA Fixed-Line Telecommunication China Unicom CHU Telecommunications
CNOOC Limited CEO Oil and Gas
Guangshen Railway Company Limited GSH Rail Transportation
Huaneng Power International, Inc. HNP Holding Co./Power Plants
Jilin Chemical Industrial Company Limited JCC Chemical Products Mfg. PetroChina Company Limited PTR Oil and Gas Exploration

Sinopec Beijing Yanhua Petrochemical Company Limited BYH Petrochemicals Production
Sinopec Shanghai Petrochemical Company Limited SHI Petrochemical Production
Yanzhou Coal Mining Company Limited YZC Coal Mining

COLOMBIA (*1 ADR co.*)
BanColombia S.A. CIB Banking

DENMARK (*2 ADR cos.*)
Novo-Nordisk A/S NVO Pharmaceutical Manufacture
TDC A/S TLD Telecommunication Services

DOMINICAN REPUBLIC (*1 ADR co.*)
TRICOM, S.A. TDR Telecommunication Services

FINLAND (*4 ADR cos.*)
Metso Corporation MX Ind. Group/Paper/PulpMachin
Nokia Corporation NOK Mobile Communications
Stora Enso Oyj SEO Integrated Forest Products
UPM-Kymmene UPM Paper & Related Products

FRANCE (*20 DR / 1 PFD.-only cos.*)
Alcatel ALA Communications Networks De
Alstom ALS Energy/Transportation Infrast
Aventis S.A. AVE Pharmaceuticals/Chemicals
AXA AXA Insurance/Financial Services
Compagnie Générale de Géophysique GGY Seismic Data Collection
France Telecom FTE Telecommunications
Groupe Danone DA Packaged Foods Production
Lafarge LR Cement Production
Publicis Groupe S.A. PUB Advertising and Communicatio
Rhodia RHA Drugs Manufacture
Rhône-Poulenc Overseas (PFD) RPOPRA Pharmaceuticals/Chemicals
Sanofi-Synthélabo SNY Pharmaceuticals
SCOR SCO Holding Co./Reinsurance
Sodexho Alliance, SA SDX Food and Management Svcs
STMicroelectronics N.V. STM Integrated Circuits Mfg.
Suez SZE Energy,Water & Waste Svcs.
Technip TKP Oil/Gas Engineering/Technolo 1
Thomson S.A. TMS Consumer Electronics Mfg.
TOTAL S.A. TOT Energy Exploration/Prod./Dist
Veolia Environnement VE Environmental Services
Vivendi Universal V Media and Communications

GERMANY (*14 ADR / 3 non-ADR cos.*)
Allianz AG AZ Insurance
Altana AG AAA Pharmaceuticals & Chemicals

BASF AG BF Chemicals
Bayer AG BAY Health Care
Celanese AG CZ Specialty Chemicals
DaimlerChrysler AG DCX Automotive/Transportation&S
Deutsche Bank AG DB Financial Services
Deutsche Telekom AG DT Telecommunications Svcs.
EON Holding Co./Multi-Industry
EPCOS AG EPC Passive Components Productio
Fresenius Medical Care AG FMS Medical Products
Fresenius Medical Care AG (PFD) FMSPR Medical Products
Infineon Technologies AG IFX Semiconductor Mfg./Mktg.
Pfeiffer Vacuum Technology AG PV Vacuum Technology
SAP AG SAP Computer Systems
Schering AG SHR Pharmaceuticals
SGL CARBON AG SGG Carbon/Graphite Products
Siemens AG SI Electrical Engineering & Elect

GHANA
Ashanti Goldfields Company Limited ASL Gold Mining & Exploration

GLOBAL
Shares S&P Global 100 Index Fund IOO Exchange Traded Fund

GREECE (*3 ADR / 2 non-ADR cos.*)
Coca-Cola Hellenic Bottling Company S.A. CCH Soft drink supplier
Hellenic Telecommunications Organization S.A. OTE Telecommunications Svcs.
National Bank of Greece S.A. NBG Banking
Stelmar Shipping Ltd. SJH Holding Co./Oil Tanker Mgmt
Tsakos Energy Navigation Limited*(TEN)* TNP Tanker Operations

GUERNSEY (*1 non-ADR co.*)
Amdocs Limited DOX Telecommunications Svcs.

HONG KONG, CHINA (*5 ADR / 3 non-ADR cos.*)
APT Satellite Holdings Limited*(APT)* ATS Holding Co./Satellite Telecomm
Asia Satellite Telecommunications Holdings Limited SAT Satellite Transponder
Brilliance China Automotive Holdings Limited CBA Holding Co./Minibus Mfg./Dist
China Mobile (Hong Kong) Limited CHL Mobile Telecommunications Sv
Global-Tech Appliances Inc. GAI Household Appliances
Nam Tai Electronics, Inc. *(Namtai)* NTE Electronics Design & Mfg.
PCCW Limited PCW Telecommunications Services
Tommy Hilfiger Corporation TOM Sportswear Design/Marketing

HUNGARY (*1 ADR co.*)
Magyar Távközlési Rt. *(MATÁV)* MTA Telecommunications

INDIA
HDFC Bank Limited HDB Banking Services
ICICI Bank Limited IBN Banking
Mahanagar Telephone Nigam Limited *(MTNL)* MTE Telecommunication Services
Satyam Computer Services Limited SAY Information Technology Svcs.
Videsh Sanchar Nigam Limited *(VSNL)* VSL Telecommunication Services
Wipro Limited WIT Information Technology Svcs.

INDONESIA (*2 ADR cos.*)
P.T. Indonesian Satellite Corporation IIT Telecommunication Services
P.T. Telekomunikasi Indonesia TLK Telecommunication Services

IRELAND
Allied Irish Banks, P.L.C. AIB Banking
Elan Corporation, plc ELN Pharmaceutical Mfg./Dist.
Governor and Company of the Bank of Ireland (The) IRE Banking

ISRAEL
Blue Square-Israel Ltd. BSI Retail/Supermarkets/Dept. Sto
Elscint Limited ELT Medical Technology Sys. Mfg.
Koor Industries Limited KOR Telecommunications/Electroni
Tefron Ltd. TFR Apparel Manufacture

ITALY
Benetton Group, S.p.A. BNG Clothing Manufacture/Mktg.
De Rigo S.p.A. DER Optical Supplies Mfg.
Ducati Motor Holding S.p.A. DMH Motorcycle Manufacture
ENEL SpA EN Electricity Generation
ENI S.p.A. E Oil/Gas Refining/Marketing
Fiat, S.p.A. FIA Automotive Manufacture
Fiat, S.p.A. (PFD) FIAPR Automotive Manufacture
Fiat, S.p.A. (PFD) FIAPRA Automotive Manufacture
Luxottica Group, S.p.A. LUX Eye Wear Design/Mfg.
Natuzzi, S.p.A. NTZ Residential Furniture Design/M
Sanpaolo IMI S.p.A. IMI Banking
Telecom Italia S.p.A. TI Telecommunication
Telecom Italia S.p.A. TIA Telecommunication
JAPAN
Advantest Corporation ATE Semiconductor Test Systems
Canon Inc. CAJ Office/Camera/Video Equip.
Hitachi, Ltd. HIT Electrical/Electronic Prods.
Honda Motor Co., Ltd. HMC Auto/Motorcycles
Konami Corporation KNM Entertainment/Gaming Software
Kubota Corporation KUB Agricultural Machinery
Kyocera Corporation KYO Electronic Components-Misc.
Matsushita Electric Industrial Co., Ltd. MC Electronic Products
Mitsubishi Tokyo Financial Group, Inc. MTF Holding Co./Banking

Nidec Corporation NJ Electronics Components
Nippon Telegraph and Telephone Corporation NTT Telecommunications
Nissin Co. Ltd. NIS Banking
Nomura Holdings, Inc. NMR Financial Services
NTT DoCoMo, Inc. DCM Mobile Communications
Orix Corporation IX Diversified Financial Svcs.
Pioneer Corporation PIO Consumer Electronics
Sony Corporation SNE Electronics/Entertainment
TDK Corporation TDK Computers-Memory Devices
Toyota Motor Corporation TM Automotive Manufacture

KOREA (*7 ADR cos.*)

Kookmin Bank KB Banking
Korea Electric Power Corporation KEP Utility
KT Corporation KTC Telecommunications Services
POSCO PKX Steel Production
Shinhan Financial Group Ltd. SHG Banking & Financial Services
SK Telecom Co., Ltd. SKM Telecommunications
Woori Finance Holdings Co., Ltd. WF Financial Holdings

LIBERIA

Royal Caribbean Cruises Ltd. RCL Cruise Lines

LUXEMBOURG

Espírito Santo Financial Group S.A. ESF Holding co./Financial
Tenaris S.A. TS Steel Manufacture

MEXICO

América Móvil, S.A. de C.V. AMX Wireless Communications Serv
Cemex S.A. de C.V. CX Holding Co./Cement Production
Coca-Cola FEMSA, S.A. de C.V. KOF Bottling/Soft Drinks Prod.
Controladora Comercial Mexicana, S.A. de C.V. MCM Holding Co./Retail/Restaurant
Corporación Durango, S.A. de C.V. CDG Integrated Container-board Pr
Desc, S.A. de C.V. DES Diversified Operations
Empresas ICA-Sociedad Controladora, S.A. de C.V. ICA Construction
Fomento Económico Mexicano, S.A. de C.V. *(FEMSA)* FMX Beverages/Packaging
Gruma S.A. de C.V. GMK Corn Flour/Tortilla Production
Grupo Aeroportuario del Sureste, S.A. de C.V. *(ASUR)* ASR Holding co./Airport Operation
Grupo Casa Saba, S.A. de C.V. SAB Pharmaceutical/Food Prod. Di 1
Grupo Elektra, S.A. de C.V. EKT Electronics/Appliances
Grupo Imsa, S.A. de C.V. (*IMSA*) IMY Steel Proc./Auto. Batteries/Con
Grupo Industrial Maseca, S.A. de C.V. MSK Corn Flour Production
Grupo Iusacell S.A. de C.V. CEL Wireless Telecommunications
Grupo Radio Centro, S.A. de C.V. RC Radio Broadcasting
Grupo Televisa, S.A. TV Media
Grupo TMM, S.A. TMM Multimodal Transportation
Industrias Bachoco, S.A. de C.V. (*Bachoco*) IBA Poultry Production

Internacional de Cerámica, S.A. de C.V. ICM Ceramic Tile Mfg./Dist.
Teléfonos de México, S.A. de C.V. TMX Telecommunication Svcs.
TV Azteca, S.A. TZA Television Broadcasting
Vitro, S.A. VTO Glass Products Mfg./Mktg.

NETHERLANDS (*18 DR / 2 non-DR cos.*)
ABN AMRO Holding N.V. ABN International Banking
Buhrmann NV BUH Business Supplies & Services
CNH Global N.V. CNH Argicultural Equip. Mfg./Mktg
Core Laboratories N.V. CLB Oil Field Services
EQUANT N.V. ENT Data Network Services
Gucci Group N.V. GUC Luxury Apparel
Head N.V. HED Sporting Goods Manufacture
ING Groep N.V. ING Hldg. Co./Diversified Fin. Svcs
Ispat International N.V. IST Holding Co./Steel Production
KLM Royal Dutch Airlines KLM Airline Services
Koninklijke Philips Electronics N.V. PHG Consumer Electronics
New Skies Satellites N.V. NSK Satellite Operation
Reed Elsevier NV ENL Publishing, Information Provis
Royal Ahold *(Ahold)* AHO Supermarket Chains Oper.
Royal Dutch Petroleum Company RD Oil/Gas Production
Royal KPN N.V. KPN Telecommunications/Postal
TPG N.V. TP Postal Services
Unilever N.V. UN Consumer Goods & Services
Van der Moolen Holding N.V. VDM International Trading-Market

NETHERLANDS ANTILLES
Schlumberger Limited SLB Oil/Gas Services/Electronics

NEW ZEALAND
Fletcher Challenge Forests Limited FFS Forestry
Fletcher Challenge Forests Limited FFSA Forestry
Telecom Corporation of New Zealand Limited NZT Telecommunications

NORWAY
Norsk Hydro A.S. NHY Industrial Co./Agriculture/Oil
Smedvig asa SMVA Offshore Drilling/Oil Svcs.
Smedvig asa SMVB Offshore Drilling/Oil Svcs.
Statoil ASA STO Oil and Gas

PANAMA
Banco Latinoamericano de Exportaciones, S.A *(Bladex)* BLX Banking
Willbros Group, Inc. WG Oil & Gas-Construction, Eng.

PERU
Compañía de Minas Buenaventura S.A. BVN Mining
Credicorp Ltd. BAP Holding Co./Financial Srvcs.
Telefónica del Perú S.A. TDP Telecommunications

PHILIPPINES
Philippine Long Distance Telephone Company PHI Telecommunications
Philippine Long Distance Telephone Company (PFD) PHIPRA Telecommunications

PORTUGAL
EDP - Electricidade de Portugal, S.A. EDP Electricity Production/Distrib.
Portugal Telecom. SGPS, S.A. PT Telecommunications/Multimed

COMMONWEALTH OF PUERTO RICO
Doral Financial Corporation DRL Diversified Financial Svcs
First BanCorp. FBP Banking
Oriental Financial Group, Inc. OFG Holding Co./Banking
R&G Financial Corporation RGF Financial Services
Santander BanCorp (Holding Company) SBP Banking
W Holding Company, Inc WHI Financial Services

RUSSIAN FEDERATION
A.O. Tatneft TNT Oil Exploration/Dev./Prod.
Mobile TeleSystems OJSC MBT Telecommunications Svcs.
OAO Rostelecom ROS Telecommunications Svcs.
Vimpel-Communications VIP Cellular Telecommunications
Wimm-Bill-Dann Foods OJSC WBD Juices & Dairy Products

SINGAPORE
China Yuchai International Limited CYD Holding Co./Diesel Engines Mf

SOUTH AFRICA
Anglogold Limited AU Gold Production
ASA Limited ASA Investments
Gold Fields Limited GFI Gold Production
Harmony Gold Mining Company Limited HMY Gold Production
Sappi Limited SPP Paper Production
Sasol Limited SSL Fuel and Chemical Operations
Telkom SA Limited TKG Telecommunications Svcs.

SPAIN
Banco Bilbao Vizcaya Argentaria, S.A. BBV Banking
Banco Santander Central Hispano S.A. STD Banking
BCH Capital Limited (PFD) CTHPRB Finance
Endesa S.A. ELE Electric Utility
Repsol YPF, S.A. REP Oil/Chemical/Gas Exploration
Repsol YPF, S.A. (PFD) REPPRA Oil/Chemical/Gas Exploration

Telefónica Móviles, S.A. TEM Mobile Communications
Telefónica S.A. TEF Telecommunications

SWITZERLAND *(9 ADR / 3 non-ADR cos.)*
ABB Ltd ABB Power and Automation Techno
Adecco SA ADO Staffing Services
Alcon, Inc. ACL Eye Care Products Res. & Dev
Ciba Specialty Chemicals Holding Inc. CSB Chemicals
Converium Holding AG CHR Reinsurance
Credit Suisse Group CSR Financial Services
Mettler-Toledo International Inc. MTD Precision Instruments Mfg.
Serono S.A. SRA Biotechnology
Swisscom AG SCM Telecommunications Svcs.
Syngenta AG SYT Agribusiness
UBS AG UBS Diversified Financial Services

TAIWAN
Advanced Semiconductor Engineering, Inc. *(ASE)* ASX Semiconductor Mfg. Services
AU Optronics Corp. AUO Liquid Crystal Display Panels
Chunghwa Telecom Co., Ltd. *(CHT)* CHT Telecommunications
Taiwan Semiconductor Manufacturing Company Ltd. *(TSMC)* TSM Semiconductor Manufacture
United Microelectronics Corporation *(UMC)* UMC Semiconductor Foundry

TURKS AND CAICOS (*1 PFD.-only co.*)
Capital Re LLC (PFD) ACEPRB Finance

TURKEY
Turkcell Iletisim Hizmetleri A.S. TKC Mobile Voice and Data Service

UNITED KINGDOM (*48 common ADR / 3 PFD. ADR / 1 PFD.-only cos.*)
Abbey National plc (PFD) ANBPRB Banking
Allied Domecq PLC AED Wine and Spirits
Amersham plc AHM Medical Diagnostics/Life Scien
AMVESCAP PLC AVZ Investment Management
AstraZeneca PLC AZN Pharmaceuticals
Barclays Bank PLC BCS Banking
BG Group plc BRG Natural Gas Services
BHP Billiton plc BBL Mining
BOC Group plc (The) BOX Ind. Gasses/Vacuum Tech./Dis
BP p.l.c. BP Oil,Gas/Solar Power/Petrochem
British Airways Plc BAB Airline Services
British Energy plc BGY Electricity Generation
British Sky Broadcasting Group Plc *(BSkyB)* BSY Broadcasting Services
BT Group plc BTY Holding Co./Voice and Data Se
Bunzl PLC BNL Consumer Prods. Mfg./Dist.
Cable and Wireless Plc CWP Telecommunications

Cadbury Schweppes plc CSG Beverage/Confectionary Prod. Carlton Communications PLC (PFD) CCMPR Communications Carnival plc CUK Cruise Ships Operation Celltech Group plc CLL Pharmaceuticals Corus Group plc CGA Steel Manufacture/Dist. Diageo plc DEO Consumer Goods Enodis plc ENO Food Equipment Solutions Gallaher Group Plc GLH Tobacco Manufacture GlaxoSmithKline plc GSK Research-based Pharmaceutica Hanson PLC (Holding Company) HAN Mining/Non-metallic Minerals HSBC Holdings plc HBC Banking and Financial Service Imperial Chemical Industries PLC ICI Industrial Chemicals Mfg. Imperial Tobacco Group Plc ITY Tobacco Products Manufactur InterContinental Hotels Group plc IHG Brewing/Hotel Operation International Power PLC IPR Holding co./Electricity Genera Lloyds TSB Group plc LYG Financial Services Mitchells & Butlers plc MLB Pubs, Bars & Restaurants Ope mmO2 plc OOM Telecommunications National Grid Transco plc NGG Electricity Generation National Westminster Bank Plc (PFD) NWXPRA Banking National Westminster Bank Plc (PFD) NWPRC Banking Premier Farnell plc PFP Electronic Components Dist. Premier Farnell plc (PFD) PFPPR Electronic Components Dist. Prudential Public Limited Company PUK Insurance Reed Elsevier PLC RUK Holding Co./Publishing/Info. Rio Tinto Plc RTP Mining Royal & SunAlliance Insurance Group plc RSA Insurance Royal Bank of Scotland Group plc (The) (PFD) RBSPRD Banking Royal Bank of Scotland Group plc (The) (PFD) RBSPRE Banking U.K. Royal Bank of Scotland Group plc (The) (PFD) RBSPRF Banking (*cont'd* .) Royal Bank of Scotland Group plc (The) (PFD) RBSPRG Banking Royal Bank of Scotland Group plc (The) (PFD) RBSPRH Banking Royal Bank of Scotland Group plc (The) (PFD) RBSPRI Banking Royal Bank of Scotland Group plc (The) (PFD) RBSPRJ Banking Royal Bank of Scotland Group plc (The) (PFD) RBSPRK Banking Scottish Power plc SPI Electricity Generation/Dist. Shell Transport and Trading Company, P.L.C. (The) SC Oil/Gas Exploration/Dist. Smith & Nephew plc SNN Healthcare Spirent plc SPM Network Technology Tomkins PLC TKS Industrial Management Unilever PLC UL Consumer Goods & Services United Utilities PLC UU Holding Co./Utility Svcs. Vodafone Group Plc VOD Mobile Telecommunications Wolseley plc WOS Building Materials Distribution

<u>VENEZUELA</u> Compañía Anónima Nacional Teléfonos de Venezuela *CANTV*) VNT Telecommunications Svcs.

(Source: New York Stock Exchange 2004a)

APPENDIX 2: NON-UK COMPANIES LISTED ON THE LONDON STOCK EXCHANGE 31-MAR-04

Company	Country of Origin
1 MIRGOR S.A.COMERC INDUST FINANC	Argentina
2 ANSELL	Australia
3 BHP BILLITON LIMITED	Australia
4 CASH CONVERTERS INTERNATIONAL	Australia
5 CENTAMIN EGYPT	Australia
6 CLOVER CORP	Australia
7 COLES MYER	Australia
8 CONSOLIDATED MINERALS	Australia
9 DWYKA DIAMONDS	Australia
10 FOSTERS GROUP	Australia
11 GYMPIE GOLD	Australia
12 HARDMAN RESOURCES NL	Australia
13 MURCHISON UNITED NL	Australia
14 NATIONAL AUSTRALIA BANK	Australia
15 NETWORK LTD	Australia
16 NEW MILLENNIUM RESOURCES NL	Australia
17 NEWS CORPORATION	Australia
18 PORTMAN	Australia
19 RAZORBACK VEHICLES CORP	Australia
20 REEFTON MINING NL	Australia
21 ST BARBARA MINES	Australia
22 VIROTEC INTERNATIONAL	Australia
23 ARAB INSURANCE GROUP(ARIG)	Bahrain
24 SUNBEACH COMMUNICATIONS INC	Barbados
25 CARLISLE HLDGS LTD Belize	(British Honduras)
26 ACQUISITOR HLDGS(BERMUDA)	Bermuda
27 ALEA GROUP HLDGS(BERMUDA)	Bermuda
28 AQUARIUS PLATINUM LIMITED	Bermuda
29 BENFIELD GROUP	Bermuda
30 BIL INTERNATIONAL	Bermuda
31 BOLTON GROUP(INTERNATIONAL)	Bermuda
32 CATHAY INTERNATIONAL HLDGS LTD	Bermuda
33 CROWN CORP	Bermuda
34 DAIRY FARM INTERNATIONAL HLDGS	Bermuda
35 DIMENSION RESOURCES	Bermuda
36 DRESDNER RCM ORIENTAL INCOME FD LD	Bermuda
37 ESPRIT HLDGS	Bermuda
38 FRONTLINE LTD	Bermuda
39 GRIFFIN MINING	Bermuda
40 HONG KONG LAND HLDGS	Bermuda
41 JARDINE MATHESON HLDGS	Bermuda
42 JARDINE STRATEGIC HLDGS	Bermuda
43 MANDARIN ORIENTAL INTERNATIONAL	Bermuda
44 OCEAN WILSONS HLDGS	Bermuda
45 PETRA DIAMONDS	Bermuda
46 VTECH HLDGS	Bermuda
47 WORLDSEC	Bermuda
48 ZAMBIA COPPER INVESTMENTS	Bermuda
49 CORVUS CAPITAL INC	British Virgin Islands
50 GAM DIVERSITY III INC	British Virgin Islands
51 GAM DIVERSITY INC	British Virgin Islands

52 SEFTON RESOURCES INC	British Virgin Islands
53 ALCAN INC Canada	
54 AMERICA MINERAL FIELD INC	Canada
55 ANTRIM ENERGY INC	Canada
56 BANK OF NOVA SCOTIA	Canada
57 BARRICK GOLD CORP	Canada
58 BEMA GOLD CORP	Canada
59 BRAZILIAN DIAMONDS LTD	Canada
60 CALGARY & EDMONTON RAILWAY CO	Canada
61 CANADIAN GENERAL INVESTMENTS	Canada
62 CANADIAN OVERS PACK INDUSTR	Canada
63 CANADIAN PACIFIC RAILWAYS	Canada
64 CENTURION ENERGY INTERNATIONAL INC	Canada
65 CRYPTOLOGIC INC	Canada
66 FIRST CALGARY PETROLEUMS	Canada
67 FIRST QUANTUM MINERALS	Canada
68 INCO	Canada
69 LIONORE MINING INTERNATIONAL	Canada
70 MANO RIVER RESOURCES INC	Canada
71 NEW BRUNSWICK RAILWAY CO	Canada
72 OILEXCO INC	Canada
73 PETROKAZAKHSTAN INC	Canada
74 REPUBLIC GOLDFIELDS INC	Canada
75 SOUTHERNERA RESOURCES	Canada
76 ST LAWRENCE & OTTAWA RAILWAY CO	Canada
77 THISTLE MINING INC	Canada
78 TURBO GENSET INC	Canada
79 YAMANA GOLD INC	Canada
80 YM BIOSCIENCES INC	Canada
81 ANGLO IRISH CAPITAL FUNDING	Cayman Islands
82 BANK OF IRELAND GLOBAL FUNDS	Cayman Islands
83 BBVA CAPITAL FUNDING	Cayman Islands
84 BCH EUROCAPITAL	Cayman Islands
85 BES OVERSEAS	Cayman Islands
86 BPI CAPITAL FINANCE	Cayman Islands
87 BSCH FINANCE	Cayman Islands
88 CZECH & SLOVAK INVESTMENT CORP INC	Cayman Islands
89 HSBC CHINA FUND	Cayman Islands
90 LIQUIBAER JULIUS BAER USD FUND	Cayman Islands
91 METAGE SPECIAL EMERGING MKTS FD	Cayman Islands
92 SIAM INVESTMENT FUND	Cayman Islands
93 THAILAND INTERNATIONAL FUND	Cayman Islands
94 VIETNAM OPPORTUNITY FUND	Cayman Islands
95 BANCO DE CHILE	Chile
96 BEIJING DATANG POWER GENERATION	China
97 CHINA PETROLEUM & CHEMICAL CORP	China
98 JIANGXI COPPER CO	China
99 ZHEJIANG EXPRESSWAY CO	China
100 ZHEJIANG SOUTHEAST ELECTRIC POWER	China
101 PLIVA D.D.	Croatia
102 BANK OF CYPRUS	Cyprus
103 CESKE RADIOKOMUNIKACE	Czech Republic
104 CESKY TELECOM A.S.	Czech Republic
105 KOMERCNI BANKA	Czech Republic
106 ESV A/S	Denmark
107 NOVO-NORDISK AS	Denmark
108 COMMERCIAL INTL BANK(EGYPT)S.A.E	Egypt

109 EFG HERMES HLDGS	Egypt
110 EL EZZ STEEL REBARS S.A.E.	Egypt
111 MISR INTERNATIONAL BANK	Egypt
112 ORASCOM CONSTRUCTIONS INDUSTRY	Egypt
113 ORASCOM TELECOM HLDGS S.A.E.	Egypt
114 PAINTS & CHEMICAL INDUSTRIES	Egypt
115 SUEZ CEMENT CO	Egypt
116 EESTI TELEKOM	Estonia
117 AMER GROUP	Finland
118 COMPAGNIE DE ST-GOBAIN	France
119 DANONE	France
120 EURO DISNEY S.C.A.	France
121 ORANGE SA	France
122 TOTAL S.A	France
123 ALLIANZ AG	Germany
124 BASF AG	Germany
125 BAYER AG	Germany
126 BKN INTERNATIONAL AG	Germany
127 COMMERZBANK AG	Germany
128 DEUTSCHE BANK AG	Germany
129 SIEMENS AG	Germany
130 THYSSENKRUPP AG	Germany
131 VOLKSWAGEN AG	Germany
132 ASHANTI GOLDFIELDS CO	Ghana
133 ALPHA BANK A E	Greece
134 BANK OF GREECE	Greece
135 COCA-COLA HBC S.A.	Greece
136 COSMOTE MOBILE TELECOMMUNICATIONS	Greece
137 HELLENIC PETROLEUM SA	Greece
138 HELLENIC TELECOM.ORGANIZATION S.A.	Greece
139 NATIONAL BANK OF GREECE	Greece
140 PUBLIC POWER CORP S.A.	Greece
141 STRINTZIS LINES SHIPPING S.A.	Greece
142 VODAFONE-PANAFON HELLENIC TEL CO SA	Greece
143 BORSODCHEM RT.	Hungary
144 SYNERGON INFORMATION SYSTEMS	Hungary
145 TISZAI VEGYI KOMBINAT RT	Hungary
146 ZALAKERAMIA RESZVENYTARSASAG	Hungary
147 ASHOK LEYLAND	India
148 BAJAJ AUTO	India
149 CESC	India
150 CROMPTON GREAVES	India
151 EIH	India
152 GAIL(INDIA)	India
153 HEXAWARE TECHNOLOGIES LD	India
154 HIMACHAL FUTURISTIC COMMUNICATIONS	India
155 INDIAN HOTELS CO(THE)	India
156 J.K.CORP	India
157 RAYMOND	India
158 RELIANCE ENERGY	India
159 SIEL	India
160 SSI	India
161 STATE BANK OF INDIA	India
162 STEEL AUTHORITY OF INDIA	India
163 TATA TEA	India
164 PT TAMBANG TIMAH(PERSERO)	Indonesia
165 TELEKOMUNIKASI INDONESIA(PERSERO)	Indonesia

166	BANK HAPOALIM B.M.	Israel
167	BATM ADVANCED COMMUNICATIONS	Israel
168	DMATEK	Israel
169	EMBLAZE	Israel
170	ORAD HI TEC SYSTEMS	Israel
171	PARTNER COMMUNICATIONS CO	Israel
172	PILAT TECHNOLOGIES INTERNATIONAL	Israel
173	SELECTOR	Israel
174	TECHNOPLAST INDUSTRIES	Israel
175	XTL BIOPHARMACEUTICALS	Israel
176	ALL NIPPON AIRWAYS CO	Japan
177	AUTOBACS SEVEN CO	Japan
178	DAIWA SECURITIES GROUP	Japan
179	FUJITSU	Japan
180	HONDA MOTOR CO	Japan
181	KAJIMA CORP	Japan
182	KIRIN BREWERY CO	Japan
183	KONAMI CORP	Japan
184	MARUWA CO LTD	Japan
185	MITSUBISHI CORP	Japan
186	MITSUBISHI ELECTRIC CORP	Japan
187	MITSUBISHI TOKYO FINANCIAL GROUP	Japan
188	NEC CORP	Japan
189	NIPPON TEL & TEL CORP	Japan
190	NTT DOCOMO INC	Japan
191	SONY CORP	Japan
192	SUMITOMO TRUST & BANKING CO	Japan
193	TAKEFUJI CORPORATION	Japan
194	TDK CORP	Japan
195	TORAY INDUSTRIES INC	Japan
196	TOSHIBA CORP	Japan
197	TOYOTA MOTOR CORP	Japan
198	UFJ HLDGS	Japan
199	ARAB POTASH CO	Jordan
200	JSC KAZKOMMERTSBANK	Kazakhstan
201	KAKUZI	Kenya
202	BANQUE AUDI SAL	Lebanon
203	LEBANESE CO FOR DEV&REC OF BEIRUT	Lebanon
204	AB LIETUVOS TELEKOMAS	Lithuania
205	BRAIT	Luxembourg
206	EGYPT TRUST	Luxembourg
207	ESPIRITO SANTO FINANCIAL GROUP SA	Luxembourg
208	MONTEAGLE HLDGS	Luxembourg
209	WORLD TRUST FUND	Luxembourg
210	PRESS CORP	Malawi
211	HIGHLANDS & LOWLANDS BERHAD	Malaysia
212	KUALA LUMPUR KEPONG BERHAD	Malaysia
213	RIVERVIEW RUBBER ESTATES BERHAD	Malaysia
214	MALTACOM	Malta
215	BANQUE MAROCAINE DU COMM EXTERIEUR	Morocco
216	EATON FINANCE NV	Netherland Antilles
217	RORENTO NV	Netherland Antilles
218	SCHLUMBERGER	Netherland Antilles
219	ABN-AMRO HLDGS NV	Netherlands
220	AEGON NV	Netherlands
221	EUROPEAN ASSETS TRUST NV	Netherlands
222	GENFINANCE NV	Netherlands

223 HASLEMERE NV	Netherlands
224 INDOCAM HIMALAYAN FUND NV	Netherlands
225 KONINKLIJKE KPN NV	Netherlands
226 ROBECO NV	Netherlands
227 ROLINCO NV	Netherlands
228 ROYAL DUTCH PETROLEUM CO NV	Netherlands
229 TPG NV	Netherlands
230 HAFSLUND ASA	Norway
231 NORSK HYDRO ASA	Norway
232 BANCO LATINOAMERICANO DE EXPORT SA	Panama
233 AGORA	Poland
234 BANK MILLENNIUM S.A.	Poland
235 BANK PEKAO SA	Poland
236 BANK PRZEMYSLOWO-HANDLOWY PBK S.A.	Poland
237 EUROPEJSKI FUNDUSZ LEASINGOWY	Poland
238 KGHM POLSKA MIEDZ	Poland
239 POLSKI KONCERN NAFTOWY ORLEN SA	Poland
240 PROKOM SOFTWARE SA	Poland
241 TELEKOMUNIKACJA POLSKA	Poland
242 QATAR TELECOM	Qatar
243 ABBEY	Republic of Ireland
244 ACM EUROPEAN ENHANCED INCOME FUND	Republic of Ireland
245 ALLIED IRISH BANKS	Republic of Ireland
246 ALLTRACEL PHARMACEUTICALS	Republic of Ireland
247 AMINEX	Republic of Ireland
248 ANGLO IRISH BANK CORP	Republic of Ireland
249 ARCON INTERNATIONAL RESOURCES	Republic of Ireland
250 BANK OF IRELAND(GOVERNOR & CO OF)	Republic of Ireland
251 BARLO GROUP	Republic of Ireland
252 CELTIC RESOURCES HLDGS	Republic of Ireland
253 CLOSE FTSE 100 INCOME & GROWTH FUND	Republic of Ireland
254 CONROY DIAMONDS & GOLD	Republic of Ireland
255 CPL RESOURCES	Republic of Ireland
256 CRH	Republic of Ireland
257 DCC	Republic of Ireland
258 DRAGON OIL	Republic of Ireland
259 ELAN CORP	Republic of Ireland
260 EUROPEAN EXCHANGE-TRADED FUND CO	Republic of Ireland
261 F.B.D.HLDGS	Republic of Ireland
262 FORTFIELD INVESTMENTS	Republic of Ireland
263 FYFFES	Republic of Ireland
264 GLANBIA	Republic of Ireland
265 GRAFTON GROUP	Republic of Ireland
266 GREENCORE GROUP	Republic of Ireland
267 GRESHAM HOTEL GROUP	Republic of Ireland
268 HEITON GROUP	Republic of Ireland
269 HORIZON TECHNOLOGY GROUP	Republic of Ireland
270 IAWS GROUP	Republic of Ireland
271 IFG GROUP	Republic of Ireland
272 INDEPENDENT NEWS & MEDIA	Republic of Ireland
273 INVESCO ASIANET FUND	Republic of Ireland
274 IRISH CONTINENTAL GROUP	Republic of Ireland
275 IRISH LIFE & PERMANENT	Republic of Ireland
276 ISHARES	Republic of Ireland
277 IWP INTERNATIONAL	Republic of Ireland
278 JURYS DOYLE HOTEL GROUP	Republic of Ireland
279 KENMARE RESOURCES	Republic of Ireland

280 KERRY GROUP	Republic of Ireland
281 KINGSPAN GROUP	Republic of Ireland
282 LATIN AMERICAN EXTRA YIELD FUND	Republic of Ireland
283 MCINERNEY HLDGS	Republic of Ireland
284 MERRILL LYNCH DEFINED RETURNS	Republic of Ireland
285 MERRILL LYNCH DEFINED RETURNS II	Republic of Ireland
286 MERRILL LYNCH JAPAN ENHANCED PERFM	Republic of Ireland
287 MINCO	Republic of Ireland
288 NORISH	Republic of Ireland
289 OAKHILL GROUP	Republic of Ireland
290 PADDY POWER	Republic of Ireland
291 PETREL RESOURCES	Republic of Ireland
292 PETROCELTIC INTERNATIONAL	Republic of Ireland
293 PREMIER PACIFIC INCOME FUND	Republic of Ireland
294 QUALCERAM SHIRES	Republic of Ireland
295 REFLEX GROUP	Republic of Ireland
296 RYANAIR HLDGS	Republic of Ireland
297 THIRDFORCE	Republic of Ireland
298 UNIDARE	Republic of Ireland
299 UNITED DRUG	Republic of Ireland
300 WATERFORD WEDGWOOD/WATERFORD WED UK	Republic of Ireland
301 BANCA TURCO ROMANA SA	Romania
302 AO TATNEFT	Russia
303 GAZPROM	Russia
304 LUKOIL OAO	Russia
305 UTD HEAVY MACHINERY URALMASH-IZHORA	Russia
306 THAI PRIME FUND	Singapore
307 ABSA GROUP	South Africa
308 AECI	South Africa
309 ANGLO AMERICAN PLATINUM CORP (1997)	South Africa
310 ANGLOGOLD	South Africa
311 ANGLOVAAL MINING	South Africa
312 BARLOWORLD	South Africa
313 DURBAN ROODEPOORT DEEP	South Africa
314 GOLD FIELDS	South Africa
315 HARMONY GOLD MINING CO	South Africa
316 IMPALA PLATINUM HLDGS	South Africa
317 LIBERTY GROUP	South Africa
318 METOREX	South Africa
319 NEDCOR	South Africa
320 SAPPI	South Africa
321 SIMMER & JACK MINES	South Africa
322 STILFONTEIN GOLD MINING CO	South Africa
323 TONGAAT-HULETT GROUP	South Africa
324 WOOLWORTHS HLDGS	South Africa
325 CHO HUNG BANK	South Korea
326 HANA BANK	South Korea
327 HYUNDAI MOTOR CO	South Korea
328 KT CORP	South Korea
329 LG CHEM	South Korea
330 LG ELECTRONICS INC	South Korea
331 MANDO MACHINERY CORP	South Korea
332 POSCO	South Korea
333 SAMSUNG ELECTRONICS CO	South Korea
334 SK TELECOM	South Korea
335 BANCO BILBAO VIZCAYA ARGENTARIA SA	Spain
336 BBVA INTERNATIONAL	Spain

337 TELEFONICA SA	Spain
338 ATLAS COPCO AB	Sweden
339 ELECTROLUX AB	Sweden
340 SANDVIK AB	Sweden
341 SKANDIA INSURANCE CO	Sweden
342 SKF AB	Sweden
343 SVENSKA CELLULOSA AB-SCA	Sweden
344 TELEFONAKTIEBOLAGET LM ERICSSON	Sweden
345 VOLVO(AB)	Sweden
346 ABB LTD	Switzerland
347 ALTIN AG	Switzerland
348 GENERICS GROUP AG	Switzerland
349 NESTLE SA	Switzerland
350 ZURICH FINANCIAL SERVICES	Switzerland
351 ACER INC	Taiwan
352 ASIA CEMENT CORP	Taiwan
353 ASUSTEK COMPUTER INC	Taiwan
354 EVERGREEN MARINE CORP(TAIWAN)	Taiwan
355 FORMOSA FUND	Taiwan
356 FUBON FINANCIAL HLDGS CO	Taiwan
357 HON HAI PRECISION INDUSTRY	Taiwan
358 LITE-ON TECHNOLOGY CORP	Taiwan
359 SUNPLUS TECHNOLOGY	Taiwan
360 TAIPEI FUND	Taiwan
361 TECO ELECTRIC & MACHINERY CO	Taiwan
362 YANGMING MARINE TRANSPORT CORP	Taiwan
363 BANQUE INTER ARABE TUNISIE	Tunisia
364 EFES SINAI YATIRIM HLDGS A.S.	Turkey
365 FINANSBANK	Turkey
366 TURK EKONOMI BANKASI AS	Turkey
367 TURKIYE GARANTI BANKASI	Turkey
368 TURKIYE IS BANKASI	Turkey
369 TURKIYE PETROL RAFINERILERI A.S.	Turkey
370 UZEL MAKINA SANAYI	Turkey
371 VESTEL ELEKTRONIK SANAYI VE TICARET	Turkey
372 YAPI VE KREDI BANKASI A.S.	Turkey
373 ABBOTT LABORATORIES	USA
374 AKERS BIOSCIENCES INC	USA
375 ALCOA INC	USA
376 ALTRIA GROUP INC	USA
377 AMERICAN EXPRESS CO	USA
378 AMERICAN INTERNATIONAL GROUP INC	USA
379 AMERICAN MEDICAL INTERNATIONAL INC	USA
380 ANHEUSER-BUSCH COS INC	USA
381 AT&T CORP	USA
382 BANCA LOMBARDA PREFERRED SECURITIES	USA
383 BANK OF AMERICA CORP	USA
384 BELLSOUTH CORP	USA
385 BOEING CO	USA
386 BOWATER INC	USA
387 BRUNSWICK CORP	USA
388 CATERPILLAR INC	USA
389 CEVA INC	USA
390 CLEAN DIESEL TECHNOLOGIES INC	USA
391 COLGATE-PALMOLIVE CO	USA
392 CSX CORP	USA
393 DOW CHEMICAL CO	USA

394 ELECTRONIC DATA SYSTEMS CORP	USA
395 EXXON MOBIL CORP	USA
396 FORD MOTOR CO	USA
397 FORTUNE BRANDS INC	USA
398 FRANKLIN RESOURCES INC	USA
399 GENERAL ELECTRIC CO.	USA
400 GENERAL MOTORS CORP	USA
401 HERCULES INC	USA
402 HONEYWELL INTERNATIONAL INC	USA
403 INTERNATIONAL BUS MACH CORP	USA
404 INVU INC	USA
405 ITT INDUSTRIES INC	USA
406 IVAX CORP	USA
407 JP MORGAN CHASE & CO	USA
408 KERYX BIOPHARMACEUTICALS	USA
409 LILLY(ELI)& CO	USA
410 MARSH & MCLENNAN COS INC	USA
411 MARSHALL EDWARDS INC	USA
412 MERRILL LYNCH & CO INC	USA
413 MOLEX INC	USA
414 MUSEDIA CORP	USA
415 OCEAN POWER TECHNOLOGIES	USA
416 PFIZER INC	USA
417 QUARTO GROUP INC	USA
418 ROCKWELL AUTOMATION INC	USA
419 SARA LEE CORP	USA
420 SEARS ROEBUCK & CO	USA
421 SKY CAPITAL HLDGS	USA
422 SOTHEBY'S HLDGS INC	USA
423 TENNECO AUTOMOTIVE INC	USA
424 TORCHMARK CORP	USA
425 TRANXENOGEN INC	USA
426 UNISYS CORP	USA
427 UNITED TECHNOLOGIES CORP	USA
428 VERIZON COMMUNICATIONS	USA
429 WEST 175 MEDIA GROUP INC	USA
430 XEROX CORP	USA
431 ZCCM INVESTMENTS HLDGS	Zambia
432 MEIKLES AFRICA	Zimbabwe

(Source: London Stock Exchange 2004)

APPENDIX 3 KAYE AND YUWONO (2002) DIVERSIFIED COMPANIES

Company	Country	company	country
Bidvest Group	South Africa	Onex	Canada
Fimalac	France	ITC	India
Spotless Group	Australia	General Electric	U.S.A
Westfarmers	Australia	Berkshire Hathaway	U.S.A
Hutchison Whamp.	Hong Kong	Champion Ents.	U.S.A
Futuris Corp.	Australia	Leucadia Nat.	U.S.A
Bouygues	France	Gcarso 'A1'	Mexico
China Res. Entrep.	Hong Kong	Industrivarden	Sweden
Lagardère	France	Viad	U.S.A
Orkla	Norway	Dover	U.S.A
Wendel Investissement	France	Textron	U.S.A.
Citic Pacific	Hong Kong	Southern	U.S.A
Pentair	U.S.A	Hagemeyer	Netherlands
Sears Roebuck	U.S.A	Ackermans	Belgium
Pinnacle West	U.S.A	Alfa A	Mexico
Griffon Corp.	U.S.A	Barloworld	South Africa
Wash. H Soul	Australia	3 M Co.	U.S.A
Bolton Group	Luxemberg	Northwestern	U.S.A
Tyco Intl.	U.S.A	Allete	U.S.A
Unaxis Holding	Switzerland	Pirelli Spa	Italy
Norsk Hydro	Norway	Suez	France
Vivendi Universal	France	Federal Signal	U.S.A
Wharf Hdg.	Hong Kong	Fortune Brands	U.S.A
Johnnic Hdg.	South Africa	Swire Pacific	Hong Kong
Brascan Finl.	Canada	Bollore	France
First Pacific	Hong Kong	Immobilien	Germany
Tomkins	UK	Sime Darby	Malaysia
CSR	Australia	Loews	U.S.A
Valhi	U.S.A	Olin	U.S.A
Raytheon New	U.S.A	Ayala	Philippines
Jardine Mtsn.	Hong Kong	Valora R	Switzerland
Linde	Germany	Italmobiliare	Italy
Ifil	Italy	Rank Group	U.K.
Mitsui	Japan	CIR	Italy
Harpen	Germany	Ngk Insulators	Japan
Sumitomo	Japan	Cycle & Carriage	Singapore
Trelleborg B	Sweden	Matsushita Elec.	Japan
Ostasiatiske	Denmark	Itochu	Japan
Mitsubishi	Japan	New World Dev.	Hong Kong
United Industrial	Singapore	Samsung Corp.	Korea
Guangdong	Hong Kong	Kanebo	Japan
Marubeni	Japan	Ansell	Australia
Hopewell Hdg.	Hong Kong	MG Technologies	Germany
Kanematsu	Japan	Tomen	Japan

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