



CORPORATE FINANCIAL DISCLOSURE - A COMPARATIVE CASE STUDY OF PRIVATE AND PUBLIC SECTOR UNDERTAKINGS

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This study examines the disclosure practices followed by Indian companies both in private and public sectors. The author concludes that there has been an increase in disclosure practices by the sample companies over time, the the public sector is more informative than the private one on both quantitative and qualitative bases.

I. BACKDROP

The Corporate Financial Disclosure is a subject of great importance to the various users groups like shareholders, investors, industrialists, legislators, government regulatory bodies, employees, accounting professional and managers. It provides quantitative and qualitative information about an economic entity and is intended to be useful in making economic decisions involving alternative courses of actions. The Indian Companies Act, 1956 sets forth guidelines for the preparation of corporate financial reports, viz. Profit and Loss Account and Balance Sheet. Now-a-days the corporate report also includes non-statutory information such as financial history, statement of

changes in financial positions, current cost accounting, human resource accounting, social accounting, accounting policies etc.

The study aims at the following :

- (i) Examination of the extent of disclosure in selected public and private sector undertakings.
- (ii) Measurement of the degree of increase/decrease in the disclosure practices of companies over time.
- (iii) Comparison of the disclosures in the public and the private sectors.
- (iv) Suggestion of the ways to improve disclosures to keep pace with the changing times.

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II. SAMPLE

The present research concentrates on ten award winning companies — five from public sector and five from private sector for a period of five years from 1995-96 to 1999-2000. The selection of the above sample is primarily based on the availability of annual reports of the research period. The companies selected for study are as follows :

PUBLIC SECTOR

- (i) Bharat Heavy Electricals Ltd. (BHEL)
- (ii) The Minerals and Metals Training Corporation of India (MMTC)
- (iii) Cement Corporation of India (CCI)
- (iv) Oil India Ltd. (OIL)
- (v) Steel Authority of India Ltd. (SAIL)

PRIVATE SECTOR

- (i) Hindustan Lever Ltd. (HLL)
- (ii) Tata Iron & Steel Company Ltd. (TISCO)
- (iii) Infosys Technological Ltd. (Infosys)
- (iv) Escort Ltd.
- (vi) Hero Honda Ltd.

III. RESEARCH METHODOLOGY

For the purpose of this study, both primary and secondary data have been used. The main data, however, is secondary in character and was collected from the Annual Reports of the selected companies and other published documents. Direct personal

investigation method was also followed to supplement the shortcoming of the secondary data. To collect the secondary data, a suitable schedule of disclosure consisting of 65 items was prepared. The selection of the various items for of the schedule was based on the following grounds :

- (i) Criteria laid down by ICAI for selecting the best presented published accounts as given in Appendix A.
- (ii) Guidelines laid down by the Bureau of Public Enterprises (BPE) regarding the preparation of the Annual Report.
- (iii) Discussion with some Chartered Accountants and company officials.

For effective analysis of the data, the items of the schedule were classified into the following four main heads:

- (A) Information Relating to Accounting and Finance (40 items).
- (B) Information Relating to production, Marketing and Research and Development (6 items).
- (C) Information Relating to Personnel and Labour Relations (7 items).
- (D) General Information (12 items).

IV. ANALYSIS OF DATA AND DISCUSSION :

The data have been analysed by

applying the following statistical techniques :

- (i) Simple arithmetic mean (X).
- (ii) Simple percentage (%).
- (iii) Variance analysis (both one - way

(ANOVA) and two-ways classification model.

The disclosure schedule exhibited through Table -1 and Table - 2 show the disclosure practices of public sector and private sector undertaking respectively.

Table — 1
Disclosure Schedule of Public Sector

Sr.No.	Name of Items	1995-96	1996-97	1997-98	1998-99	1999-2000	Mean of %
A. Information Relating to Accounting Area							
1.	Balance Sheet	5(100)	5(100)	5(100)	5(100)	5(100)	100
2.	Profit and Loss Account	5(100)	5(100)	5(100)	5(100)	5(100)	100
3.	Particulars of Fixed assets	5(100)	5(100)	5(100)	5(100)	5(100)	100
4.	Particulars of Intangible Assets	1(20)	1(20)	1(20)	1(20)	1(20)	20
5.	Method Used for Depreciation	5(100)	5(100)	5(100)	5(100)	5(100)	100
6.	Depreciation Policy	5(100)	5(100)	5(100)	5(100)	5(100)	100
7.	Non-Operating Income and Expenditure	5(100)	5(100)	5(100)	5(100)	5(100)	100
8.	Investment	5(100)	5(100)	5(100)	5(100)	5(100)	100
9.	Market Value of Investment	1(20)	1(20)	1(20)	1(20)	1(20)	20
10.	Segmented Disclosure	5(100)	5(100)	5(100)	5(100)	5(100)	100
11.	Provisions for Doubtful Debts	4(80)	4(80)	4(80)	4(80)	4(80)	4(80)
12.	Details of Reserve and Surplus	5(100)	5(100)	5(100)	5(100)	5(100)	100
13.	Capital Expenditure for the Year	3(60)	4(80)	4(80)	2(40)	2(40)	60
14.	Capital Expenditure for Future	00(00)	00(00)	00(00)	00(00)	00(00)	00
15.	Method of Valuation of Inventories	5(100)	5(100)	5(100)	5(100)	5(100)	100

Table 1: (Contd.)

16.	Break-up of Inventories	5(100)	5(100)	5(100)	5(100)	5(100)	100
17.	Net - Worth	5(100)	5(100)	5(100)	5(100)	5(100)	100
18.	Contingent Liabilities	5(100)	5(100)	5(100)	5(100)	5(100)	100
19.	Accounting Liabilities	5(100)	5(100)	5(100)	5(100)	5(100)	100
20.	Distribution of Revenue	1(20)	1(20)	1(20)	1(20)	1(20)	20
21.	Sources and Uses of Funds	5(100)	5(100)	5(100)	5(100)	5(100)	100
22.	Cash-flow Statement	2(40)	2(40)	5(100)	5(100)	5(100)	76
23.	Cash-flow Projection	1(20)	1(20)	1(20)	1(20)	1(20)	20
24.	Prior Period Adjustment	5(100)	5(100)	5(100)	5(100)	5(100)	100
25.	Historical Data	5(100)	5(100)	5(100)	5(100)	5(100)	100
26.	Social Accounting	2(40)	2(40)	2(40)	2(40)	2(40)	40
27.	Human Resource Accounting	2(40)	3(60)	4(80)	4(80)	4(80)	68
28.	Influence Adjusted Accounting	2(40)	2(40)	2(40)	2(40)	2(40)	40
29.	Value Added Statements	5(100)	5(100)	5(100)	5(100)	5(100)	100
30.	Highlights for the Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
31.	Ratio of Gross Profit to Sales	1(20)	1(20)	1(20)	1(20)	1(20)	20
32.	Ratio of Net Profit to Sales	1(20)	1(20)	1(20)	1(20)	1(20)	20
33.	Earning per share	2(40)	2(40)	2(40)	1(20)	1(20)	32
34.	Dividend Payout Ratio	00	00	00	00	00	00
35.	Return on Investment	3(60)	3(60)	2(40)	2(40)	2(40)	48
36.	Proposed Dividend for the Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
37.	Dividend for the Last Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
38.	Current Ratio	1(20)	2(40)	2(40)	2(40)	2(40)	36
39.	Acid Test Ratio	0	0	0	0	0	-
40.	Debt-Equity Ratio	2(40)	2(40)	2(40)	2(40)	2(40)	40

Table 1: (Contd.)

B. Information Relating to Production Marketing and Research and Development							
41.	Production During the Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
42.	Licensed Capacity	5(100)	5(100)	5(100)	5(100)	5(100)	100
43.	Installed Capacity	5(100)	5(100)	5(100)	5(100)	5(100)	100
44.	Description of Research & Development Activities	5(100)	5(100)	5(100)	5(100)	5(100)	100
45.	Description of Marketing Research	1(20)	1(20)	2(40)	2(40)	2(40)	32
46.	Advertisement and Publicity Expenses	3(60)	3(60)	2(40)	2(40)	2(40)	48
C. Information Relating to Personnel and Labour Relations							
47.	No. of Employees	5(100)	5(100)	5(100)	5(100)	5(100)	100
48.	Occupational Group of Employees	2(40)	2(40)	3(60)	1(20)	1(20)	36
49.	General Statement about Industrial Relations	5(100)	5(100)	5(100)	5(100)	5(100)	100
50.	Details about Strike and Lockout	1(20)	1(20)	1(20)	1(20)	1(20)	20
51.	Details about Pension and other Retirement Benefits	5(100)	5(100)	5(100)	5(100)	5(100)	100
52.	Information on Social Welfare Schemes	2(40)	2(40)	2(40)	2(40)	2(40)	40
53.	Amount spent on Human Resource Development	3(30)	3(60)	3(60)	3(60)	3(60)	60
D. General Information							
54.	Names of Directors	5(100)	5(100)	5(100)	5(100)	5(100)	100
55.	Shares held by Directors	NA	NA	NA	NA	NA	—
56.	No. of Shreholders and Shares held by them	NA	NA	NA	NA	NA	—
57.	Objectives of the Co.	4(80)	4(80)	4(80)	4(80)	4(80)	80

Table 1: (Contd.)

58.	History of the Co.	1(20)	1(20)	1(20)	1(20)	1(20)	20
59.	Organization Chart	5(100)	5(100)	5(100)	5(100)	5(100)	100
60.	Use of Diagram + Graphs	3(60)	3(60)	3(60)	3(60)	3(60)	60
61.	Details about Social Activities	2(40)	2(40)	3(60)	3(60)	3(60)	52
62.	Review for the Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
63.	Future Expansion Programme	3(60)	3(60)	3(60)	4(80)	4(80)	68
64.	Address of Regional Officer + Center	5(100)	5(100)	5(100)	5(100)	5(100)	100
65.	Address of Registered Office	5(100)	5(100)	5(100)	5(100)	5(100)	100

Note : (The figures in parentheses indicate percentage)

Table - 2

Disclosure Schedule of Private Sector

S.N.	Name of Items	1995-96	1996-97	1997-98	1998-1999	1999-2000	Mean of %
A.	Information Relating of Accounting Area						
1.	Balance Sheet	5(100)	5(100)	5(100)	5(100)	5(100)	100
2.	Profit and Loss Account	5(100)	5(100)	5(100)	5(100)	5(100)	100
3.	Particulars of Fixed Assets	5(100)	5(100)	5(100)	5(100)	5(100)	100
4.	Particulars of Intangible Assets	3(60)	3(60)	3(60)	3(60)	3(60)	60
5.	Method Used for Depreciation	3(60)	3(60)	3(60)	3(60)	3(60)	60
6.	Depreciation Policy	3(60)	3(60)	3(60)	3(60)	3(60)	60
7.	Non-Operating Income and Expenditure	5(100)	5(100)	5(100)	5(100)	5(100)	100
8.	Segmented disclosure	5(100)	5(100)	5(100)	5(100)	5(100)	100
9.	Investment	5(100)	5(100)	5(100)	5(100)	5(100)	100
10.	Market Value of Investment	2(40)	2(40)	1(20)	1(20)	1(20)	28

Table 2: (Contd.)

11.	Provision for Doubtful Debts	4(80)	4(80)	4(80)	4(80)	4(80)	80
12.	Details of Reserve and Surplus	5(100)	5(100)	5(100)	5(100)	5(100)	100
13.	Capital Expenditure for the Year	2(40)	2(40)	2(40)	1(20)	1(20)	40
14.	Capital Expenditure for the Future	00	00	00	00	00	00
15.	Method of Valuation of Inventories	5(100)	5(100)	5(100)	5(100)	5(100)	100
16.	Break Up of Inventories	5(100)	5(100)	5(100)	5(100)	5(100)	100
17.	Net-Worth	3(60)	3(60)	4(80)	4(80)	4(80)	72
18.	Contingent Liabilities	5(100)	5(100)	5(100)	5(100)	5(100)	100
19.	Accounting Policies	5(100)	5(100)	5(100)	5(100)	5(100)	100
20.	Distribution of Revenue	00	00	00	00	00	00
21.	Sources and Uses of Funds	2(40)	3(60)	3(60)	4(80)	4(80)	64
22.	Cash Flow Statement	00	00	1(20)	1(20)	5(100)	28
23.	Cash Flow Projection	00	00	00	00	00	00
24.	Prior Period Adjustment	2(40)	2(40)	5(100)	5(100)	5(100)	76
25.	Historical Data	5(100)	5(100)	5(100)	5(100)	5(100)	100
26.	Social Accounting	00	00	00	00	00	00
27.	Human Resource Accounting	1(20)	1(20)	1(20)	1(20)	1(20)	20
28.	Inflation Adjusted Accounting	00	00	00	00	00	00
29.	Value Added Statement	1(20)	1(20)	1(20)	1(20)	1(20)	20
30.	Highlights for the Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
31.	Ratio of Gross Profit to Sales	00	00	00	00	00	00
32.	Ratio of Net Profit to Sales	00	00	00	00	00	00
33.	Earning Per Share	5(100)	5(100)	5(100)	5(100)	5(100)	100
34.	Dividend Payout Ratio	2(40)	2(40)	2(40)	3(60)	3(60)	48
35.	Return on Investment	1(20)	1(20)	1(20)	1(20)	1(20)	20

Table 2: (Contd.)

36.	Proposed Dividend for the Year	5(100)	5(100)*	5(100)	5(100)	5(100)	100
37.	Dividend for the Last Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
38.	Current Ratio	00	00	00	00	00	00
39.	Acid Test Ratio	00	00	00	00	00	00
40.	Debt Equity Ratio	1(20)	1(20)	1(20)	2(40)	2(40)	28
B. Information Relating to Production, Marketing and Research and Development							
41.	Production During the Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
42.	Licensed Capacity	5(100)	5(100)	5(100)	5(100)	5(100)	10000
43.	Installed Capacity	5(100)	5(100)	5(100)	5(100)	5(100)	100
44.	Description of Research & Development Activities	00	00	00	00	00	00
45.	Description of Marketing Research	1(20)	1(20)	1(20)	1(20)	1(20)	20
46.	Advertisement and Publicity Expenses	2(40)	2(40)	2(40)	1(20)	1(20)	32
C. Information Relating to Personnel and Labour Relations							
47.	No. of Employees	1(20)	1(20)	1(20)	1(20)	1(20)	20
48.	Occupational Group of Employees	1(20)	1(20)	1(20)	1(20)	1(20)	20
49.	General Statement on Industries Relations	2(40)	2(40)	2(40)	2(40)	2(40)	40
50.	Strikes and Lockouts	00	00	00	00	00	00
51.	Detail about Pension and Retirement Benefits	5(100)	5(100)	5(100)	5(100)	5(100)	100
52.	Information on Social Welfare Schemes	1(20)	1(20)	1(20)	1(20)	1(20)	20
53.	Amount Spent on Human Resource Development	1(20)	1(20)	1(20)	1(20)	1(20)	20

Table 2: (Contd.)

D. General Information						
54. Names of Directors	5(100)	5(100)	5(100)	5(100)	5(100)	100
55. Shares held by Directors	00	00	00	00	00	00
56. No. of Shareholders and Share held by them	2(40)	2(40)	2(40)	2(40)	2(40)	40
57. Objective of the Company	00	00	00	00	00	00
58. History of the Company (brief)	2(40)	2(40)	2(40)	2(40)	2(40)	40
59. Organisation Chart	00	00	00	00	00	00
60. Use of Diagrams and Graphs	2(40)	1(20)	2(40)	2(40)	2(40)	36
61. Description of Social Activities	00	00	00	00	00	00
62. Review for the Year	5(100)	5(100)	5(100)	5(100)	5(100)	100
63. Future Expansion Programme	2(40)	3(60)	3(60)	2(40)	2(40)	48
64. Address of Registered Office	5(100)	5(100)	5(100)	5(100)	5(100)	100
65. Addresses of Regional Office and Centres	00	00	00	00	00	00

Note : The figures in parentheses indicate percentage.

The extent of disclosure has been examined both in terms of items (item-wise disclosure) and in terms of company (company-wise disclosure).

(1) Item-wise Analysis : Item-wise disclosure has been calculated for each item included in the index by dividing the number of companies disclosing a particular item by the total number of companies.

The items of information, which are compulsorily required to be disclosed as per the Indian Companies Act, 1956 have been disclosed by all the companies. Table-3 shows that 33 items in public sector and 21 items in case

of the private have 100 per cent disclosure in all the five years of the study, while 3 items in public sector and 13 items in private sector have not been disclosed by any of the companies. Moreover, disclosure has improved in both public and private sectors by 5 and 6 items respectively. The disclosure in respect of 8 items in the public sector and 2 items in the private sector companies has declined during this period. On the other hand, for 14 items in public sector and 23 items in private sector companies, the disclosure percentage has remained constant.

Table – 3
Presentation of Items

	(In number)	
Disclosure Trends	Public Sector	Private Sector
100 Per cent disclosure	33	21
Zero per cent disclosure	03	13
Disclosure improved	05	06
Disclosure declined	08	02
Disclosure remained constant	14	23
Not applicable	02	–
Total	65	65

CATEGORY-WISE ANALYSIS

(A) Information Relating to Accounting and Finance :

It consists of 40 items, out of which some items are required to be disclosed in the Annual Report as per provisions of the Companies Act, 1956. It has been observed that 22 items in case of public sector and 15 items in case of private sector have been disclosed by all the companies. Some of these items are: Balance Sheet (in vertical form), Profit and Loss Account (in vertical form) Segmented Disclosure, Non-Operating Income and Expenditure, Particulars of Fixed Assets, Cost of Investment, Prior Period Adjustment, Details of Reserve And Surplus, Break-up of Inventories, Method of Valuation of Inventories, Accounting Policies,

Historical Data, Highlights for the Year, Contingent Liabilities and Dividended for the Year etc.

Similarly, there are 3 items in case of public sector and 9 items in case of private sector which have not been disclosed by any of the companies.

The items which have not been disclosed by both the sectors are : Dividended Payout Ratio, Capital Expenditure for Future Period and Acid Test Ratio. In private sector the following additional items like Distribution of Revenue, Ratio of Gross Profit to Sales, Ratio of Net Profit of Sales, Current Ratio, Inflation Adjusted Accounts, Social Accounts and Cash Projection etc. have also not been disclosed.

The disclosure of segmental information in the Annual Report

has become very significant. It has been observed that all the companies in the private sector and public sector have been very active in disclosing this information as the average score has been 100% in both cases.

Particulars about Fixed Assets such as original value, value after depreciation have been given by all the companies in both the sectors during the entire study period. Regarding the disclosure of Intangible Assets, the mean disclosure percentages have been 60 and 20 respectively in the private and public sectors. It shows that the private sector is better in this regard. Regarding Capital Expenditure for the year, the mean disclosure scores have been 60 and 40 respectively in case of the public and the private sectors. The disclosure in case of public and private sectors, has however, decreased in 1999-2000, over 1995-96.

Although profitability of a company may be measured in terms of various ratios yet it is tragic to mention that the performance in this regard of both the sectors is poor. The Ratios of Gross Profit to Sales and Net Profit to Sales have been disclosed by one company in the public sector and by none in the private sector throughout the study period. It reflects that few companies disclose these ratios. The

Earnings Per Share have been disclosed more by the private sector (mean 100) as compared to the public sector (mean value 32). However, its disclosure has decreased in the public sector while it was constant in the private sector. The Dividend Pay Out Ratio has been reported more by the private sector (mean value 48) and having an increasing trend as compared to the public sector (mean value 00). The disclosure regarding Current Ratio is greater in public sector (mean value 36) in comparison to that of private sector (mean value 0). Acid Test Ratio has not been disclosed by any of the companies in both the sectors. The Debt Equity Ratio has a greater disclosure (mean value 40) in public sector in comparison to that of private sector (mean value 28). The study reveals that the disclosure of this item has improved in the private sector whereas it remained constant in the public sector.

The disclosure of Value Added Statement and Distribution of Revenue has received significant attention these days. The Statement highlights as to how the value added/revenue earned by an enterprise has been distributed among labour, lenders, shareholders and the government. The disclosure of this Statement has been very low in private sector (mean disclosure 20) whereas in public sector the position is

significantly better (mean disclosure 100). The disclosure of Distribution of Revenue has been very low in public sector (mean of disclosure 20) whereas in private sector, no company has reported this item during the entire study period.

It is evident from the results of this study that only a few companies include 'Inflation Adjusted Statements' in their Annual Reports. In private sector, not a single company has reported these statements in all the five years of the study. The position in the public sector, however, is comparatively better (mean disclosure 40 per cent).

The disclosure of Human Resource Accounting and Social Accounting is better in the public sector than in the private sector. The mean disclosure percentages for Human Resource Accounting and Social Accounting have been 68 and 40 respectively in the public sector. Moreover, the public sector is found to be more progressive regarding valuing human asset as evidenced by the increasing trend i.e. from 40% in 1995-96 to 80% in 1999-2000. In the private sector, HRA has been disclosed by one company, while Social Accounting has not been disclosed by any company.

For a better understanding of the affairs of, an enterprise, it is

essential to identify movements of funds during the year and their consequent effect on its financial position. This information is provided by the Statement of Sources and Uses of Funds. The present study shows that the disclosure in this regard is significantly greater in public sector (mean disclosure 100) as compared to that of in the private sector (mean disclosure 64). However, the private sector has shown an improving trend in disclosing this item.

AS-3 was revised in March, 1997. As per AS-3, Cash Flow Statement should be disclosed in Annual Report of the company. Therefore in 1997-98 all the private and public sector companies disclosed cash flow statement in their Annual Reports during the study period as mean score of public sector was 76 per cent while in private sector it was only 28 per cent. Similarly Cash Flow Projections item has been reported only by one company in the public sector whereas no company in private sector has disclosed this item in its Annual Report.

(B) Information Relating to Production, Marketing and Research and Development

It consists of 6 items in our disclosure schedule. Information relating to production and licensed capacity is to be disclosed statutorily by every

company. The disclosure percentage is 100 in case of both the sectors.

It has been observed that disclosure of Description of Marketing Research has a mean disclosure of 32 in case of public and 20 in case of the private sector companies. The mean disclosure of Advertisement and Public Expenses was 48 in the public sector which was higher than that of private sector (32). It reflects that majority of the companies in both the sectors are disclosing this information.

(C) Information Relating to Personnel and Labour Relations

Information relating to Personnel and Labour Relations consists of 7 items in our disclosure schedule, only one item which details about Employee Pension and Retirement Benefits has been disclosed by all the companies in both the sectors. For the remaining 6 items the disclosure percentage is higher in public sector in comparison to the private sector.

The Number of Employees has been disclosed greater in public sector (mean disclosure 100) in comparison to private sector (mean disclosure 20). The item Occupational Group of Employees has been 36 per cent in private sector during the study period. The information about General Statement on Industrial Relations has been 100 per cent in case of public sector whereas in the private sector the mean score was 40 per cent;

Information about Strikes and Lockouts has not been disclosed by any of the

companies in the private sector, while in case of public sector only 20 per cent companies have disclosed this. Information on Social Welfare Schemes has a mean disclosure of 40 in the public sector as compared to 20 in the private sector. However, the disclosure of this item has been constant during the study period. Information about Human Resource Development undoubtedly important, because it indicates the efforts of an organization for the development and growth of its employees. The Amount Spent on HRD has a mean disclosure value of 60 in case of the public sector as compared to 20 in the private sector.

(D) Other Information

To judge the overall performance about the companies 12 items have been included under the sub-heading Other Information. Out of the 12 items of information included in this section, two items, Number of Shareholders and Shares held by them and Shares held by the Directors are not applicable to the public sector. Names of the Directors, Review for Year, Address of Registered Office were disclosed by the selected companies.

Information regarding the Number of Shareholders and Shares held by them which is found applicable only to the private sector has mean disclosure of 40. The disclosure of this item has been constant since 1995-96 to the year 1999-2000. None of the private sector companies disclosed the fact that how many shares were held by the directors in their companies.

The disclosure about Statement of Company Objectives; Organizational Chart, Description of Activities, etc. reveals significant information about the performance and structure of a company. It has been observed that disclosure of these items is better in public sector than in private sector. The mean disclosure values of these items in the public sector have been 80, 100, 52 respectively, whereas these have been zero in the private sector. It shows that none of the companies in the private sector disclosed the information about Company Objective, Description of Social Activities, Organisation Chart during the entire study period. However, it is interesting to note that the disclosure regarding Narrative History of the Company is far greater in the private sector (mean disclosure value 40) in comparison to the public sector (mean disclosure

value 20). Information Through Diagrams, Graphs, etc. not only beautifies the information but it also influences the investment decision of a potential investor. It also helps even a layman to know the trend in these key areas, which speak of the performance of an organisation. The disclosure of these items has been 60 in the public sector whereas the corresponding figure in the private sector has been 36. Similarly the mean disclosure of Future Expansion Programme has been 68, showing an increasing trend in the public sector whereas it was 48 in the private sector showing a fluctuating trend.

2) COMPANY-WISE DISCLOSURE

a) Public Sector

The company-wise disclosure of public sector has been given in Table-4.

Table — 4
Score of Companies in Public Sector

Name of company	Year-wise Score [out of total of 65 items]					Average	% to maximum possible Score	Change in 1999-2000 over 1995-96 in percentage (%) increase (+) decrease (-)
	199-96	1996-97	1997-98	1998-99	1999-2000			
BHEL	57	54	54	52	50	53.40	82.16	-12.23
MMTC	50	48	48	46	45	47.40	72.99	-10.00
CCI	56	56	54	52	50	53.60	82.99	-12
OIL	45	44	43	45	50	43.40	66.78	+11.12
SAIL	42	43	42	40	40	41.40	63.67	+4.67
Average	50	49	46.20	47	47			

The above table reveals that there is decreasing trend in three companies and increasing trend in case of remaining two companies. The increase has been observed in case of OIL by 11.20% SAIL by 4.67% in 1979-2000 in comparison to that of 1995-96. All the remaining three companies have registered almost continuous decline in their disclosure practices. The maximum decline of 12.23% in disclosure score has been noticed in case of BHEL followed by CCI 12% and MMTC 10% during the study period. It has also been observed that CCI has remained on the top so far as the average score (53.60%) is concerned which is 82.99% to

maximum possible score while the minimum percentage of disclosure has been 41.40 in case of SAIL 63.67% to maximum possible score.

Analysis According to Variance Technique

The disclosure practice in the public sector has been analysed according to variance technique. For the analysis of the data our hypothesis between columns (years) as well as between rows (companies) is that there is no significant difference of disclosure practices between the years as well as between the companies of public sector chosen for this study.

Table — 5
Analysis of Variance

Source of Variation	Sum of Squares (S.S)	Degree of Freedom (D.F)	Mean Square (M.S)	F-Ratio	Table Value of F
Between Columns (Years)	43.76	(5-1) = 4	10.94	3.23	3.0069
Between Rows (Companies)	565.56	(5-1) = 4	141.39	46.67	3.0069
Residual (Error)	49.24	16	3.07		
Total	658.56	24			

From Table-5, it has been observed that the variance between companies, the calculated value of F (3.23) is more than the critical value of F (3.0069) at 5 per cent level of significance for $V_1 = 4$ and $V_2 = 16$.

Hence, our null hypothesis is rejected. It can be concluded that there is a significant difference of disclosure practice between the companies of public sector under study.

The variance between columns (years) the critical value of F at 5% level of significance for $V_1 = 4$ and $V_2 = 16$ is again the same i.e. 3.0069 the calculated value of F is 46.67 which is much higher than the table value.

Thus, our null hypothesis is rejected again. Hence it is concluded that there is a significant difference in disclosure practices between the years under study.

Table — 6
Score of Companies in Private Sector

Name of company	Year-wise Score [out of a total of 65 items]						% to Maximum possible	Change in 1999-2000- over 1995-96 in percentage (%) increase(+) decrease(-)
	1995-96	1996-97	1997-98	1998-99	1999-2000	Average		
H. Lever	42	45	45	46	40	43.6	67.77	-4.75
Tisco	40	40	41	42	43	41.2	63.34	+4.61
Infosys	42	43	43	43	44	43.-	66.16	+3.08
Escort	40	42	42	43	43	42.-	64.67	+4.61
Hero Honda	40	40	42	43	43	41.6	64	+4.61
Average	40.8	42.0	40.6	43.2	42.6			

b) Private Sector

Table-6 shows the company-wise disclosure of the private sector companies for the years 1995-96 to 1999-2000. An analysis of this table reveals that the disclosure has improved in most of the companies of this sector.

The companies which showed improvement in the disclosure practices

are : TISCO (4.61), Infosys (3.08), Hero Honda (4.61) and Escorts (4.61). The improvement % is the same in all the above companies except Infosys in which the improvement is slightly less than the other three ones. And there is only one company i.e. Hindustan Lever Ltd. which registered a decline in its disclosure practice by 4.75%.

Table - 7
Analysis of Variance

Sources of Variation	Sum of Squares (S.S)	Degree of Freedom (D.F.)	Mean Square (M.S)	F-Ratio	Table Value of F
Between Columns (Years)	28.80	4	7.20	5.35	3.0069
Between Rows (Companies)	39.80	4	9.45	6.68	3.0069
Residual (Error)	23.80	16	1.43		
Total	90.40	24			

Analysis According to Variance Techniques in the Private Sector

The disclosure practices in the private sector companies during the study period has also been analysed according to variance technique. For the analysis of data, our hypothesis between columns (years) as well between rows (companies) is that there is no significant difference of disclosure practices between the years as well as between the companies of private sector under study.

From Table-7, it has been observed that the variance between columns (years), the critical value of F at 5% level of significance for $V_1 = 4$ and $V_2 = 16$ is 3.0069 which is lower than the calculated value of F (5.35). Hence our null hypothesis is rejected and so it is proved that there is a significant difference in disclosure practices

between the years under study. Whereas about the variance between rows (i.e. companies), the calculated value of F (6.68) is more than the table value of F (3.0069) at 5% level for $V_1 = 4$ and $V_2 = 16$ d.f. Thus, again our null hypothesis is rejected. It is also proved that there is a significant difference of disclosure practices between the companies of the private sector under study.

Analysis of Variance - Public Sector vs. Private Sector

The disclosure practices between public sector and private sector companies have also been analysed and shown in Table 8. For this analysis, our hypothesis is that there is no significant difference between the disclosure practices of private and public sector undertakings.

Table - 8
Analysis of variance table

Source of Variation	Sum of Squares (S.S)	Degree of Freedom (D.F.)	Mean Square (M.S)	F - Ratio	Table Value of F
Between Samples	451.60	1	451.60		
Within Samples	4.70	8	0.59	7.56	5.32
Total		9			

On the basis of the above table, it can be inferred that the calculated value of F is 7.56 and the critical value of F at 5% level of significance of $V_1=1$ and $V_2 = 8$ is 5.32 which is lower than the calculated value. Hence, our null hypothesis is rejected and it is concluded that there is a significant difference between the disclosure practices of public and private sector undertakings in India.

Thus, on both the bases, 'item-wise disclosure' and 'company-wise disclosure', the following **further observations** may be made :

- (1) About the overall disclosure practices, both on the bases of items and companies, it may be concluded that public sector companies disclose more information in comparison to private sector companies. This is evidenced by the mean square which is 47.00% in the public sector and is 42.6% in the private sector. The main reason for this has been the impact of

Comptroller and Auditor General of India (C+AG)² audit on the disclosure practices of the companies of public sector.

- (2) Although the disclosure practices of private sector have shown an increasing trend, yet these are still lagging far behind than that of public sector both on quantitative and qualitative bases.
- (3) The study also indicates that the over-all quantum of information disclosure has increased overtime in both the sectors.

To conclude, it can be said that in addition to the statutory requirements as laid down in the Companies Act, such as, the Profit and Loss Account, Balance Sheet, the Auditor's Report, the Directors Report and in case of Public Sector, the comments of C. and AG of India under sec. 619(4) of the Companies Act, 1956, a healthy trend has emerged with many progressive companies giving additional information and data in their Annual Reports. It

shows a lot of improvement in disclosure practices during the recent years, but still there is a need for more meaningful, effective and reliable financial disclosure as per changing economic and social environment.

Notes

- (1) The Institute of Chartered Accountant of India (ICAI) deserves appreciation for its practice of honouring companies every year both in the Private and Public Sector for the best presentation of Annual Reports since 1958-59.
- (2) Comptroller and Auditor General who has regulatory influences on the activities of Public Sector Undertakings.

References

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3. Brown Lawrence D., *The Modern Theory of Corporate Reporting*, Texas Business Publication Inc. 1987.
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Appendix – A

Important Factors Generally Considered for the Award of Shields and Plaques for the Best Presented Accounts by ICAI:

1. Compliance with the legal requirements in the preparation and presentation of Financial statements as specified by the Companies Act, 1956b and other relevant statutes.
2. Basic quality of accounts as judged from the qualifications in the auditor's report, notes to the accounts and compliance with the generally accepted accounting principles such as those recommended in the Accounting Standards, Statements, Guidance Notes etc., issued by the Council of the Institute of Chartered Accountants of India and its various Committees.
3. The nature and quality of information presented in the accounts to make the disclosure meaningful. For example:
 - (i) Cash Flow Statement.
 - (ii) Sufficient details of revenues/expenses for financial analysis, e.g. distinction between manufacturing cost, selling cost, administrative cost.
 - (iii) Use of vertical form as against the conventional T form; judicious use of schedules; use of subtotals; manner of showing comparative figures; ease of getting at figures.
 - (iv) To what extent additional financial information is provided to the readers through charts and graphs.
 - (v) Extent of clarity, lucidity and comprehensiveness of the information contained in the financial statements, into context of a layman.
 - (vi) Financial highlights and ratios including Earnings per share.
 - (vii) Inclusion of one or more of the information like value added statement, break-up of operations, organization chart, location of factories/branches, human resource accounting, inflation adjusted account, social accounts etc.
4. How informative are the (I) Director's Report and/or (II) Chariman's Statement? The following aspects are considered relevant in this regard:
 - (i) Availability of information regarding different segments and units of the entity i.e. whether details about each product/service and units, whether located in the same area or spread in different geographical locations are given.
 - (ii) Information regarding financial operations, capital raised during the year, financial requirements, borrowings etc. In respect of multi-product/ multiunit organizations, whether details as per above have been given for financial operations.
 - (iii) Employee relations.
 - (iv) Industry problems and problems peculiar to the enterprise.
 - (v) Information regarding social concerns (e.g. contribution to conservation and development of environment and ecology).
 - (vi) Information on contribution to community development projects, particularly in areas around location of entity (e.g. Medical Institutions, Educational Institutions, Provision of Sanitary and Drinking Water etc.)
 - (vii) Post-balance sheet events not requiring adjustment in accounts but material enough to warrant disclosure and future plans, programmes, market conditions, profitability forecast, environment friendliness etc.
 - (viii) Manner of review of performance, plans and Prospects by the company.
5. Layout of contents, general appearance, presentation and quality of printing.
6. Timeliness in presenting accounts based on the date of the notice of the annual general meeting in respect of which the Annual Report is circulated to the shareholders.