

FINANCIAL REPORTING PRACTICES AND PATTERN IN INDIAN FINANCIAL INSTITUTIONS

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ABSTRACT:

Effective financial reporting in the 21st century is not only about the quality of accounting rules: it also depends heavily on their technological implementation. Two main critical issues emerge from this scenario: the impact of the new IFRS accounting and reporting model on the quality and reliability of financial information produced; and the need for new tools to verify and analyze such information. Thus, The aim of this paper is to compares the Financial Reporting performance of ICICI Prudential Asset Management Company Ltd. & HDFC Asset Management Company Ltd. through the technological use such as websites of related companies where the companies nowadays publish their reports in electronic form. This Digital and standardized business reporting most likely will transform financial statement analysis into an automated process, while it will also expedite the delivery of information to the users via the web.

Key words: *Financial reporting, technology, performance, innovation*

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INTRODUCTION

“Financial Report means the report containing a complete set of financial statements, balance sheet, an income statement, a statement showing either all changes in equity for an annual term.”

The traditional practice of an Indian company has been to communicate information on its operations and financial status once in a year through its annual report. Financial reporting is presenting financial data of a company's position, operating performance, and funds flow for an accounting period.

A complete set of financial statements includes 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 distributions to owners, a cash flow statement, and accounting policies and explanatory notes. In the interest of timeliness and cost considerations and to avoid repeating information previously reported, a company may provide less information in its interim financial statements than in its Annual financial statements.

REVIEW OF LITERATURE

Roshna Varghese (2XX7) “Corporate Reporting in Globalised India”, School of Management and Business Studies, Mahatma Gandhi University, Kottayam, Kerala,

Reported the basic contours of reporting business performance have been changing at a fast pace in the present era of globalization. The dramatic changes in the Indian economy have been influencing the different aspects of the corporate sector. A general perception is that financial reporting practices have improved over the past 5 years; however, significantly strengthened enforcement mechanisms are needed to further improve the quality of corporate financial reporting. The fast pace of globalization resulted in Indian accounting standards and corporate governance requirements are in line with international practices. But India is still in the early stages of its involvement in the globalization of accounting standards. Mere adoption of superior accounting and disclosure standards will not raise the quality of Indian financial reporting.

Pankaj M. Madhani (2XX8), “Role of Voluntary Disclosure and transparency in Financial Reporting”

Firms gain handsomely from building reputation for transparent Reporting, as it eventually results in higher management credibility, a higher Price/Earning (P/E) multiple, increased liquidity and a lower cost of capital. To enhance competitiveness, firms view disclosure as an opportunity rather than a burden. The higher the level of disclosure the lower is the information risk premium. Low risk premium provides higher valuation. This article also highlights risks and costs associated with voluntary disclosure. This article discusses the role of voluntary disclosures and transparency in financial reporting. It identifies various characteristics and discusses transparency and benefits of voluntary disclosure.

Norman H. Godwin, Jennifer M. Mueller (2X✓✓) "Financial Reporting Practices: A Comprehensive Evaluation"

A distinguishing characteristic of high performance organization is a strong internal structure-control that ensures patient care, compliance with regulations, internal efficiencies, and financial reporting. It is controls on financial reporting that are receiving a great deal of attention under a new law, the Sarbanes-Oxley Act of 2002. Public companies are now required by law to document controls over financial reporting, in order to fully address exposures and the effectiveness of current controls. Though many healthcare organizations are not directly affected by the law, regulatory agencies could follow suit and require similar compliance. In fact, several states have introduced bills that require nonprofit organizations to adhere to portions of the act. The article provides a guide for organizations desiring to stay ahead of the curve.

Xuesong Hu, Mingyi Hung, Siqi Li (2X✓X), "The Impact of Mandatory IFRS Adoption on Foreign Mutual Fund Ownership: The Role of Comparability"

Proponents of International Financial Reporting Standards (IFRS) argue that mandating a uniform set of accounting standards improves financial statement comparability that in turn attracts greater cross-border investment. Our study tests this assertion by examining the change in foreign mutual fund investment in firms that began using IFRS after its mandatory adoption in the European Union (EU) in 2005. We hypothesize that firms experience larger increases in foreign mutual fund ownership when there is a credible increase in uniformity from IFRS adoption. We define a credible increase in uniformity as a large increase in the number of industry peers using the same accounting standards in countries where IFRS is credibly implemented. Consistent with our hypothesis, we find that subsequent to mandatory IFRS adoption, the increase in foreign mutual fund investment is greater among the firms that experience relatively large increases in uniformity and are in countries with strong implementation credibility.

Jeffrey R. Cohen, Ganesh Krishnamoorthy & Arnold Wright (2004), "The Corporate Governance Mosaic and Financial Reporting Quality"

The purpose of this paper is to review research on corporate governance and its impact on Financial Reporting quality. This review will serve three purposes: (✓) to suggest a corporate governance mosaic (i.e., the interactions among the actors and institutions that affect corporate governance) that encompasses a broader view of governance than has been considered in prior accounting research; (2) to provide an overview of the principal findings of prior research; and (3) to identify important gaps in the research that represent promising avenues for future study.

NEED OF THE STUDY

Mutual fund industry has seen a lot of changes in past few years with multinational companies coming into the country, bringing in their professional expertise in managing funds worldwide. In the past few months there has been a consolidation phase going on in the mutual fund industry

in India. Now investors have a wide range of Schemes to choose from depending on their individual profiles.

Thus the above discussion that the need of the study of financial reporting and disclosure practices of financial institution engaged in mutual fund have specific significance in India.

OBJECTIVES OF THE STUDY

- To assess the Financial Reporting Practices of ICICI Prudential Mutual Fund and HDFC Asset Management Company Ltd
- To compare the Financial Reporting performance of ICICI Prudential Mutual Fund & HDFC Asset Management Company Ltd

RESEARCH METHODOLOGY

For the present study, ICICI Prudential Mutual Fund and HDFC Mutual Fund have been selected. Analysis has been done through Check list. Graphs and Charts have been used. The present study has cover duration of two Financial years from 2009-10 to 2010-11.

CHECK LIST TO COMPARE ICICI PRUDENTIAL MUTUAL FUND & HDFC-ASSETS MANAGEMENT COMPANY LTD.

ITEMS (34)	ICICI PRUDENTIAL MUTUAL FUND	HDFC-ASSETS MANAGEMENT COMPANY LTD.
Board of directors	✓	✓
Chairman's statement	✓	✓
Directors	✓	✓
Management discloser	✓	X
Auditors report	✓	✓
Profit & loss a/c	✓	✓
Balance sheet	✓	✓
Cash flow statement	✓	✓
Annual general meeting information	✓	✓
Financial high lights	✓	✓
Financial ratios	X	✓
Risk management framework	X	✓
Information on subsidiary company	✓	X
Accounts of subsidiary	✓	X
Auditor committee	✓	✓
Notes of account	✓	✓

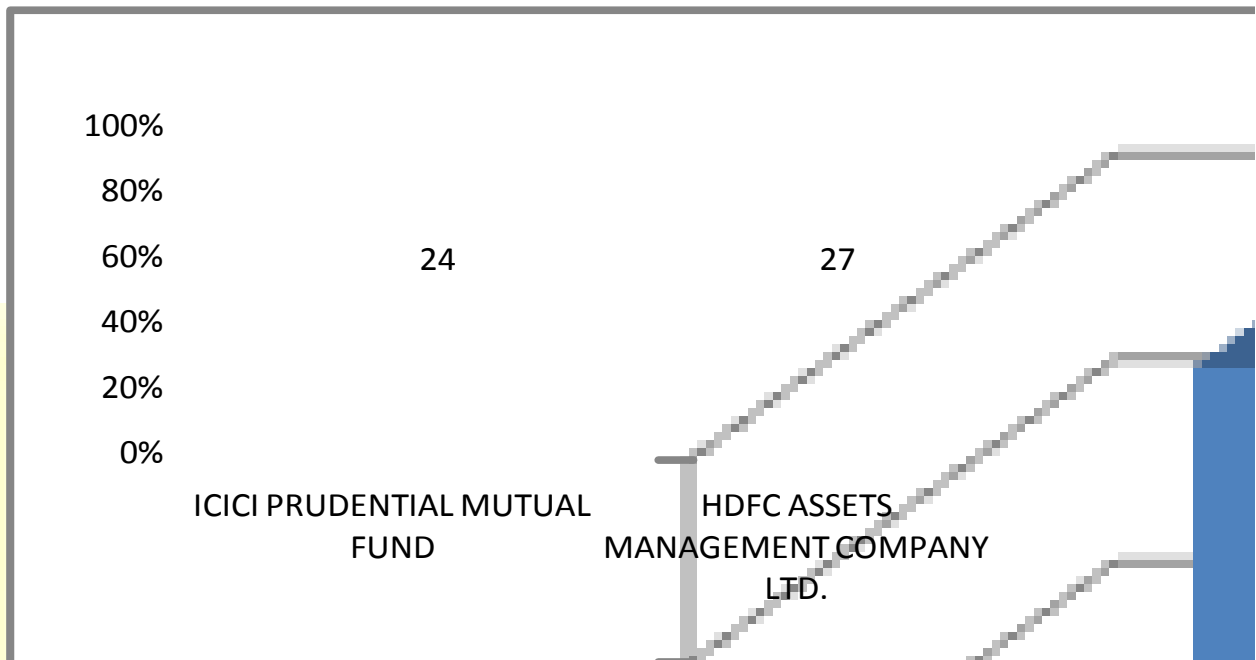
Share price history	✓	✓
Earning per share	✓	✓
Dividend information	✓	✓
Company contract details	✓	✓
Accounting policies	X	✓
Consolidate account	X	X
Shareholder information	✓	✓
Social reporting	X	X
Goodwill	X	✓
Employee benefits	X	✓
Segmental reporting	X	✓
Related party transaction	X	X
Differed tax	✓	✓
Provisions	✓	✓
Income in foreign currency	✓	✓
Payment in foreign currency	✓	✓
Capital commitments	X	X
Managerial remuneration	X	✓
Total	24/34	27/34

✓ : Disclosure of financial reporting practices

X: Non Disclosure of financial reporting practices

Source-Annual Report of ICICI Prudential Mutual Fund & HDFC -Assets Management Company Ltd

Interpretation: This table shows that performance of ICICI in Financial Reporting Practices is better than HDFC. The difference is not significant because reporting of only one item is the basic difference between these companies. Disclosure of Accounting Policies is done by ICICI Prudential Mutual Fund but not reported by HDFC -Assets Management Company Ltd



The figure shows that performance of ICICI in Financial Reporting Practices is 70.5% and that of HDFC is 79.4%. Reporting Disclosures of HDFC -Assets Management Company Ltd is more than the ICICI Prudential Mutual fund.

Conclusion

The aim of accounting is to communicate economic message on the result of business decision to the users from time to time. Thus corporate reporting is total communication system between a company and users. This is the most direct least expensive, most timely and faired methods of reaching all shareholders and other, present and potential users. Financial reporting includes not only financial statements but also other means of communicating information that relates, directly or indirectly to the information provided by the accounting system. Corporate annual reports (CAR) are the subject of research emanating from different disciplines. This research find out that HDFC -Assets Management Company Ltd is better than the. ICICI Prudential Mutual Fund in terms of reporting practices.

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Reports

- Annual report of ICICI Prudential Mutual Fund
- Annual report of HDFC Asset Management Company Limited (AMC)