

ANALYSIS OF CONTENTS OF ANNUAL REPORTS:
A LOOK AT THE VOLUNTARY DISCLOSURE AND THE
TREND IN THE PRESENTATION OF ANNUAL REPORTS

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A PAPER SUBMITTED TO THE MARA INSTITUTE OF TECHNOLOGY
IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
ADVANCED DIPLOMA IN ACCOUNTANCY

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DATE : FEBRUARY 1991

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ACKNOWLEDGEMENTS

The author would like to extend his gratitude to the advisor, Mdm Chong Moi Moi, whose advice, support and sense of direction coupled with those constructive comments and criticisms have contributed much to development and success of this paper. And to Saiful who helped and offered all kinds of assistance on the usage of the computer packages. The KLSE library staffs are awarded the appreciation for their full co-operation and their directions on the use of their library facilities. The author is also equally grateful to Mr Mongrang and Mr Mak Wai Mun for their spare time and enthusiastic response to the interview questionnaires.

Lastly, but not least the author also would like to thank Mr James Sinjeng for his ideas and assistance at the initial stage of this paper, and to all other friends who have rendered their support and help throughout the preparation of this paper.

ABSTRACT

This paper is an attempt to examine the problems in the presentation of annual reports including the development in the techniques of financial reporting and the extent of voluntary disclosure in practice.

In the recent development, companies are encouraged to disclose information which are not mandatorily required by statutory regulations in their annual reports. This trend in reporting is questionable as the relevance of the financial information content is not regulated. This paper is therefore intended to highlight the nature of voluntary disclosure in practice and the trend in the presentation of annual reports with the aim of establishing the needs for an additional indicators of performance in the annual reports.

The data collected in this report are derived from secondary sources which include the library research on text books, accounting and business journals, and newspapers. In addition, the author conducted an analysis on the annual reports of Sime Darby Bhd to examine the trend in reporting techniques. Twenty KLSE listed companies were also selected at random to establish the extent of voluntary disclosure in practice.

The voluntary disclosure practices in Malaysian listed companies are still behind those practised in industrialized countries, however some big corporations have been following closely behind but their financial information contents are still inadequate to meet the needs of serious analysts.

CHAPTER 1

INTRODUCTION

The format of presentation of annual reports has been left to the individual corporation to determine. The quality and relevance of the information that are disclosed voluntarily is left unchecked. However, the financial reporting is entering into a new era. Recently, most annual reports are printed and presented in a more attractive manner comparable to that of most expensive magazine.

As reported by Robert Leach (1988), for many years in U.K., the final production of companies annual reports has been left to the professional designers. This resulted in elaborated reports with the aid of new arty techniques. Locally this trend of reporting has been adopted by some big corporations like Sime Darby Bhd, Kumpulan Guthrie Bhd, Malaysian Airline System Bhd and Malayan Banking Bhd just to name a few.

At the National Annual Report Award (NARA) 1989 presentation, Sime Darby Group bagged four out of the five awards. In addition, the Malaysian Institute of Accountants (MIA) president, Haji Hanifah Noordin in his speech suggested that NARA winners should be conferred favoured status in their dealings with the Government. Such trend in reporting is therefore encouraged and should be welcomed if done correctly. But how far does this trend of reporting encourage the companies concerned to disclose information that are more relevant