

Dr Sally Aisbitt

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It was with great sadness that the academic community learned of the sudden death of Dr Sally Aisbitt. Many people will have cause to be grateful to her, in her contributions to teaching developments, her sensitive and constructive approach to external examinership and her thoughtful research work. The following paper was accepted for publication before Sally's death. The Journal is including it here as our tribute to a fellow academic whose contribution to academia will be sadly missed.

Making best use of financial reports published on the internet

Making best use of financial reports published on the internet – a research note

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Summary

This research note provides some practical advice on accessing financial reports on the internet and the collection of associated data for subsequent analysis. It will be of use to practitioners, academics, students and other researchers embarking on this kind of analysis for the first time. Suggestions are put forward to accelerate the effective collection of data.

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Introduction

The use of the internet for the publication of financial statements has now become widespread. This presents many opportunities for the student or practitioner: financial statements can be accessed promptly after publication (this benefit is magnified when considering foreign companies) and reports can be searched and stored electronically, which allows for more efficient and effective analysis. Companies benefit from reduced printing and postage costs and also have the potential to reach a wider constituency. The purpose of this research note is to provide a concise guide to benefiting from accessing financial reports from the internet. This involves sharing our experiences of conducting a research project examining the financial statements published in 2003-2005 by companies in France, Germany, Sweden and the UK.

Literature Review

The increased use of the internet by companies to publish financial (and other) information has been explored in different countries and from different perspectives over the last decade. Early research involved trying to establish which companies chose to provide information over the internet and why (e.g. Craven and Marston, 1999 in the UK; Deller, Strubernath and Weber, 1999 in the USA, UK and Germany; Hedlin, 1999 in Sweden; Pirchegger and Wagenhofer, 1999 in Austria (and Germany); Gowthorpe and Amat, 1999, in Spain; Fisher, Laswad and Oyelere, 2000 and McDonald and Lont, 2001 in New Zealand). As time has gone by it has become apparent that increasing proportions of companies are making their full financial statements available on the internet (e.g. Gowthorpe and Flynn, 2002, found that 77% of the websites of smaller listed companies examined in October 2001 contained a full version of the current year's annual report). Consequently, we

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are reaching the stage where the internet is probably the first avenue that researchers would pursue in their attempts to obtain a company's financial statements.

Companies' annual reports are a rich source of data for financial analysis and academic research. Lymer (1999) and Gowthorpe (2000) provided useful summaries of research and set out some areas for future research. Since then the focus has broadened, e.g. to consider audit issues (e.g. Fisher, Oyelere and Laswad, 2004), communication (e.g. Gowthorpe, 2004), and the nature and consequences of electronic reporting (e.g. Hodge and Jollineau Kennedy, 2004; Wagenhofer, 2004)

While the authors of the papers mentioned above defined their sample and their research findings clearly, they were less forthcoming on the mechanics of collecting their base data (the financial reports) from the internet. Texts on research methodology in accounting (e.g. Ryan, Scapens and Theobald, 2002; Humphrey and Lee, 2004) take it for granted that annual reports will be used in certain types of research, but offer no guidance on how to obtain these reports. More specialist guides to internet research methods (e.g. Hewson, Yule, Laurent and Vogel, 2003) also seem to be silent on internet financial reporting. This note seeks to address this gap in the literature and to save other researchers time and anguish by sharing our experiences.

The Research Project

The research project that informed this paper centred on analysing disclosures in financial statements made in the accounting periods immediately prior to the transition to International Financial Reporting Standards (IFRS). For reasons that are not relevant to the current paper, we were concerned with companies listed on the

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stock exchanges in France, Germany, Sweden and the UK. Our research team was international with members having native or near-native fluency in the languages of the countries under consideration. The Internet was used as the primary method of obtaining the financial statements as a) the researchers were based in the UK, so this was a convenient method of collecting the reports at minimal cost to us, without imposing on the goodwill of the companies; and b) obtaining the reports electronically allowed the use of electronic tools (e.g. 'search' and 'word count' facilities) to be used to accelerate the analysis. For the main indices in each country we were able to obtain financial statements for the period 2003/2004¹ as summarised in Table 1.

Table 1 Summary of Financial Statements Obtained over the Internet

	France	Germany	Sweden	UK
Index of leading companies	CAC 40	DAX 30	OMX 30	FTSE 100
Number of reports obtained	37	30	28	98
Reports obtained as percentage of companies in index	92.5%	100.0%	93.3%	98%

Data from the reports were recorded in a series of spreadsheets for subsequent calculation of descriptive statistics and the running of regressions.

¹ We were trying to obtain the financial statements for the first financial period ended on or after 31 December 2003. In most cases, this meant the year ended 31 December 2003, but some companies had year ends other than December (see below), in which case the year end would fall in 2004.

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Things to bear in mind when obtaining reports from the internet (or how we learnt the hard way)

Based on our experiences we would offer the following suggestions to speed up the process of accessing reports and extracting data for further analysis.

Finding the reports on the internet

One way of finding the homepages of companies is via the stock exchange homepage looking at the index of choice. This works well for the Euronext connected exchanges, e.g. Paris. Appendix 1 provides the steps we used to access the constituents of the indices in our sample. Alternatively, companies' websites can be found using a search engine such as Google. Where there are several companies with similar names, using the share abbreviation rather than the name can improve reliability.

Generally companies post their annual reports on the 'investor relations' section of their website, but some companies provide a direct link to the annual report from the homepage.

National peculiarities

Simply because all the reports can be accessed from a single location and they are (increasingly) claiming compliance with a single set of regulations (e.g. IFRS) does not necessarily mean that they will be directly comparable. For example, in some countries companies are allowed to choose their year end (i.e. the accounting year does not have to end in December) – consequently you need to consider carefully which annual report will provide the information you are looking for or wanting to test. There can be real problems of comparability when changes in

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regulations are introduced on a staggered basis (e.g. not all new regulations have an effective date of 1 January).

Nomenclature and the presentation of the information can be challenging. A feature of the French companies that we examined was that there was more than one document published containing the information that would be published as a single document (the annual report) in other countries. French companies publish financial information (e.g. income statement, balance sheet, notes etc.) in the '*Document de référence*', which is separate from the 'annual report'.

Language issues

It is important to bear in mind that different language editions of annual reports may not be directly comparable or have equivalent status. In some instances it may simply be a case that the non-local language edition(s) suffer from being prepared by a linguist who is not an accountant, or by an accountant who overestimates their linguistic capabilities. In other cases the length of the different documents may give an indication that they might not be covering the same ground – we had examples of companies (notably French and German ones) where the English language edition was only half the length of the local language edition. Researchers need to be aware of the need to use the original language and/or to make allowances for potential inadequacies in an alternative language.

Summarising data on a spreadsheets

Spreadsheets can be extremely useful for recording data extracted from annual reports, as they can be shared and updated with ease and can incorporate reminders, often helped with the use of colour. If constructed carefully, the spreadsheets can be used to

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sort, summarise and analyse the data with limited further input. Nevertheless, to make the most of the spreadsheets' features a few suggestions are put forward.

Try to record data as numbers rather than words. For example, if you want to see whether a company discloses a particular item or not, put 1 in the spreadsheet for 'yes' and 0 for 'no' instead of recording a text 'Y' or 'N'. This allows for much easier calculation of how many companies do and do not make the disclosure and makes for easier comparison with other characteristics of your sample. Similarly, if you make some judgemental analysis as part of your data collection (e.g. are the disclosures 'perfunctory', 'adequate' or 'detailed'), put these in your spreadsheet as a score of 1, 2 or 3; or create a separate column for each classification and award a 0/1 score.

Take care with the construction of your spreadsheet try to build in features to keep a running check on your data. It is useful to have totals to make sure that you have (or highlight that you have not) considered each aspect of every report you are considering. By using numbers rather than text to record data, this can be achieved by 'count' and 'sum' functions and simple comparisons of pairs of totals.

You should also aim to design your spreadsheet to allow the insertion of additional variables. In addition, when you start your data collection you should try and determine what will be your smallest unit of analysis, as it is always possible to summarise data later, but it is inefficient to go back to the source documents to obtain more detail. For example, we wanted to know which areas of the financial statements were going to be affected by the transition to IFRS. In analysing the narrative notes to the accounts it was of limited value to simply collect data about which

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IAS/IFRS companies mentioned – it was more useful to record which *aspects* of the standards would affect the financial statements (e.g. note that goodwill would no longer be amortised, rather than recording a change associated with IAS 38 *Intangible Assets*).

Conclusion

The ready availability of financial statements on the internet encourages users to access them quickly. Our experience suggests that better use can be made of the wealth of information available and the analysis can be more efficient and effective if time is taken to plan and conduct the work in an orderly fashion. The use of checklists, check totals and careful recording can save time and provide an ‘audit trail’ to substantiate your findings. While some of the suggestions in this paper may seem simplistic or ‘common sense’, they were not intuitive for some of the researchers on our project and evolved following a number of ‘false starts’. While not wishing to ignore the possibility that other researchers could offer yet more ‘tips and tricks’, our final advice would be ‘do as we say: not as we did’.

Appendix 1 Websites used to access our sample

In each instance we selected the English language version of the website by clicking on 'EN' or the Union Jack flag, as appropriate.

France

The Euronext website provided access to details of French companies:

www.euronext.com

In the 'Market indicators' box we chose 'main indices' and 'CAC 40' then clicked on 'CAC 40' in the list. The selection of 'composition' gave a view a list of companies in the index.

The homepage of the companies could be found by clicking on each company's name then choosing 'company profile' and 'addresses'.

Germany

The list of the German stock index DAX 30 was found by going to the stock exchange homepage:

<http://deutsche-boerse.com>

Then we chose DAX from the indices listed and clicked on 'constituents' to see a list of companies in the index. The homepage of the companies could be found by clicking on each company's name then choosing 'company data' and 'address: internet'.

Sweden

The list of the Swedish stock index OMX 30 was found at the following address:

www.omxgroup.com/stockholmsborsen/

We then selected 'Shares in OMX Stockholm 30 index' from the heading 'Market Information' for a list of the constituents. By

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selecting a company on the list we were able to then choose 'annual reports' which brought up a screen to order copies of annual reports in printed or pdf format.

UK

Details of the FTSE 100 were found at the following address:

www.ftse.com

We selected 'indices and market data', then 'FTSE UK Index series'. Then we selected 'constituents' and chose 'FTSE 100 constituents'. This provided a list of the companies, but, unfortunately no quick links to their websites.

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