

FINANCIAL REPORTING ON THE INTERNET BY PORTUGUESE COMPANIES

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OBJECTIVE

**To examine the behaviour of
Portuguese Companies with regard to
the Digital Financial Report**

The Structure

1. The impact of the *New Technologies* on the Digital Financial Report
2. The Advantages and Inconveniences of the Digital Financial Report
3. The Presentation of an Empirical Study
4. Final Considerations
5. References

1 - The Impact of *New Technologies* on the Digital Financial Report

A set of Codes of Conduct and Recommendations have been defined to protect investors and control the quality of the information:

- ✓ IASB (1999)
- ✓ IFAC and AECA – Spanish Association of Accounting and Management (2002)
- ✓ CMVM – Portuguese Securities Stock Exchange
- ✓ COB – French Securities Stock Exchange

- ✓ The application of *NICT* in accounting is changing the way that financial information is released
- ✓ The development of *XBRL*
- ✓ The electronic digital report will rise the need for new certification services.
- ✓ New relation between accounting and tech.
- ✓ The process of dissemination of the financial report in concerning to:
 - ✓ New communication channels web and email
 - ✓ New characteristics – economy; completely up-to-date; convenience
- ✓ The needs of each user - Content and format
- ✓ Adding a new dimension in forms of value and time to the information

2 - Advantages of the Digital Financial Report

- ✓ Access to more up-to-date and quicker financial information
- ✓ Continuous access
- ✓ Ability to compare financial information
- ✓ Lower costs in production and distribution of digital financial information

✓ Reutilisation the information in different formats and times

✓ Connection to other sites

✓ Use of audio and video

✓ Links

2 - Inconveniences of the Digital Financial Report

✓ No adoption of a clear language and content

✓ Inappropriate location of the financial information on the site

✓ Overload or excess of information

✓ Threats of computer viruses

✓ Interconnections and links to less trustworthy entities

✓ The presented formats it is not always the more wanted by the shareholders

3 - Empirical Study

Sample

✓ The analysis of the websites of the Portuguese Companies listed on the PSI20 Index of the Lisbon and Oporto Stock Exchange.

✓ Over 18 months (July 2000/December 2001)

✓ Several types of financial statements

✓ Balance Sheet

✓ Profit & Loss Statements

✓ Cash Flow Statement

✓ Notes

Characterisation of the variables:

- ✓ Existence of site
- ✓ Financial information on the site
- ✓ Disclosure of the financial information before it becomes out-of-date
- ✓ Auditor's report

Characterisation of the process:

- ✓ Companies that belongs to the PSI20 Index in the Lisbon Oporto Stock Exchange
- ✓ Definition of similar measurement – *City Block*
- ✓ Grouping Criteria – *Average Linkage within Group*

The Results shows 5 clusters:

1st Formed by 2 companies with no site

2nd Group of 3 companies with financial information, but with no auditor's report and not up-to-date

3rd Group of 7 companies which their financial information does not comply with the legal deadlines (include the auditor's report)

4th Group of 4 companies which their financial information does comply with the legal deadlines (include the auditor's report)

5th Group of 6 companies in which the auditor's report is present and the financial statements are up-to-date

3 - Empirical Study – Presentation of Results

HIERARCHICAL CLUSTER ANALYSIS
Dendrogram using Average Linkage (Within Group)
Rescaled Distance Cluster Combine



4 - Final Considerations

- ✓ **32%** of companies discloses financial information certified by the auditor, but not always within the legal deadlines
- ✓ **27%** of companies discloses the auditor's report and the financial information up-to-date
- ✓ **18%** of the companies discloses financial report within deadlines with auditor's report

- ✓ The development of **NICT** is causing deep-rooted changes in the economy and in society
- ✓ The new information and communication tools cross borders
- ✓ The Financial Report will democratise financial information
- ✓ The Financial Report provides continuous and reusable access the information

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