# 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:

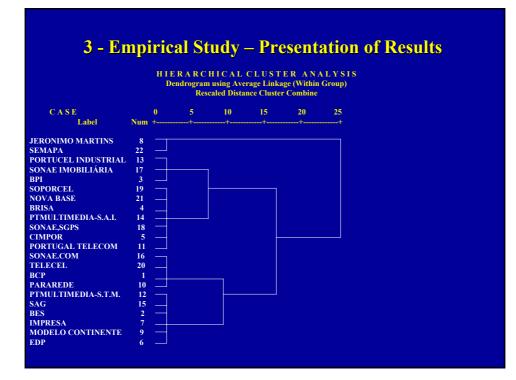
1<sup>st</sup> Formed by 2 companies with no site

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

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

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

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



### **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-todate

✓ 18% of the companies discloses financial report within deadlines with auditor's report

✓ The development of *NICT* is causing deeprooted 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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