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QUALITATIVE CHARACTERISTICS OF CORPORATE INFORMATION

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ABSTRACT

Corporate Reporting is the process of communicating the financial as well as non-financial information by the company to the stakeholders. The process contains the mirror of the company showing true and fair view of its face which is known as corporate information. This corporate information is of paramount importance to the stakeholders as their rational decisions are based on it. But it is usually seen that most of the times this information lacks in the qualitative department. There are certain qualitative characteristics which seems absent in these corporate information making it less qualitative, less reliable and irrelevant. In this article various qualitative characteristics are discussed which are essential to any corporate information. The data is of secondary nature.

KEYWORDS: Corporate Information, Qualitative characteristics, Corporate Reporting.

INTRODUCTION

A good corporate reporting system is possible only when the information which is to be reported possess certain standards of quality. If the reporting information is not par with the quality standards then that corporate reporting system is bound to fail. Good report is an indicator of superior corporate governance. In recent times the demand for financial reporting of listed companies have drastically increased and the failures of various listed companies in producing good and qualitative corporate reports have put extra pressure on listed companies and regulatory bodies for the increase of quality standards in corporate reporting. The main objective of corporate reporting is to help users of information to make appropriate and timely decisions. So the corporate information must be useful for decision-making. Now there is a need to know that what makes financial information useful i.e. what qualities are needed to make information useful which helps in achieving the objectives of corporate reporting.

OBJECTIVE OF STUDY

The objective of this study is to find out various qualitative characteristics of corporate information.

DISCUSSION

The entire concept of corporate reporting is to communicate financial as well as non-financial information to the users of the information. But in order to make this corporate information useful it must possess qualitative characteristics. These qualitative characteristics of corporate information increases and quality and impact of the information and also indicates sign of a good corporate system. These qualitative characteristics of corporate information can be divided into two parts:

A) Main or Primary Qualitative Characteristics

B) Other Qualitative Characteristics

Main or Primary Qualitative Characteristics	Other Qualitative Characteristics
1) Relevance 2) Understandability 3) Reliability 4) Comparability	1) Consistency 2) Timeliness 3) Simplicity 4) Materiality 5) Authenticity 6) Transparency

	7) Comprehensive **8) Legality** **9) Verifiability** 10) **Neutrality** 11) **Engaging** 12) **Accuracy**

These Qualitative characteristics of corporate information are discussed in detail as follows:

A) Main or Primary Qualitative Characteristics: These are the basic quality characteristics that must be present in every corporate information. These incudes:

1) **Relevance:** Relevance deals with the usefulness of corporate information to users during decision making process. The information which has no value for users or which can't assist users in decision making is not useful. For example if the net income of a company helps the investor to gain an insight to the future prospects of the company then that information is relevant to the investors. Company has to ask a question "Will the user decision is changed by this corporate information?" If the answer is "NO" then that information is not relevant and it can be omitted from the financial statements and should not be reported. There are three main characteristics of relevant information:
   a) **Predictive value:** It refers to the fact that corporate information can be used successfully as a base to estimations, forecasts and predictions.
   b) **Feedback value:** Relevant information has feedback value when it can adjust or correct previous expectations. Users can easily make future decisions by using feedback value.
   c) **Timeliness:** Relevant information must be timely and current in order so that it can be used by investors and creditors at a proper time to make current or future decisions. Out of date information is not relevant to any user.
2) **Understandability:** The corporate information must be understandable. Many users of accounting information do not have strong accounting background. Corporate information which is too technical or cannot be understood by any layperson will make corporate reporting ineffective. The corporate information should be such that users can make full use of

it to arrive at proper decision-making. So the terminology used in corporate information should be such that any user can easily understand it.

3) **Reliability:** Corporate information must be reliable so that users of this information can be reasonably assured that corporate information represents accurate picture of the company financial position. Corporate information is reliable if it is free from personal biasness and material errors and faithfully represents what it is supposed to represent. If the information is impartial then users can rely on the information to make qualitative judgments. Degrees of reliability must be recognized. Some items in the corporate information can be more reliable than others. For example, information regarding building may be less reliable than any information about current assets because of differences in uncertainty of realization.

4) **Comparability:** Corporate information must be comparable. Comparability of information allows the users of information to compare a particular company with other competitors. Information becomes comparable when there is no difference in the accounting treatments between companies. If the company prepares its corporate information according to common standards then it can easily be compared with various other companies which have prepared their statements following same standards. Information, if comparable, will assist the user of the accounting information to determine relative strengths and weakness and future prospects between two or more companies or between periods in a single company.

B) Other Qualitative Characteristics: In addition to the primary qualitative characteristics of corporate information, there are various other qualitative characteristics which make the corporate information more reliable and effective. These qualitative features of information will make corporate reporting more useful for the users of the information. Various other qualitative characteristics of corporate information are explained as follows:

1) **Consistency:** Corporate information must be consistent. It means that there must be consistent use of accounting principles from one accounting period to another accounting period. This will enhance the utility of financial statements to users of corporate information to facilitate analysis and understanding of comparative data. Lack of consistency will produce lack of comparability. The methods for valuation of certain items in financial statements should be consistent.

2) **Timeliness:** It means making corporate information available to users before it loses the capacity to influence decisions. If the information is not available in time when needed or either made available after a long time then it has no value for future action and it will become

irrelevant for decision-making. There are various degrees of timeliness. Some reports are to be prepared quickly like the reports in case of strike while a longer delay in some reports related to provide information on business aspects may badly affect the relevancy of data.

3) **Simplicity**: Corporate information must be very simple so that even a layperson can understood every aspect of it and will be able to make rational decision. Simplicity does not mean excluding all technical information which is relevant and material, instead it focuses on making the information more useful and precise. The notion is that if there is chance for use of less technical words in corporate information, then company should make full use of it.
4) **Materiality**: Corporate information must be material. Information is said to me material if its omission or misstatement would influence the economic decisions of users on the basis of financial statements. It implies that all financial information should not be reported, immaterial information may be excluded and only material information should be reported. Materiality involves the use of judgment. It is directly related to the decision-making impact on the user. Materiality has no connection with the size or items in the statements. Some items though very smaller in size and quantity, may be material while some bigger in size items may be immaterial. Because materiality not only depend on item relative size but also on its nature or combination of both.
5) **Authenticity:** Corporate information should be purely authentic. Authenticity means quality of being authentic in nature. It means that corporate information should not be false. It must be worthy of trust or belief and must be supported by unquestionable facts and evidences. Reports that lack authenticity miss a valuable opportunity to build a close connection with stakeholders.
6) **Transparency:** Corporate information must be transparent. It means the information which is to be reported should not conceal anything material from the users of the information. Lack of transparent information will result in loss of confidence by users in the company. Corporation information should be loaded with all the material information about the company so that standards of reporting can be maintained.
7) **Comprehensive:** Comprehensive means completeness. Corporate information must be complete in all respect from the point of view of statutory requirements and materiality. The company should provide full information to its users so that they can make right decisions at right time. It is an important feature of corporate information because any omission can cause corporate information false or misleading and can badly affect its relevancy and reliability.

8) **Legality:** It means the quality of being in accordance with the law. Corporate information must be in accordance with the law and must be according to various provisions which are applicable on companies.
9) **Verifiability:** Corporate information must be verifiable. Any information reported by the companies without any facts or evidences will position the data as unreliable in the eyes of stakeholders. Verifiability of data improves the quality of information and provides a significant degree of assurance that information represents what it is supposed to represent.
10) **Neutrality:** Neutrality means that the corporate information is directed towards the common needs of all the users rather than particular needs of specific users. Corporate information must be fair and reported with pure objectivity and neutrality as possible. It must not be made specifically for the needs of a particular user group; rather it can be used by users of all the classes of users. So the benefit of corporate reporting should be aimed at fulfilling the needs of all the users of the information. It will make information more useful and would benefit all the stakeholders.
11) **Engaging:** It is important qualitative characteristics of recent times. Many companies are now presenting their corporate information by using web based technologies. There is a shift from traditional paper printed reports to modern Online reporting formats. Nowadays company reports their information online by publishing their information on websites, social sites, blogs, forums, etc. Even some companies include colorful graphs, charts, still images, videos to make corporate information more engaging for the users.
12) **Accuracy:** Corporate information reported by companies must be free from any errors or mistakes. Corporate information full of mistakes will make information less reliable and faithful. Material inaccuracy will make reporting a complete fail. Therefore the company should carefully check the reports before publishing them to the users of information.

CONCLUSION

Corporate reporting has become an important integral part of communication between companies and stakeholders. So there is need of further improving the quality of the corporate information so that the stakeholders can take decisions more effectively. This can be done by incorporating these qualitative characteristics to corporate information that can add to the quality, reliability and relevancy of the data.

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