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An Introduction to Corporate Financial Reporting Practices in India

Authors : Pradip Kumar Das

Abstract: India is a developing country and is also one of the most industrialized developing countries of the world. In postindependence period, industry has grown rapidly in India and with industrialization corporate sector in the country has been growing day after day. Nowadays, the investment is not limited to be shareholders alone, apart from the shareholders the common people of the society have also started investing in shares of the corporate sectors. Thus, the responsibilities of the corporate sectors have increased much. Corporate financial reporting refers to a system which provides valuable information to different types of users in the society for taking resourceful decisions with regards to investment policy, organization credit worthiness, profitability, liquidity, provision of taxation etc. The quality of information available to different users fosters the efficient allocation of resources which are very urgent for economic development of a country like India. It is the responsibility of the management of the corporate sector to convey reliable and authentic information with the help of generally accepted accounting principles. Corporate sectors which disclose information through annual reports should be sufficient enough for the purpose of bringing out the salient features relating to business performances and other activities. However, the disclosures practices of the corporate sectors though annual reports have undergone several major changes from time to time. Many a time, these vital changes are in the fashion of presenting information in the annual reports and addition of so many nonstatutory disclosures of the company. Very often managements of the corporate sectors are blamed for concealing true picture which is not desirable at all. The corporate financial reporting practice which in the current period has gained a place of prime importance suffers from certain limitations and invites question from the public about its reliability. Thus, the wide gap created by management between the exhibited picture and the real picture sometimes attains to such extent that the purpose of the reporting practice loses its importance. The requirement of full and adequate disclosure of information including information relating to human resources in the annual report in free trade economy of India helps the prospective investors to select the best portfolio of their investments. This paper is a reflection of a modest attempt of the author to highlight the corporate reporting practices followed in India. A cursory glance of the conceptual study shows limitations along with reliability of the reporting practices and suggests measures to overcome the shortcomings of the financial reporting practices.

Keywords: corporate enterprise, cursory glance, portfolio, yawning gap

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