



# Comparability Quality of Interim Financial Reporting of Companies Listed on BSE

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**Abstract:** *This study examines the comparability quality of interim financial reporting of companies listed on the Bombay Stock Exchange (BSE). The research is based on both primary data (78 respondents) and secondary data (365 companies over 10 years: 2008–09 to 2017–18). Comparability is analyzed using Profit & Loss (P&L) statement consistency. The findings reveal that while a significant number of companies follow corporate governance practices, comparability quality varies across firms and periods, affected by reporting practices, regulatory changes, and company characteristics.*

**Key Words:** *Comparability Quality, Interim Financial Reporting, Bombay Stock Exchange.*

## 1. INTRODUCTION

Interim financial reporting plays a crucial role in providing timely financial information to stakeholders. Among the qualitative characteristics, **comparability** enables users to evaluate financial statements across periods and between companies.

The present study focuses on:

- Comparability of financial statements
- Impact of corporate governance
- Quality of interim reporting practices

The study uses:

- **Secondary data** as interim financial reports and corporate governance reports from 365 BSE-listed companies
- **Primary data** from professionals (Directors, CFOs, CAs, company personnel etc.)

## 2. REVIEW OF LITERATURE

**Khasharmeh & Aljifri (2010)** made a comparative study of the timeliness of disclosure of annual reports by Bahrain and UAE companies. They examined the impact of corporate attributes on the timeliness and concluded that profitability, debt ratio, sector type and dividend payout ratio had a strong influence on the timeliness of corporate annual reports. Similarly, auditor reports and board size have significant impact on the timeliness of reporting, the companies having clear auditors report are faster in disclosure of corporate annual reports than the companies having conditional auditors report and corporate with board size of small numbers are faster in disclosure of annual report than the larger boards.

**Chatterjee Debabrata (2010)** did a comparative study on Corporate Governance and Corporate Social Responsibility – The case of Three Indian Companies ITC Ltd., Reliance Industries Ltd., and Infosys Technologies Ltd. He concluded that though the corporate governance practices are exemplary, there exist differences in the way the companies adopt the corporate governance practices. He rated Infosys better than the other two companies.

**Singh Anurag & Prof. Gite Priyanka (2015)** in the paper titled, Corporate Governance Disclosure Practices: A Comparative Study of Selected Public and Private Life Insurance Companies in India concluded that LIC being the only public sector company has to be more attentive and concerned on some heads of the corporate governance so that LIC is able to face the competition given by private life insurance companies in fair and transparent manner.

Hence, literature review reveals that, Comparability quality of P&L Statement is the area still to explore by researchers and present study has tried to feel this gap.



### 3. MEANING AND SIGNIFICANCE OF INTERIM FINANCIAL REPORTING

#### Meaning of Interim Financial Reporting

**Interim Financial Reporting** refers to the preparation and presentation of financial statements for a period shorter than a full financial year (such as quarterly, half-yearly, or monthly reports). These reports provide timely financial information about a company's performance and financial position between annual reporting periods.

Interim financial reports usually include:

- Condensed Balance Sheet
- Condensed Profit & Loss Statement
- Cash Flow Statement
- Selected explanatory notes

Guidelines for interim reporting are provided by IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

#### Significance of Interim Financial Reporting

1. Timely Information
2. Helps Investors & Shareholders
3. Better Decision-Making
4. Improves Transparency
5. Performance Evaluation
6. Regulatory Compliance
7. Early Problem Detection

4. **OBJECTIVES OF THE STUDY:** To analyze comparability using Profit & Loss statement data.

### 5. HYPOTHESIS OF THE STUDY

H<sub>1</sub>: Compliance with Corporate Governance requirements under SEBI Listing Agreement has impact on Comparability quality of Interim financial Reports.

### 6. RESEARCH METHODOLOGY

#### 6.1 Data Collection

- **Secondary Data:** Quarterly reports of 365 companies (10 years)
- **Primary Data:** Questionnaire from 78 professionals

#### 6.2 Variables

- Independent Variable: Corporate Governance
- Dependent Variable: Quality of Interim Financial Reporting

#### 6.3 Method Used

- Continuous Method (Cronbach's Alpha = 0.889)

#### 6.4 Measurement of Comparability Score and Quality levels

comparability score is calculated in following ways:

#### Quarterly P & L Comparability Score (%)

Total marks of company for matched figures

$$= \frac{\text{Total marks of company for matched figures}}{\text{Maximum marks if all matched}} \times 100$$

Maximum marks if all matched

#### Yearly P & L Comparability Score (%)

Total Score of Quarters in a Year

$$= \frac{\text{Total Score of Quarters in a Year}}{\text{No. of Quarters}} \times 100$$

No. of Quarters

#### Ave. P & L Comparability Score (%)

Total Yearly Score (%) (Maximum for 10 years)

$$= \frac{\text{Total Yearly Score (%) (Maximum for 10 years)}}{\text{No. of Quarters}} \times 100$$

No. of Quarters

### 7. FINDINGS

1. Majority companies follow corporate governance but at varying levels
2. Comparability is **moderate to low** in many companies
3. Timeliness is a major issue affecting comparability



4. Strong governance leads to better comparability
5. SMEs and smaller firms show weaker reporting practices.

## 8. CONCEPT OF COMPARABILITY IN INTERIM REPORTING

Comparability refers to the ability to:

- Compare financial results across quarters
- Compare performance across years
- Identify trends in revenue, expenses, and profit

It is measured using:

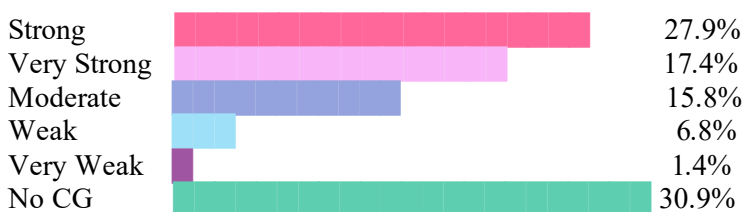
- Restated figures of:
  - Total Revenue
  - Total Expenses
  - Profit Before Tax

## 9. DATA ANALYSIS AND INTERPRETATION

### 9.1 Corporate Governance and Comparability

- 69.1% companies follow corporate governance practices
- 27.9% companies have strong governance
- 17.4% have very strong governance

**Graph 9.1: Corporate Governance Distribution**



(Source: Primary)

#### Interpretation:

- Strong governance improves consistency in reporting
- Companies with weak governance show poor comparability

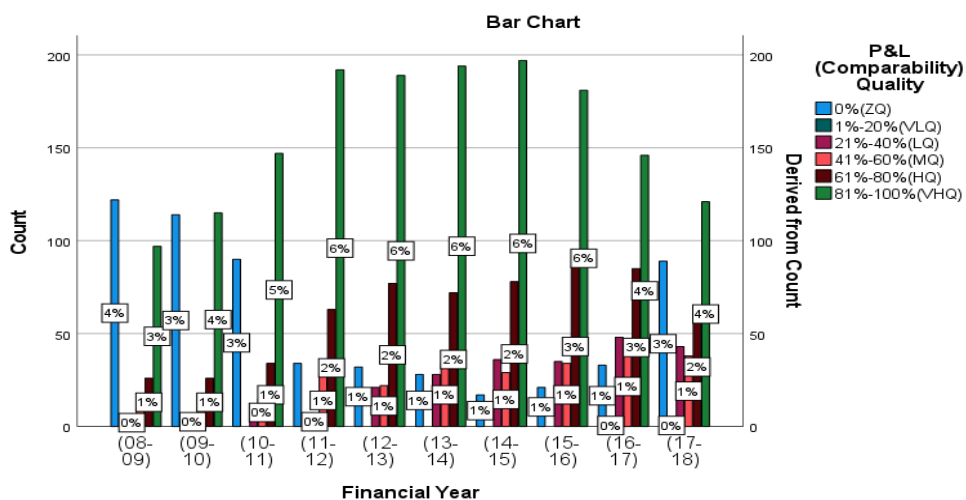
### 9.2 Comparability of Profit & Loss Statements

Comparability is evaluated by:

- Consistency in reporting revenue, expenses, and profit
- Uniform accounting policies across quarters

#### 9.2.1 Secondary data:

**Graph 9.2 Year wise Analysis of Quality of Interim Financial Reports with Respect to P&L Comparability Quality.**



(Source: Primary)



### Summary of objective Two: P&L Comparability

As per graph no. 9.2 Quality of quarterly financial reports of Companies listed on BSE was good as two third companies ensure Very High and High Profit and loss comparability quality. Over the period of the study Very High and High P&L comparability qualities were increased. But, after that up to FY 17-18 Very High P&L Comparability quality is decreased and High, Moderate P&L Comparability Qualities are increased slightly.

#### 9.2.2 Primary data:

##### 9.2.2.1 Comparability Quality of Profit and Loss Statement:

For assessing the comparability quality of interim financial reports, questions related to uniform and accrual accounting policy, change to the accounting policies and implications of those changes are included in questionnaire. Also questions related to comparability and analysis of profit and loss in light of accounting standard is included

The primary data related to quality of financial reports is presented in the following table for analysis and interpretation.

**Table No. 9.1 Frequency Distribution of Opinion on Interim Financial Reporting Quality.**

Particulars	Frequency & %	SD	D	N	A	SA	Total
	Percent	0.00	0.00	3.85	52.56	43.59	100.00
<b>Profit and Loss Comparability Quality</b>	Frequency	0	1	3	38	36	78
	Percent	0.00	1.28	3.85	48.72	46.15	100.00
1. In Interim Financial Reports of an Indian listed company, notes to changes in accounting policies explain the implications of change	Frequency	0	0	0	37	41	78
	Percent	0.00	0.00	0.00	47.44	52.56	100.00
2. Due to following of uniform and accrual accounting policies the current interim financial results of an Indian listed company are comparable with previous accounting periods	Frequency	0	0	0	41	37	78
	Percent	0.00	0.00	0.00	52.56	47.44	100.00
3. As standalone and consolidated results are prepared as per Ind AS, it became easy to analyze/ compare their performance with other companies	Frequency	0	0	0	37	41	78
	Percent	0.00	0.00	0.00	47.44	52.56	100.00

(Source: Primary)

(SD- Strongly Disagree, D- Disagree, N-Neutral, A-Agree, SA- Strongly Agree)

#### In case of Profit and Loss Comparability Quality

- 94.9% respondents are respectively Agree and Strongly Agree that, in Interim Financial Reports of an Indian listed company, notes to changes in accounting policies explain the implications of change.
- 100% respondents are Strongly Agree and Agree that, due to following of uniform and accrual accounting policies the current interim financial results of an Indian listed companies are comparable with previous accounting periods.
- 100% respondents are Agree and Strongly Agree that, as standalone and consolidated results are prepared as per Indian accounting standard, so it became easy to analyze/ compare their performance with other companies. On an average 64.1% and 35.9% respondents respectively Agree and Strongly Agree about comparability quality of interim financial reports.

#### Interpretation

All respondents are Agree and Strongly Agree about Profit and Loss Comparability Quality that, due to following of uniform and accrual accounting policies the current interim financial results of an Indian listed company are comparable with previous accounting periods and as standalone and consolidated results are prepared as per IND AS, it became easy to analyze/ compare their performance with other companies.

More than nine tenth respondents are Agree and Strongly Agree about Profit and Loss Comparability Quality that, in Interim Financial Reports of an Indian listed company, notes to changes in accounting policies explain the implications of change.

#### 9.3 Primary Data Insights

- 75.6% respondents Agree corporate governance improves reporting quality
- 17.9% Strongly Agree



- Over 90% support:
- Disclosure transparency
- CEO/CFO certification
- Compliance reporting

Almost all respondents agree and strongly agree about quality of interim financial reports in respect of comparability parameters of quality. Respondents are also of opinion that, exercise of IAS 34 standard will improve reliability and provide correct information through reviewed or audited financial report, which assist information users to make prediction about growth prospectus of companies. As per respondents, implementation of uniform and accrual accounting policies results in easy comparison and analysis of interim financial reports.

#### Key Observations:

- Companies with consistent accounting practices show **high comparability**
- Variations arise due to:
  - Changes in accounting methods
  - Non-compliance with standards
  - Delayed reporting

## 10. HYPOTHESIS

H<sub>1</sub>: Compliance with Corporate Governance requirements under SEBI Listing Agreement has impact on Comparability quality of Interim financial Reports.

H<sub>3a</sub>iii<sub>0</sub>: Corporate Governance doesn't have impact on P&L Comparability Quality.

H<sub>3a</sub>iii<sub>1</sub>: Corporate Governance has impact on P&L Comparability Quality.

Spearman rank correlation and its significance

Correlation	n	t	Significance
0.37	2703	20.69824	0.00

(Source: Primary)

The study **Reject null hypothesis** at 5% level of significance. So, Corporate Governance has impact on P&L Comparability Quality.

## 11. DISCUSSION

- Comparability is influenced by:
  - Corporate governance compliance
  - Timeliness of reporting
  - Accounting standard adherence
- Despite regulatory frameworks:
  - Many companies show **low comparability due to delays and inconsistencies**
- Regulatory reforms (post-2014 SEBI changes) improved reporting quality but not uniformly

## 12. CONCLUSION

The study concludes that while significant progress has been made in improving interim financial reporting in BSE-listed companies, **comparability remains inconsistent**. Strong corporate governance and adherence to accounting standards enhance comparability, but **delays, weak compliance, and structural differences** hinder uniform reporting. Improving comparability requires:

- Strict regulatory enforcement
- Standardized reporting formats
- Timely disclosures

## 13. SUGGESTIONS

1. Strengthen SEBI monitoring mechanisms
2. Mandate uniform accounting policies across quarters
3. Improve timeliness of reporting
4. Increase penalties for non-compliance
5. Enhance training for financial professionals



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