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an Extension

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INVESTIGATING PRESENTATIONAL CHANGE IN COMPANY ANNUAL REPORTS: AN EXTENSION

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ABSTRACT

This study extends previous work with a seven year (2004-10) longitudinal investigation of annual report design for Standard & Poor’s (S&P) 500 companies. Prior research identifies the normalization of annual report design, with particular attention to voluntary disclosures, such as charts and graphs and other material designed to impress the shareholders and/or potential investors. Our findings show two distinct trends in annual report design. The first trend is to include Securities & Exchange Commission (SEC) Form 10-K, which includes a complete set of financial statements and extensive nonfinancial information in the annual report to the shareholders. The second trend is that companies selectively use voluntary disclosures or have eliminated completely voluntary disclosures to shareholders. Overall, we conclude corporate America has improved the quality and presentation of nonfinancial and financial information in annual reporting, although voluntary disclosures are playing a smaller role. Evidence suggested fewer companies are using the annual report as an impression management vehicle.

Key words: annual report design, presentational change, voluntary disclosure, impression management, normalization

INTRODUCTION

Arguably the company annual report is one of the most accurate sources for information about the financial health and future prospects of a company (Lord, 2002). In addition, the company annual report is one of the most important tools that a company can utilize to impress shareholders and potential investors through voluntary disclosures, e.g. (Lord, 2002; Penrose, 2008) and (V. Beattie, 2008) (Dilla & Janvrin, 2010). In this practice, companies include extensive voluntary disclosures regarding financial and nonfinancial results, well beyond required financial disclosures. Voluntary disclosure includes, for example, carefully designed financial and nonfinancial charts and graphs, impressive pictures of products and leadership, and bold impressive words in print, such as, improved quality and growth.

This study extends previous work done by Beattie, Dhanani and Jones (2008) where the authors call for further longitudinal investigation into the nature of change in annual report
design, specifically in the United States. Our research extends their work with a seven year (2004-10) longitudinal investigation of annual report design for Standard & Poor’s (S&P) 500 companies. Our findings show a noticeable change has taken place in annual report design.

Our investigation shows two distinct design trends in annual report design. First, we find companies are providing very specific financial and nonfinancial information to the shareholders. The design trend is to include Securities & Exchange Commission (SEC) Form 10-K, which includes a complete set of financial statements and extensive nonfinancial information in the annual report to the shareholders. Second, the practice of voluntary disclosures appears to be changing. We find that companies selectively use voluntary disclosures or have eliminated completely voluntary disclosures in satisfying SEC reporting requirement to shareholders.

Overall, we conclude corporate America has improved the quality and presentation of nonfinancial and financial information in annual reporting. Including SEC Form 10-K with the annual report to the shareholder provides the user with a complete set of financial statements, plus a wealth of very useful nonfinancial information. Prior to this design trend, a shareholder would have to seek out Form 10-K separately. In addition, we identify a design trend where companies no longer use a wide spectrum of voluntary disclosures to mask the true performance in the annual report to shareholders. The advantage to shareholders is that they no longer have to wade through useless information to complete a quality company analysis. With this trend in design, the informed consumer of the annual report can gain a clear picture of company performance, liquidity and financial position.

LITERATURE REVIEW

Research in annual report design generally follows two tracks. Beattie, Dhanani and Jones (2008) (hereafter, BDJ) investigate specific trends in annual report design. Related research inquiries identify trends in annual report design, with particular attention to voluntary disclosures, such as charts and graphs and other material designed to impress the shareholders and/or potential investors.

DBJ (2008) identify the normalization of annual report design. DBJ (2008) define “normalization.” as the movement of, “how financial reporting practices gradually become adopted by the majority of companies over time.” DBJ (2008) also note there is a distinct lack of research in the normalization process today, as originally noted by Stanton and Stanton (2002). DBJ (2008) conclude from their work (and over thirty years of related research) that:

1. Corporate annual reports of U.K. firms are ever increasing in size, with voluntary disclosure increasing at a faster rate than regulatory material.
2. Narrative material increased 375% and pictorial material increased by 100% between 1965 and 2004.
3. Voluntary material appears in the front and financial statements in back of annual reports.

4. Use of prominent corporate logos and external design professionals where engaged to prepare the annual report in the majority of companies by 2004.

Another line of research focuses on the use of voluntary disclosures, including charts and graphs, in annual reports. Stakeholders rely upon the annual report as a creditable source for learning about a company and its related financial position (Stanton, 2002; Penrose, 2008). A reader of the annual report typically reviews nonfinancial and financial information to form an opinion about a company. Previous research shows a distinct normalization process in annual reporting practices. Publicly traded companies typically use voluntary disclosures about nonfinancial and financial issues in the annual report to shape the shareholders’ opinion about the company (Penrose, 2008) (V. Beattie, 2008) (Dilla & Janvrin, 2010). As a result, companies have included extensive voluntary disclosures, i.e. exciting and bold-looking pictures, upward sloping charts, smiling faces, suggestive and forward-looking statements, in the front section of the annual report. All of this would precede more substantive information like the management discussion and analysis of financial condition and results of operations (MD&A) segment, firm financial statements and related notes, and audit/management reports. The images, charts, and faces are designed to impress stakeholders’ and potential investors’ opinion about a company long before interpreting the financial results (e.g. (Neu, 1991) (Dilla & Janvrin, 2010)).

In general, BDJ (p. 218), using a sample of U.K listed companies from 1965 to 2004 find a normalization process at work in annual report design. Normalization in this context means companies tend to follow similar reporting practices.

Specifically, BDJ (p. 217) find companies continue to move in the direction of preparing a design-orientated document in compliance with the annual report. A design-orientated document in this context means financial reports alone do not dominate the annual report. Voluntary disclosures, as discussed above, appear to dominate the annual report (V. Beattie, 2008). The normalization trend appears to be that design and presentational attributes of nonfinancial information is increasing in the annual report. This finding supports previous work by Lee (1994) and McKinstry (1996). BDJ (p. 219) conclude future research should investigate the normalization of annual report design practices in other countries, such as the United States, with longitudinal studies.

SEC’S ANNUAL REPORT FORM 10-K COMPARED TO ANNUAL REPORT TO SHAREHOLDERS

Publicly traded companies in the U.S. must comply with two annual reporting requirements. The U.S. Securities and Exchange Commission requires publicly traded companies provide SEC Form 10-K annually to the Securities and Exchange Commission. The SEC uses
Form 10-K to monitor compliance with very specific financial and nonfinancial reporting standard. In addition the Securities and Exchange Commission requires a company to supply shareholders with an annual report before it holds the annual meeting to elect directors. The title of this report is called the *Annual Report to Shareholders*, often referred to as the *Annual Report*. This report must include a Management Discussion and Analysis section and complete set of audited financial statement and supporting notes. Companies are not restricted on voluntary disclosures in the Annual Report to Shareholders.

Publicly traded companies must comply with very specific SEC Form 10-K annual report reporting requirements. First, the SEC requires all publicly traded companies file annually SEC Form 10-K. This annual report includes careful reviews of the operating environment and business conditions of the company and includes audited financial statements. The SEC uses this information to monitor company performance. A general discussion of SEC Form 10-K can be found at: http://www.sec.gov/answers/form10k.htm.

SEC Form 10-K more carefully requires very specific nonfinancial and financial company reporting. The following site provides instructions for preparing and filing SEC Form 10-K: http://www.sec.gov/about/forms/form10-k.pdf. Noteworthy in these requirements is that voluntary disclosures, such as impressive pictures of products and leaders, and bold print impressive words, such as improved quality and growth and more are not part of SEC Form 10-K. SEC Form 10-K is a pure black and white, reasonably dense document recapping specific financial and nonfinancial company information. SEC Form 10-K required information more than satisfies Annual Report to Shareholders reporting requirements.

A careful study of SEC Form 10-K provides a rich education about a company’s strategy, financial performance, risk, competitors, and much more. SEC Form 10-K does not include fancy graphs, bold font words, impressive pictures or other voluntary disclosures designed to impress stakeholders and/or potential investors. Figure 1 lists the SEC Form 10-K major sections, identified as Items. An example of IBM’s 2008 SEC Form 10-K can be found at: http://www.ibm.com/investor/pdf/2184453_15801T26_CNB.PDF. We use IBM’s SEC Form 10-K to illustrate its rich source of nonfinancial information, yet the less than impressive presentation design.

**FIGURE 1**

- Item 1: Business - general discussion of the company’s business environment.
- Item 1A: Risk Factors
- Item 2: Properties
- Item 3: Legal Proceedings
- Item 4: Submission of Matters to a Vote of Security Holders
- Item 5: Market for Registrant’s Common Equity and Related Stockholder Matters
- Item 6: Selected Financial Data;
- Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations
Item 7A: Quantitative and Qualitative Disclosures About Market Risk
Item 8: Financial Statements and Supplementary Data
Item 9: Changes in and Disagreements With Accountants on Accounting and Financial Disclosure
Item 9A: Controls and Procedures
Item 10: Directors and Executive Officers of the Registrant,
Item 11: Executive Compensation,
Item 12: Security Ownership of Certain Beneficial Owners and Management,
Item 13: Certain Relationships and Related Transactions; and (n)
Item 14: Principal Accountant Fees and Services.

Item 1, for example, addresses overall business and strategy issues. Logically, one needs to have a feel for a company’s strategy to properly conduct financial analysis. In the following example the reader of Item 1 finds IBM is focused on “emerging geographies, tapping their higher growth,” yet clearly understands the challenges faced by its customers.

“Integrated global economies have opened markets of new opportunity and new sources of skills. The Internet has enabled communication and collaboration across the world and brought with it a new computing model premised on continuous global connection. In that landscape, companies can distribute work and technology anywhere in the world. IBM continues to adjust its footprint toward emerging geographies, tapping their higher growth, providing the technology infrastructure they need and taking advantage of the talent pools they provide to better service the company’s clients.

At the same time, the current economic crisis increases the pressure on both businesses and governments around the world to adapt. The needs for additional transparency, security and efficiencies are clear.”

Item 1A educates the reader that IBM faces risk in its growth strategy with the following:

“Risks from Investing in Growth Opportunities could impact the Company’s Business: The Company continues to invest significantly in growth opportunities, including higher-value segments of enterprise computing and dozens of emerging countries, including Brazil, Russia, India and China, to drive revenue growth and market share gains. Client adoption ..... In emerging growth countries, the developing nature presents potential political, social and economic risks from inadequate infrastructure, creditworthiness of customers and business partners, labor disruption and corruption, which could impact the Company’s ability to meet its growth objectives and to deliver to its clients around the world.”

In summary, SEC Form 10-K serves as a very useful source of nonfinancial and financial information. Form 10-K provides the reader with information about an industry, a company’s business model, risk, and much more. The report also includes a complete set of financial
statements. Overall, SEC Form 10-K educates the reader about a wide range of important company issues. Yet, the 10-K is not designed to impress the reader with fancy graphs, pretty pictures, all printed on quality paper or bright colors in an electronic document. The form is designed to educate the reader about important issues, nothing more, nothing less.

The SEC also requires that publicly traded companies provide annual reports to shareholders before it holds an annual meeting to elect directors. This report must include a Management Discussion and Analysis section and a complete set of financial statements. The SEC requires that the annual report to shareholders provide the same set of financial statements as included in SEC Form 10-K. The SEC had to make this a specific requirement because in the early 1960s some companies showed a profit in the financial statements provided to the shareholders and a loss in the financial statements provided to the SEC in Form 10-K. Certainly, the lack of consistency confused stakeholders and potential investors.

Publicly traded companies have taken advantage of the annual report to shareholders to impress shareholders and potential investors with extensive voluntary disclosures, well beyond the financial statements. For example, the letter to the shareholder by the chief executive officer (CEO) is not a required disclosure, yet is typically found just inside the front cover of the annual report. The letter, in most cases, reads like a finely crafted political statement. Positive, forward looking, words and phrases such as “growth,” “take advantage of market opportunities,” and “we are in excellent position to……” are carefully weaved into the letter. Selective financial highlights are another voluntary disclosure often found in the annual report. Charts and graphs are designed to impress the user (Penrose, 2008) (Dilla & Janvrin, 2010). Additional voluntary disclosures include bold pictures of leadership, happy employees, company support of social initiative, and green movement contributions. Public relations and graphic design firms thrive on crafting the annual report to shareholders to look more like a piece of art, than a document to evaluate company performance. In the vast majority of annual reports, the voluntary information precedes the required disclosures. In general the voluntary disclosures are designed to impress upon the reader of the annual report quality and success of the company, long before she/he critically evaluates the company’s financial performance.

How a company complies with the annual report to the shareholders requirement is at the discretion of leadership. Leadership may elect to provide the shareholders with the annual report to the shareholders as discussed immediately above, with voluntary disclosures. Or leadership may simply provide SEC Form 10-K in compliance with the annual report to the shareholders requirement. Leadership may also elect to provide a combination of voluntary disclosures along with SEC Form 10-K to the shareholders. This paper investigates the longitudinal nature of change in how companies comply with the SEC annual report to the shareholders requirement. Our research questions are: Is the annual report design normalization shifting, and if so, what is the change for Standard & Poor’s (S&P) 500 companies for the period 2004-2010? In other words, what appears to be the reporting model normalization process by S&P 500 companies?
S&P 500 DATA ANALYSIS

The authors’ sample comes from companies listed on the S&P 500, for the years 2004-2010. The S&P 500 was used because, “it is widely regarded as the best single gauge of the U.S. equities market…. Although the S&P 500 focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.” (Go to: http://www.standardandpoors.com/indices/main/en/us/ and select S&P for a complete reference). The sample consists of 468 usable company annual reports for the years 2004-2010. A company must provide annual reports to the shareholder for the entire sample period to be included in the study.

The authors’ study consists of segmenting company annual report to shareholder reporting practices into six categories. The “full” annual reports (Category A) includes the chair’s letter, financial highlights (table or graph form), marketing material and a complete set of financial statements, including the management discussion and analysis (MD&A) section, designed beyond the standard structure found in SEC Form 10-K. Marketing material consists of impressive pictures or words about company product or services, such growth, profitability and more designed to impress the annual report reader. Additional marketing material includes bold looking pictures of leadership and/or any other material in the annual report designed to impress the reader. The financial statements carry an enhanced format, compared with the pure black and white financial statements found in SEC Form 10-K. Although the financial values are the same as that found in the 10-K, the statements’ format is typically easier to read and interpret with spacing and font design enhancements. The reader can think of the full annual report to shareholders as a high gloss report, printed on quality paper (or in PDF form appearing as if on high quality paper), stuffed with pretty pictures, chart, graphs and words that exude quality. Typically, the report communicates success long before the reader sees the financial statements.

Categories B – F reflect different reporting practices. Category B includes similar material to Category A except the company includes SEC Form 10-K to satisfy the financial statement reporting requirement. Category C includes the chair’s letter, financial highlights and SEC Form 10-K in compliance with the annual report to shareholder requirement. Category D includes the chair’s letter, marketing material and SEC Form 10-K. Again, marketing material consists of pictures and suggestive works, such growth, profitability and more designed to impress the annual report reader. Category E includes the chair’s letter and SEC Form 10-K. In Category F, a company simply provides SEC Form 10-K in compliance with the annual report to shareholders requirement.

The authors’ analysis consists of tracking two levels of change to company financial reporting practices for the period 2004-2010. The first level identifies the overall change to reporting practices. The second level tracks the pattern of change. We exam the specific change in reporting practices for those companies that changed from Categories A - F to some other form of reporting.
Figure 2 recaps the first level of data analysis. The findings show a distinct change to how companies comply with the SEC annual report to shareholders requirement. In 2004, 201 Category A companies provided shareholders with a full annual report. By 2010 the number dropped to 98. Between 2004 and 2010 Category A reporting design structure declined by 54% ((201-92)/201).

**Figure 2: Overall Change to Reporting Practices**

<table>
<thead>
<tr>
<th>Category Structure</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>A Full annual report</td>
<td>201</td>
<td>178</td>
<td>166</td>
<td>141</td>
<td>111</td>
<td>98</td>
<td>92</td>
</tr>
<tr>
<td>B Chair’s letter, financial highlights,</td>
<td>169</td>
<td>179</td>
<td>183</td>
<td>193</td>
<td>195</td>
<td>194</td>
<td>194</td>
</tr>
<tr>
<td>marketing material, and Form 10-K</td>
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<td></td>
<td></td>
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<tr>
<td>C Chair’s letter, financial highlights,</td>
<td>25</td>
<td>28</td>
<td>26</td>
<td>33</td>
<td>36</td>
<td>36</td>
<td>29</td>
</tr>
<tr>
<td>Form 10-K</td>
<td></td>
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<tr>
<td>D Chair’s letter, marketing material,</td>
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<td>29</td>
<td>29</td>
<td>32</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Form 10-K</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>E Chair’s letter, Form 10-K</td>
<td>19</td>
<td>19</td>
<td>33</td>
<td>36</td>
<td>39</td>
<td>44</td>
<td>47</td>
</tr>
<tr>
<td>F Form 10-K only</td>
<td>29</td>
<td>34</td>
<td>31</td>
<td>36</td>
<td>55</td>
<td>63</td>
<td>72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>468</strong></td>
<td><strong>468</strong></td>
<td><strong>468</strong></td>
<td><strong>468</strong></td>
<td><strong>468</strong></td>
<td><strong>468</strong></td>
<td><strong>468</strong></td>
</tr>
</tbody>
</table>

The findings show an increase in Category B reporting practices. In 2004, 169 companies provided shareholders with Category B annual reports. By 2010, the number increased to 194. This reflects a 15% ((194-169)/169) increase. All of the remaining categories show an increase in reporting frequency as well. Category C increases by 16%. Category D increases 36%. Category E increases by 147%. Category F increases by 148%.

The authors conclude from this evidence that there appears to be a shift in the annual report design normalization process. Leadership is moving to provide shareholders with SEC Form 10-K in compliance with SEC’s requirement to provide shareholders with an annual report. This means the user is provided carefull insight about selective nonfinancial information as well as financial data.

In the authors’ opinion this shift represents an improvement to financial reporting. SEC Form 10-K provides an extensive amount of valuable nonfinancial information, helping the user concentrate on a more complete financial analysis. The financial statements, in general, follow the same structure across industries. True SEC Form 10-K has always been available in a separate document to the shareholders. The normalization process identified in this dataset represents managements’ effort to make financial and very useful nonfinancial information readily available with the annual report. Our findings also show that shareholders still must work through voluntary material designed to emphasize selective company information. The reader must recognize that this material is designed to impress her/him. Importantly, the reader must recognize that SEC Form 10-K holds a wealth of high quality company insight, well beyond a set of financial statements. Readers no longer must search for SEC Form 10-K separately.
Figure 3 recaps specific company pattern of reporting trends. We discuss this topic by comparing 2004 reporting category (horizontally listed) compared to 2010 reporting category (vertically listed). We find that 51% of the companies have the same reporting category in 2004 compared with 2010 \( \left( \frac{(86+103+11+10+16+11)}{468} \right) = 51\% \).

Working through the diagonal we see:

- 86 companies follow reporting Category A in 2004 and 2010,
- 103 companies follow reporting Category B in 2004 and 2010,
- 11 companies follow reporting category C in 2004 and 2010,
- 10 companies follow reporting category D in 2004 and 2010,
- 16 companies follow category E in 2004 and 2010, and
- 11 companies follow reporting category F in 2004 and 2010.

<table>
<thead>
<tr>
<th>Figure 3: Specific Reporting Trend</th>
<th>Categories</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>2010 A</td>
<td>86</td>
<td>4</td>
</tr>
<tr>
<td>2010 B</td>
<td>68</td>
<td>103</td>
</tr>
<tr>
<td>2010 C</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>2010 D</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>2010 E</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>2010 F</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Totals</td>
<td>201</td>
<td>169</td>
</tr>
</tbody>
</table>

Evaluating the upper right and lower left of the diagonal provides insight regarding the specific pattern in changes to reporting practices. Values in the upper right signal companies are moving to more voluntary disclosures. Values in the lower left signal companies are moving to less voluntary disclosures. Figure 3 shows the number of companies moving into the lower left section of Figure 3 is far greater than the upper right diagonal.

Further analysis consists of reading down each column. Figure 3 shows that 86 companies followed Category A reporting practice in 2004 and 2010. Additional analysis shows that 68 companies changed from Category A in 2004, to Category B in 2010. Nineteen companies changed from Category A in 2004 to Category F in 2010 reporting practice. The interpretation is that companies are moving from Category A to primarily Category B and F.

Evaluating the change in Category B provides further insight. Only 4 companies in our sample followed Category B reporting practice in 2004 and Category A reporting practice in 2010. In comparison, there is a distinct trend in Category B 2004 reporting practices to less voluntary disclosure practices in 2010. That is in moving from Category B to C and below, the
type of voluntary disclosure declined. Categories C – F increase in reporting by 8, 13, 17, and 24 companies, respectively.

The largest change in Category B 2004 is to Category F. In total 24 companies switched from Category B to Category F in 2010. Categories D and E also increased. The interpretation is that companies are moving from Category B to categories that represent less voluntary disclosure practices. In particular Categories E and F reflect substantially less voluntary disclosure. This means voluntary disclosures are playing a smaller role in the companies switching from Category B to E and F. Although preliminary, this change may signal companies no longer intend to use the annual report as an impression management tool.

Figure 3 provides one additional form of insight. Categories C – F show movement among the categories, with one exception. Only two companies followed reporting practice categories C – F in 2004, and moved back to Category A in 2010. One may conclude from Figure 3’s recap that firms tend not to switch back to a full annual report, once they move to placing Form 10-K in the annual report to shareholders

WHY WOULD A COMPANY CHANGE?

A company may change its reporting practices for one or a combination of reasons. To reduce cost is a logical consideration. Eliminating the marketing content certainly reduces reporting costs. Pictures of products, fine photography involving the leadership team, and fancy charts are costly to produce and distribute. Thus, to reduce reporting costs is a logical reason why a company would change its annual report to shareholders reporting practice and decrease voluntary disclosures. In addition, much of this type of material may be redundant and readily available on the company website, as well.

Meeting environmental responsibilities may also be a contributing factor to change. Landfills surely hold a countless number of annual reports, along with SEC Form 10-Ks, that no longer serve the shareholder’s purpose. Reducing the waste associated with the disposal of annual reports represents a positive response to environmental concerns. Further, a scaled down version of an annual report posted on a company website provides additional savings. Many companies simply provide the annual report in a PDF format on the website.

Users of the annual report to shareholders should recognize the value of SEC Form 10-K. Today’s competitive landscape, shifting political issues, and a company’s social responsibilities make company analysis a challenging task. Now, more than ever, high quality financial and nonfinancial information is necessary to fully evaluate a company’s performance. Without careful knowledge about the competition, company strategy, and risk factors, financial analysis is incomplete. Financial and nonfinancial information is necessary to forecast the future success and challenges facing a company. SEC Form 10-K, Item 1 and other parts, serve as concise and readily available quality sources of nonfinancial information for the professional and nonprofessional user to apply in financial analysis.
True, SEC Form 10-K has always been available. Including the 10-K in the annual report to shareholders, as in Categories B – F makes the information explicit and readily available, without ones decision being compromised by marketing material.

CONCLUSION AND SUGGESTIONS FOR FUTURE INQUIRY

Our findings point to two design normalizations underway in our sample. First, SEC Form 10-K appears to play a much larger role in the annual report to the shareholders. Second, the pattern of evidence recapped in Figure 3 suggests voluntary disclosures are decreasing.

The reasons for the changes need to be answered. Does, in fact, SEC Form 10-K provide helpful insight? SEC Form 10-K can be difficult to read. Understanding the form requires very careful analysis. What sections of Form 10-K is the user reading and what sections is not being used?

Companies that have not changed to providing SEC Form 10-K to shareholders may want to do so. Information reduces risk for the shareholders. Form 10-K provides information to reduce the shareholders risk and thus potentially increase share value. Regardless of the motivation for the normalization changes identified in this research, one can be confident that SEC Form 10-K in a shareholder annual report provides an improved quality of nonfinancial and financial information and ultimately will provide a greater potential for increased shareholder value.

REFERENCES


AUTHORS’ NOTE

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