

CHAPTER - V

SUMMARY AND CONCLUSIONS

RESTATEMENT OF THE PROBLEM AREAS :

Disclosure is the process through which an entity communicates with the outside world and adequate disclosure has long been considered an indispensable part of financial reporting. The concept requires that financial statements should include all disclosures which are necessary to make the statements not misleading.

It is generally agreed that the most important means of communication with stakeholders is the annual report. The extent of disclosure-adequacy in annual reports may be a major determinant of the quality of investment-decision-making in particular and economic allocation in general. It is also agreed that the reporting practices of commercial banks have not yet reached the same level of adequacy as the non-financial corporations.

Throughout the world existing requirements for disclosure in the financial statements of banks are most often established by legislation and by practices encouraged by Government through their official regulatory authorities. To-date, only a few of pronouncements on bank financial reporting have been made by accountancy bodies. An internationally consistent practice has not yet developed for the form of, and disclosures in, the financial

statements of banks. This is because differing views are taken in individual countries of the need for or desirability of extensive disclosure of financial information, either as to the nature and details of a bank's activities or to the extent to which capital resources may be understated through maintenance of secret reserves. Reasons for this diversity include the differing degrees of importance attributed to the role of disclosure in the financial statements of banks and its contributions to maintain stability in the banking sector and to an efficient supervisory function.

The achievement of international standards is a matter which lies in the forefront of current thinking in the accounting profession and is a matter with which accountants will need to deal explicitly in the very near future. Some unnecessary differences appear to exist among those countries where disciplines of accounting and auditing are most developed. This is a condition which is incompatible with the objectives of international harmonisation.¹

All the banks act as custodians of public funds and provide much the same basic service. There is no reason why all should not report the same basic information in the same way.

1. Harmonisation suggests comparison, coordination, and reconciliation but does not imply a rigid uniformity especially in details. It implies also that a sense of proportion is needed in attempting to bring standards and procedures into line.

TABLE - XXVIII

Disclosures, Improvements and Deficiencies Noted in the Annual Reports of Commercial Banks from 1978 to 1980.

Items	U.S.A.			U.K.			Canada			Australia			India		
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c
1. Amlit Statements	10	10	-	6	6	-	8	8	-	7	7	-	25	25	-
2. Gains and Losses on Investment Securities	8	9	1	50	10	10	6	6	100	1	1	-	86	-	100
3. Gains and Losses on Investment Securities presented Net of Taxes	8	9	1	50	10	-	-	-	100	-	-	-	100	-	100
4. Amortization of Premiums	10	10	-	5	4	-1	33	8	8	4	6	2	67	14	-
5. Amortization of Discounts	10	10	-	5	4	-1	33	8	8	4	6	2	67	14	-
6. Composition of Investment Portfolio	10	10	-	6	6	-	8	8	-	7	7	-	-	12	12
7. Market Value of Securities	10	10	-	6	6	-	-	-	100	6	6	-	14	5	7
8. Income from Tax-Exempt Securities	7	7	-	33	-	-	100	-	-	100	-	-	100	-	100
9. Account for Fixed Assets	9	10	1	100	-	-	1	7	6	86	12.5	3	4	1	25
10. Provision for Loan Losses Included in the Income Statement	10	10	-	1	1	-	95	8	8	-	1	1	-	86	-
11. Provision for Loan Losses Offset Against the Related Asset Account	10	9	-1	10	-	1	17	85	-	100	3	4	1	25	43
12. Analysis of the Provision for Loan Losses	9	9	-	10	4	5	1	50	17	8	8	-	6	6	14
13. Analysis of the Changes in the Capital Accounts	10	10	-	6	6	-	-	8	8	100	-	1	2	1	17
14. Consolidated Statements	10	10	-	6	6	-	-	0	8	100	-	4	5	1	33
15. Disclosures Regarding Unconsolidated Subsidiaries	-	-	-	-	-	-	-	8	0	-	-	-	-	-	1
16. Inclusion of Statements of Source and Application of Funds	10	10	-	5	6	1	100	-	-	100	3	5	2	50	29
I. Percentage of total annual reports showing disclosures at the beginning of the test period.	94.38			70.83			44.53			45.54			22.75		
II. Percentage of total annual reports showing disclosures at the end of the test period.	99.62			71.88			67.97			59.88			23.25		
III. Percentage of total annual reports showing improvements during the test period.	1.24			1.05			23.44			14.28			0.50		
IV. Percentage of total annual reports needing improvements at the end of the test period.	4.38			28.12			32.03			40.18			76.75		

a. Disclosures at the beginning of the test period.

b. Disclosures at the end of the test period.

c. Improvements or deterioration made during the test period.

d. Percentage of total annual reports showing disclosures at the beginning of the test period.

e. Percentage of total annual reports showing disclosures at the end of the test period.

f. Percentage of total annual reports showing improvements during the test period.

g. Percentage of total annual reports needing improvements at the end of the test period.

h. Percentage of total annual reports showing improvements at the end of the test period.

i. Percentage of total annual reports needing improvements.

j. Percentage of deficiency exists at the end of the test period.

SURVEY OF ANNUAL REPORTS :

Table XXXVIII based on the data presented in Chapter-III shows the disclosures, improvements and harmonisation noted in the annual reports of commercial banks from 1978 to 1982. A perusal of the table leads us to the following observations :

The banks under present study have not improved their audit practices. Apparently banks have no deficiency in this respect at the end of the test period, and international harmonisation in the sample countries is quite high. They have, however, failed to adopt or recognise emerging developments in the area of auditing.

During the test period, the banks in U.S.A. and Canada have made 50 per cent and 100 per cent improvements respectively in regard to presentation of 'gains and losses on investment securities.' The banks in U.S.A., Australia and India have deficiency to the extent of 10 per cent, 86 per cent and 100 per cent respectively at the end of the test period. Hence, excepting the Banks in Australia and India, international harmonisation is possible among the banks studied.*

The U.S. banks have improved their reporting (of gains and losses on investment securities presented net of taxes) to the extent of 50 per cent. Still they have 10 per cent deficiency in

*Our observation on possibility of harmonisation is based on the assumption that only countries with 50 per cent and more disclosure can move towards harmonisation. As harmonisation is a voluntary measure we do not see any scope of harmonisation in near future in relation to countries with less than 50 per cent disclosure. This, however, neither foreclose need nor possibility of harmonisation. On the other hand, it stresses a greater need in relation to these countries.

this respect. The banks in remaining countries under study have 100 per cent deficiency with regard to this item. They showed no sign of improvement. Therefore, international harmonisation with respect to this item is not possible among the banks studied in the sample countries.

Regarding 'amortization of premiums and discounts', banks in Australia have improved to the extent of 67 per cent and only the banks in U.K., Australia and India have deficiency to the extent of 33 per cent, 14 per cent and 100 per cent respectively. Hence, international harmonisation, with regard to these items is only possible among the banks in U.S.A., U.K., Canada and Australia.

The banks in U.S.A., U.K., Canada and Australia have no deficiency regarding 'investment portfolio (composition)' disclosure but the banks in India have still 52 per cent deficiency. Therefore, international harmonisation except India is possible among the banks in sample countries.

The banks in U.S.A. and U.K. have no deficiency in presentation of 'market value of securities.' The banks in Canada have 100 per cent deficiency, and the banks in India and Australia have 72 per cent and 14 per cent deficiency respectively. In India, during the test period, only 10 per cent of the banks needing improvement have made improvements. Thus, international harmonisation is possible only among the banks in U.S.A., U.K. and Australia.

The Banks in U.K., Canada, Australia and India have 100 per cent deficiency with regard to 'income from tax-exempt securities';

whereas the deficiency of U.S.A. banks is only 33 per cent in this respect. Therefore, international harmonisation is quite^m possible in the near future.

The banks in U.S.A. have made 100 per cent improvement over the total bank reports needing improvement in 'accounting for fixed assets'; the comparable figures of the banks in Canada and Australia being 86 per cent and 25 per cent respectively. As the banks in Canada and Australia have 12.5 per cent and 43 per cent deficiency respectively, international harmonisation among these banks is possible with regard to this item of information. No deficiency status of the U.K. and Indian banks is a silver lining here.

No improvement has been noticed during the test period regarding 'provision for loan losses.' U.S.A. and Canadian banks had no deficiency to improve. The banks in U.K., Australia and India have 83 per cent, 86 per cent and 100 per cent deficiency respectively. International harmonisation is, therefore, possible at international level barring U.K., Australia and India.

Regarding 'off setting of loss provisions against the related assets' the banks in U.K. and Australia have made little improvements. The banks in Canada and India have 100 per cent deficiency; the comparable figures of U.K., Australia and U.S.A. are 83 per cent, 43 per cent and 10 per cent respectively. The international harmonisation between U.S.A. and Australia is, therefore, possible with regard to this item.

The banks in Australia and in U.K. had made 86 per cent and 50 per cent improvement over the total banks reports needing improvements regarding 'analysis of provision for loan losses.' Thus, the banks in U.S.A., U.K., Australia and India have 10 per cent, 17 per cent, 14 per cent and 100 per cent deficiency respectively at the end of the test period. Therefore, excepting in India, international harmonisation among the banks is not an impossibility.

The banks in Canada and Australia have made 100 per cent and 17 per cent improvement respectively regarding 'analysis of the changes in the capital accounts.' Only the banks in Australia and India have deficiency to the extent of 71 per cent and 100 per cent respectively at the end of the test period. Hence, international harmonisation is imminent only among the banks in U.S.A., U.K. and Canada.

The banks in Canada and Australia have made 100 per cent and 33 per cent improvement respectively regarding the consolidation of accounts. The banks in India and Australia still have 100 per cent and 29 per cent deficiency respectively. Thus, excepting the banks in India, international harmonisation is surely possible among the banks in U.S.A., U.K., Canada and Australia.

Where subsidiaries are not consolidated it is expected that at least existence of such subsidiaries as well as rudimentary details about such subsidiaries would be included in the reports of the holding banks. Till 1982 in Canada, and throughout the study period in India, consolidation of subsidiary is not a practice and hence only

certain details about their subsidiaries are furnished in the reports of the holding banks. In India, however, the State Bank of India is the only bank (with subsidiaries) under such disclosure obligation.

By including 'source and application of funds' only the banks in U.K. and Australia have made improvement in their reporting to the extent of 100 per cent and 50 per cent respectively. The banks in Canada and India have 100 per cent deficiency and the banks in Australia have 29 per cent deficiency with regard to this item. Thus, barring India and Canada, international harmonisation is possible in this area.

Having considered itemwise disclosure, we may now examine countrywise disclosure status (Table XXXVIII).

94.38 per cent of the annual reports in U.S.A. disclosed sixteen items of information at the beginning of the test period and the comparable figures for U.K., Canada, Australia and India were 70.83 per cent (for twelve items), 44.53 per cent (for eight items), 45.54 per cent (for twelve items) and 22.75 per cent (for five items) respectively.

In U.S.A. 1.24 per cent of the total annual reports registered improvements in three items of information; the rates of improvements in U.K., Canada, Australia and India were 1.05 per cent (for three items), 23.44 per cent (for four items), 14.28 per cent (for

eight items) and 0.50 per cent (for one item) respectively.

Thus, the percentage of total annual reports showing disclosures at the end of the test period increased to 95.62 per cent in case of U.S.A. The comparable figures of disclosure for U.K., Canada, Australia and India being 71.88 per cent, 67.97 per cent, 59.82 per cent and 23.25 per cent respectively.

The percentage of total annual reports needing improvements at the end of the test period is 4.38 per cent in case of U.S.A.; the comparable figures for U.K., Canada, Australia and India are 28.12 per cent, 32.03 per cent, 40.18 per cent and 76.75 per cent respectively.

Hence, it is evident that a substantial improvement has been made in the reporting practices in U.S.A., U.K., Canada and Australia in respect of many items of information except in India where the rate of improvement is poor in comparison to other countries.

It is also evident that international harmonisation is more feasible regarding a number of items of information among the banks in U.S.A., U.K., Canada and Australia; in India it is very difficult unless a substantial improvement is made in respect of atleast some items of information indicated in the present research.

Thus, it is concluded here that the banks in U.S.A. are undisputed leaders in disclosure practices with respect to sixteen items of information as hypothesised in Chapter-I followed by the banks in U.K., Canada, Australia and India; the disclosure practices in India being very poor, gloomy and disappointing.

TABLE - XXXIX

Summary of opinions as to 'Information Deficiencies'.

Factor	Information Deficiency Reported by														
	U.S.A.			U.K.			Canada			Australia			India		
	Bankers	CAs	SEMs	Bankers	CAs	SEMs	Bankers	CAs	SEMs	Bankers	CAs	SEMs	Bankers	CAs	SEMs
1. Gains and Losses on Investment Securities.	0.47	0.86	2.50	0.88	1.67	1.00	0.25	1.13	2.25	NA	3.00	3.60	0.00	4.00	NA
2. Amortization of Premiums.	0.66	0.43	2.00	0.55	1.67	0.40	0.25	1.13	2.25	NA	3.50	3.29	0.00	2.50	NA
3. Amortization of Discounts.	0.73	0.57	2.00	0.44	1.67	0.40	0.25	1.13	2.25	NA	3.50	3.50	0.00	2.00	NA
4. Composition of the Investment Portfolio.	0.73	1.00	2.50	0.12	2.33	1.60	1.00	1.37	1.50	NA	2.50	3.59	0.00	1.00	NA
5. Income from Tax-Exempt Securities.	0.60	0.78	1.25	0.71	2.00	1.75	2.00	1.71	2.92	NA	3.00	3.59	2.00	2.50	NA
6. Market Value of Securities.	0.73	1.21	3.75	0.22	0.00	1.60	1.50	1.88	1.75	NA	0.50	2.35	0.00	3.00	NA
7. Loan Losses.	0.94	1.29	3.00	1.11	2.00	2.20	1.25	2.00	3.00	NA	3.50	4.24	1.50	5.00	NA
8. Reserve for Loan Losses.	0.73	0.79	1.75	1.22	1.66	2.60	0.25	1.25	2.50	NA	3.50	3.35	3.00	4.50	NA
9. 'Discount' Loans.	0.33	0.72	3.00	0.57	2.33	1.20	0.00	0.63	3.25	NA	3.00	2.82	0.00	2.50	NA
10. Accounting for Fixed Assets.	0.20(-)	0.07	1.00	0.34	0.00	1.60	0.00	1.00	0.50	NA	2.00	1.94	0.00	1.50	NA
11. Disclosure of Reserve Accounts.	0.74	0.93	3.25	0.45	2.33	1.80	0.25	1.12	1.00	NA	2.50	2.24	1.00	2.00	NA
12. Distinction between Contributed Capital and Earned Capital.	0.67	1.00(-)	0.25	0.45	0.34	1.00	1.50	0.38	0.00	NA	0.00	1.35	1.00	0.00	NA
13. Operations of Subsidiaries.	1.87	1.64	1.00	1.00	1.66	1.60	1.34	1.13	1.25	NA	2.00	2.65	2.00 (-)	1.50	NA
14. Income Statement.	0.93	0.72	2.25	0.67	2.67	1.60	1.34	1.13	1.75	NA	3.00	3.48	0.00	1.50	NA
15. Balance Sheet.	0.87	0.79	2.25	0.64	2.34	1.20	0.66	0.63	0.50	NA	2.00	3.35	0.00	1.50	NA
16. Source and Application of Funds.	0.13	1.00	0.75	1.88	3.00	0.40	0.00	1.63	1.50	NA	2.50	2.76	0.00	3.00	NA
Total:	11.33	13.66	32.00	11.25	27.67	21.95	11.84	19.25	28.17	NA	40.00	48.10	10.50	35.00	NA
Average:	0.71	0.85	2.00	0.70	1.73	1.37	0.74	1.20	1.76	NA	2.50	3.01	0.66	2.19	NA

TABLE - XL

Average Information Deficiencies Reported.

Country	Average Information Deficiency Reported		
	Bankers	CAs	SEMs
U.S.A.	0.71	0.85	2.00
U.K.	0.70	1.73	1.37
Canada	0.74	1.20	1.76
Australia	NA	2.50	3.01
India	0.66	2.19	NA

SURVEY OF OPINIONS

There are differences of opinion among the Bankers, CAs and the SEMs as to the existence of information deficiencies in the reporting practices of commercial banks on sixteen specific items of information; but there are also differences of opinion as to the degree of these deficiencies (Table XXXIX).

It is observed that as we move from the Bankers to SEMs through CAs in U.S.A., the degree of deficiency increases in most of the items. The Bankers feel that the information deficiency in their current reporting practices is 'minimum' except in item 13, and even for this item the deficiency is 'very little.'

The CAs, on the other hand, opine that there are 'minimum' information deficiencies in respect of items 1-5, 8, 9, 11, 12 and 14 to

16 and 'very little' information deficiencies in items 6, 7, and 13. They do not consider any information deficiency in item 10.

The SEMs hold the view that there is no information deficiency in item 12 but they perceive 'minimum' information deficiencies in items 10, 13, and 16; 'very little' information deficiencies in items 2, 3, 5 and 8; 'little' information deficiencies in items 1, 4, 7, 9, 14 and 15; and 'average' information deficiencies in items 6 and 11.

However, if we look into the average information deficiency score, we find a different picture. Here both the Bankers and CAs concede that there is 'minimum' information deficiency in the current reporting practices of commercial banks while SEMs feel it as 'very little.'

It is observed in Table XXXVIII that in U.S.A. there is 10 per cent information deficiency in items 2, 3, 11 and 12^{33 per cent in item 8} and the percentage of total annual reports needing improvements at the end of the test period is 4.33 per cent only.

Table XXXIX shows that in U.K., unlike U.S.A. the degree of information deficiency increases in as many as eleven items as we move from the Bankers to CAs through SEMs. However, the Bankers feel that there are 'very little' information deficiencies in their current reporting practices in respect of items 7, 8, and 16 and 'minimum' information deficiencies in regard to items 1 to 6 and 9 to 15.

The SEMs, however, agree with the Bankers and feel that there are 'minimum' information deficiencies in regard to items 1 to 3, 12 and 16. They are also of opinion that there are 'very little' information deficiencies in items 4 to 6, 9 to 11 and 13 to 15, and 'little' information deficiencies in respect of items 7 and 8.

Though the CAs admit that there are no information deficiencies in respect of items 6 and 10, they consider that there is 'minimum' information deficiency with regard to item 12, and there are 'very little' information deficiencies in respect of items 1 to 3, 5, 7, 8 and 13, and 'little' information deficiencies in regard to items 4, 9, 11 and 14 to 16.

As regards average information deficiency of all the items the Bankers feel it as 'minimum' whereas both the CAs and SEMs consider it as 'very little' though the CAs rated it slightly higher than the SEMs.

It appears from Table XXXVIII that in U.K. there is 100 per cent information deficiency in items 3 and 8, 83 per cent in items 10 and 11, 33 per cent in items 4 and 5, and 17 per cent in item 12. The percentage of total number of annual reports needing improvements at the end of the test period is 28.12 per cent.

Table XXXIX shows that in Canada the degree of information deficiency increases as we pass from the Bankers to the SEMs through

the CAs. The Bankers feel that there are no information deficiencies in respect of items 9, 10 and 16 but there are 'minimum' information deficiencies in respect of items 1 to 4, 8, 11 and 15 and 'very little' information deficiencies with respect to items 5 to 7, and 12 to 14.

The CAs in *Canada* feel that there ~~are information deficiency in item 12~~ but they consider 'minimum' information deficiencies in items 9, 10, 12 and 15 and 'very little' information deficiencies in items 1 to 8, 11, 13, 14 and 16.

The SEMs in Australia, however, feel that there is no information deficiency in item 12 but there are 'minimum' information deficiencies in items 10, 11, and 15; 'very little' information deficiencies are observed by them in items 4, 6, 13, 14 and 16. Items 1, 2, 3, 5, 7 and 8 are considered possessing 'little' information deficiencies; 'average' information deficiency is observed in item 9.

As regards average information deficiency, the Bankers consider it as 'minimum' whereas both the CAs and SEMs feel it as 'very little' though the SEMs rated slightly higher than the CAs.

Table XXXVIII shows that in Canada there is 100 per cent information deficiency in items 3, 7, 8, 11 and 16 and 12.5 per cent information deficiency in item 9 only. The percentage of total annual reports ~~needing~~ needing improvements at the end of the test period is 32.03.

In Australia it is observed (Table XXXIX) that the SEMs rated higher information deficiencies in as many as ten items than CAS, the CAS rated higher information deficiency in as many as five items than SEMs.¹

The CAS in Australia consider that there is no information deficiency in item 12; 'minimum' deficiency in item 6; 'very little' deficiencies in items 10, 13 and 15; 'little' deficiencies in respect of items 1, 4, 5, 9, 11, 14 and 16; and 'average' information deficiencies in items 2, 3, 7 and 8.

The SEMs, however, feel that there are 'very little' information deficiencies in items 10 and 12; 'little' in items 6, 9, 11, 13 and 16; 'average' in items 1 to 5, 8, 14 and 15; and 'good amount' in respect of item 7.

As regards average information deficiency, the CAS consider it as 'little' while the SEMs feel it as 'average.'

In Australia, as evident from Table XXXVIII there is 100 per cent information deficiency in items 3 and 8; 86 per cent in items 2 and 10; 71 per cent in item 13; 43 per cent in items 9 and 11; 29 per cent in items 14 and 16; and, 15 per cent in items 4, 5, 7, and 12. The percentage of annual reports needing improvements at the end of the year is 40.18.

1. None of the Australian Bankers favoured us with a reply to the Questionnaire.

In India as we move from the Bankers to CAS¹ the degree of information deficiency increases in respect of most of the items (Table XXXIX). The Bankers in India feel that there are no information deficiencies with regard to items 1 to 4, 6, 9, 10 and 14 to 16; but there are 'minimum' information deficiencies in respect of items 11 and 12; 'very little' information deficiencies in items 5, 7 and 13; and 'little' information deficiency in item 8 only.

The CAS, of course, feel that currently available information in item 13 is more than what it should have been and feel that there is no information deficiency in respect of item 12. They, however, consider that there is 'minimum' information deficiency in item 4; 'very little' information deficiencies in items 3, 10, 11, 14 and 15; 'little' information deficiencies in items 2, 5, 6, 9 and 16; 'average' information deficiencies in item 1; and 'good amount' of information deficiencies in items 7 and 8.

As regards average information deficiency, the Bankers feel it as 'minimum' while the CAS consider it as 'little.'

In India there is 100 per cent information deficiency in items 2 to 5, 8, 10 to 16, ~~and 15~~; 72 per cent in item 7; 52 per cent in item 6. ~~and 4 per cent in item 15~~ (Table XXXVIII).

The percentage of annual reports needing improvements at the end of the test period is 76.75 per cent. In India the opinion of the CAS appears to be dependable than that of the Bankers.

1. In India non-respondent SEMs deprived us of their valued opinions.

TABLE - XLII

Summary of Opinions as to 'Information Deficiencies' (from Highest to Lowest Order
Indicating Their Respective Banks).

Sl. No.	U.S.A.						U.K.						Canada						Australia						Ireland					
	Bankers		CAs		SEMs		Bankers		CAs		SEMs		Bankers		CAs		SEMs		Bankers		CAs		SEMs		Bankers		CAs		SEMs	
	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R	ID	R
1.	1.87	1	1.64	1	3.75	1	1.88	1	3.00	1	2.60	1	2.00	1	2.00	1	3.25	1	NA	-	3.50	1	4.24	1	3.00	1	5.00	1	NA	-
2.	0.94	2	1.29	2	3.25	2	1.22	2	2.67	2	2.20	2	1.50	2	1.88	2	3.00	2	NA	-	3.50	1	3.60	2	2.00	2	4.50	2	NA	-
3.	0.93	3	1.21	3	3.00	3	1.11	3	2.34	3	1.80	3	1.50	2	1.71	3	2.92	3	NA	-	3.50	1	3.59	3	2.00	2	4.00	3	NA	-
4.	0.87	4	1.00	4	3.00	3	1.00	4	2.33	4	1.75	4	1.34	3	1.63	4	2.50	4	NA	-	3.50	1	3.59	3	1.50	3	3.00	4	NA	-
5.	0.74	5	1.00	4	2.50	4	0.88	5	2.33	4	1.60	5	1.34	3	1.37	5	2.25	5	NA	-	3.00	2	3.50	4	1.00	4	3.00	4	NA	-
6.	0.73	6	1.00	4	2.50	4	0.71	6	2.33	4	1.60	5	1.25	4	1.25	6	2.25	5	NA	-	3.00	2	3.48	5	1.00	4	2.50	5	NA	-
7.	0.73	6	0.93	5	2.25	5	0.67	7	2.00	5	1.60	5	1.00	5	1.13	7	2.25	5	NA	-	3.00	2	3.35	6	0.00	5	2.50	5	NA	-
8.	0.73	6	0.86	6	2.25	5	0.64	8	2.00	5	1.60	5	0.66	6	1.13	7	1.75	6	NA	-	3.00	2	3.35	6	0.00	5	2.50	5	NA	-
9.	0.73	6	0.79	7	2.00	6	0.57	9	1.67	6	1.60	5	0.25	7	1.13	7	1.75	6	NA	-	2.50	3	3.29	7	0.00	5	2.00	6	NA	-
10.	0.67	7	0.79	7	2.00	6	0.55	10	1.67	6	1.20	6	0.25	7	1.13	7	1.50	7	NA	-	2.50	3	2.82	8	0.00	5	2.00	6	NA	-
11.	0.66	8	0.78	8	1.75	7	0.45	11	1.67	6	1.20	6	0.25	7	1.13	7	1.50	7	NA	-	2.50	3	2.76	9	0.00	5	1.50	7	NA	-
12.	0.60	9	0.72	9	1.25	8	0.45	11	1.66	7	1.00	7	0.25	7	1.12	8	1.25	8	NA	-	2.00	4	2.65	10	0.00	5	1.50	7	NA	-
13.	0.47	10	0.72	9	1.00	9	0.44	12	1.66	7	1.00	7	0.25	7	1.00	9	1.00	9	NA	-	2.00	4	2.35	11	0.00	5	1.50	7	NA	-
14.	0.33	11	0.57	10	1.00	9	0.34	13	0.34	8	0.40	8	0.00	8	0.63	10	0.50	10	NA	-	2.00	4	2.24	12	0.00	5	1.00	8	NA	-
15.	0.20	12	0.43	11	0.75	10	0.22	14	0.00	9	0.40	8	0.00	8	0.63	10	0.50	10	NA	-	0.50	5	1.94	13	0.00	5	0.00	9	NA	-
16.	0.13	13	-0.07	12	-0.25	11	0.12	15	0.00	9	0.40	8	0.00	8	0.38	11	0.00	11	NA	-	0.00	6	1.35	14	0.00	5	-1.50	10	NA	-

Note :- ID = Information Deficiency.
R = Rank.

TABLE - XLIX

Summary of Ranking of 'Information Deficiencies'.

F A C T O R	RANKING BY -																			
	U. S. A.				U. K.				Canada				Australia				India			
	Bankers	CAs	SEMs	Total	Bankers	CAs	SEMs	Total	Bankers	CAs	SEMs	Total	Bankers	CAs	SEMs	Total	Bankers	CAs	SEMs	Total
1. Gains and Losses on Investment Securities.	10	6	4	20	5	6	7	18	7	7	5	19	NA	2	2	4	5	3	NA	8
2. Amortization of Premiums.	8	11	6	25	10	6	8	24	7	7	5	19	NA	1	7	8	5	5	NA	10
3. Amortization of Discounts.	6	10	6	22	12	6	8	26	7	7	5	19	NA	1	4	5	5	6	NA	11
4. Composition of the Investment Portfolio.	6	4	4	14	15	4	5	24	5	5	7	17	NA	3	3	6	5	8	NA	13
5. Income from Tax-Exempt Securities.	9	8	8	25	6	5	4	15	1	3	3	7	NA	2	3	5	2	5	NA	7
6. Market Value of Securities.	6	3	1	10	14	9	5	28	2	2	6	10	NA	5	11	16	5	4	NA	9
7. Loan Losses.	2	2	3	7	3	5	2	10	4	1	2	7	NA	1	1	2	3	1	NA	4
8. Reserve for Loan Losses.	6	7	7	20	2	7	1	10	7	6	4	17	NA	1	6	7	1	2	NA	3
9. "Discount" Loans.	11	9	3	23	9	4	6	19	8	10	1	19	NA	2	8	10	5	5	NA	10
10. Accounting for Fixed Assets.	12	12	9	33	13	9	5	27	8	9	10	27	NA	4	13	17	5	7	NA	22
11. Disclosure of Reserve Accounts.	5	5	2	12	11	4	3	18	7	8	9	24	NA	3	12	15	4	6	NA	10
12. Distinction between Contributed Capital and Earned Capital.	7	4	11	22	11	8	7	26	2	11	11	24	NA	6	14	20	4	9	NA	13
13. Operations of Subsidiaries.	1	1	9	11	4	7	5	16	3	7	8	18	NA	4	10	14	2	10	NA	12
14. Income Statements.	3	9	5	17	7	2	5	14	3	7	6	16	NA	2	5	7	5	7	NA	12
15. Balance Sheet.	4	7	5	16	8	3	6	17	6	10	10	26	NA	4	6	10	5	7	NA	12
16. Source and Application of Funds.	13	4	10	27	1	1	8	10	6	4	7	19	NA	3	9	12	5	4	NA	9

TABLE - XLIII

Consensus of Factor Rankings of 'Information Deficiencies'
Among the Groups in U.S.A., U.K., Canada, Australia and
India.

Factor	Total (As per Table-XLI)	Factor Rankings
<u>U.S.A.</u>		
1. Loan Losses.	7	1
2. Market Value of Securities.	10	2
3. Operations of Subsidiaries.	11	3
4. Disclosure of Reserve Accounts.	12	4
5. Composition of the Investment Portfolio.	14	5
6. Balance Sheet.	16	6
7. Income Statement.	17	7
8. Gains and Losses on Investment Securities.	20	8
9. Reserve for Loan Losses.	20	8
10. Amortization of Discounts.	22	9
11. Distinction between Contributed Capital and Earned Capital.	22	9
12. "Discount" Loans.	23	10
13. Amortization of Premiums.	25	11
14. Income from Tax-Exempt Securities.	25	11
15. Source and Application of Funds.	27	12
16. Accounting for Fixed Assets.	33	13
<u>U.K.</u>		
1. Loan Losses.	10	1
2. Reserve for Loan Losses.	10	1
3. Source and Application of Funds.	10	1
4. Income Statement.	14	2

/Contd...

Table-XLIII(Contd.)

F a c t o r	Total (As per Table-XLI),	Factor Rankings
5. Income from Tax-Exempt Securities.	15	3
6. Operations of Subsidiaries.	16	4
7. Balance Sheet.	17	5
8. Disclosure of Reserve Accounts.	18	6
9. Gains and Losses on Investment Securities.	18	6
10. "Discount" Loans.	19	7
11. Composition of the Investment Portfolio.	24	8
12. Amortization of Premiums.	24	8
13. Amortization of Discounts.	26	9
14. Distinction between Contributed Capital and Earned Capital.	26	9
15. Accounting for Fixed Assets.	27	10
16. Market Value of Securities.	28	11
 <u>Canada</u>		
1. Loan Losses.	7	1
2. Income from Tax-Exempt Securities.	7	1
3. Market Value of Securities.	10	2
4. Income Statement.	16	3
5. Reserve for Loan Losses.	17	4
6. Composition of the Investment Portfolio.	17	4
7. Operations of Subsidiaries.	18	5
8. "Discount" Loans.	19	6
9. Gains and Losses on Investment Securities.	19	6
10. Amortization of Premiums.	19	6
11. Amortization of Discounts.	19	6

/Contd...

Table-XLIII(Contd.)

F a c t o r	Total (As per Table-XLI)	Factor Rankings
12. Source and Application of Funds.	19	6
13. Disclosure of Reserve Accounts.	24	7
14. Distinction between Contributed Capital and Earned Capital.	24	7
15. Balance Sheet.	26	8
16. Accounting for Fixed Assets.	27	9
<u>Australia</u>		
1. Loan Losses.	2	1
2. Gains and Losses on Investment Securities.	4	2
3. Amortization of Discounts.	5	3
4. Income from Tax-Exempt Securities.	5	3
5. Composition of the Investment Portfolio.	6	4
6. Reserve for Loan Losses.	7	5
7. Income Statement.	7	5
8. Amortization of Premiums.	8	6
9. "Discount" Loans.	10	7
10. Balance Sheet.	10	7
11. Source and Application of Funds.	12	8
12. Operations of Subsidiaries.	14	9
13. Disclosure of Reserve Accounts.	15	10
14. Market Value of Securities.	16	11
15. Accounting for Fixed Assets.	17	12
16. Distinction between Contributed Capital and Earned Capital.	20	13

/Contd...

Table-XLIII(Contd.)

F a c t o r	Total (As per Table-XLI)	Factor Rankings
<u>India</u>		
1. Reserve for Loan Losses.	3	1
2. Loan Losses.	4	2
3. Income from Tax-Exempt Securities.	7	3
4. Gains and Losses on Investment Securities.	8	4
5. Market Value of Securities.	9	5
6. Source and Application of Funds.	9	5
7. Amortization of Premiums.	10	6
8. "Discount" Loans.	10	6
9. Disclosure of Reserve Accounts.	10	6
10. Amortization of Discounts.	11	7
11. Operations of Subsidiaries.	12	8
12. Income Statement.	12	8
13. Balance Sheet.	12	8
14. Accounting for Fixed Assets.	12	8
15. Composition of the Investment Portfolio.	13	9
16. Distinction between Contributed Capital and Earned Capital.	13	9

TABLE - XLIV

**Countrywise Summary of Rankings
of 'Information Deficiencies'.**

Factor	Ranking by -					Total
	U.S.A.	U.K.	Canada	Australia	India	
1. Gains and Losses on Investment Securities.	8	6	6	2	4	26
2. Amortization of Premiums.	11	8	6	6	6	37
3. Amortization of Discounts.	9	9	6	3	7	34
4. Composition of the Investment Portfolio.	5	8	4	4	9	30
5. Income from Tax-Exempt Securities.	11	3	1	3	3	21
6. Market Value of Securities.	2	11	2	11	5	31
7. Loan Losses.	1	1	1	1	2	6
8. Reserve for Loan Losses.	8	1	4	5	1	19
9. "Discount" Loans.	10	7	6	7	6	36
10. Accounting for Fixed Assets.	13	10	9	12	8	52
11. Disclosure of Reserve Accounts.	4	6	7	10	6	33
12. Distinction between Contributed Capital and Earned Capital.	9	9	7	13	9	47
13. Operations of Subsidiaries.	3	4	5	9	8	29
14. Income Statement.	7	2	3	5	8	25
15. Balance Sheet.	6	5	8	7	8	34
16. Source and Application of Funds.	12	1	6	8	5	32

TABLE - XLV

Consensus of Factor Rankings of 'Information
Deficiencies' Among the Sample Countries.

<u>F a c t o r s</u>	<u>T o t a l s</u>
1. Loan Losses.	6
2. Reserve for Loan Losses.	19
3. Income from Tax-Exempt Securities.	21
4. Income Statement.	25
5. Gains and Losses on Investment Securities.	26
6. Operations of Subsidiaries.	29
7. Composition of the Investment Portfolio.	30
8. Market Value of Securities.	31
9. Source and Application of Funds.	32
10. Disclosure of Reserve Accounts.	33
11. Amortization of Discounts.	34
12. Balance Sheet.	34
13. "Discount" Loans.	36
14. Amortization of Premiums.	37
15. Distinction between Contributed Capital and Earned Capital.	47
16. Accounting for Fixed Assets.	52

CONCLUSION

I. During the test period there has been a substantial improvement in the reporting practices of commercial banks in Canada, Australia, U.S.A. and U.K. The degree of improvement has been highest in Canada and lowest in India - in case of India practically there has been no improvement during the test period. A substantial improvement has also been achieved in Australia. The rates of improvement in U.S.A. and U.K. have been very low as at current international reporting standards, there did not exist much scope for improvement (Table-XXXVIII, p. 226).

II. The degree of disclosure is different amongst the countries examined; of the countries, the banks in U.S.A. are definitely the leaders as hypothesised, followed by U.K. holding the second position, Canada the third, Australia the fourth and India at the bottom. A very poor disclosure in India is a result of conservative managerial philosophy combined with non-existent public pressure towards disclosure (Table XXXVIII, p. 226).

III. The financial reporting practices in banks are founded on two disclosure models - American and British; Canada adopting the American model and Australia following the U.K. model.

The banks in India though dependent on British model, did not incorporate subsequent changes in U.K. model.

IV. The Bankers in U.S.A., U.K., Canada and India do recognise deficiencies in the current reporting practices (Table XXXVII, p. 219 and Table XXXIX, p. 233; Appendix B, Tables B1 to B16, pp. 50 - 65 and Appendix C, Tables C11 to C15, pp. 22 - 26) but their recognition of these deficiencies is of lesser magnitude than that of the CAs and SEMs; between the CAs and the SEMs, the former identifies deficiencies as of lesser magnitude than the latter (Table XL, p. 234).

V. There is a substantial agreement amongst the Bankers, CAs and SEMs regarding relative ranking of sixteen factors included in the present research (Table XLII, p. 241 and Table XLIII, p. 242).

VI. There is also a substantial agreement, amongst the sample countries, as to the relative ranking of sixteen factors included in the present study (Table XLIV, p. 246 and Table XLV, p. 247).

RECOMMENDATIONS

I. Some of the examined annual reports focus an excellent account of the story they are intended to relate, specially in U.S.A. and U.K. On international canvas, however, there are still many deficiencies particularly in Australia, Canada and India. Adequate disclosure is an attainable goal and it should be strived to.

II. No improvement has been made in reporting practices in India particularly, and the magnitude of information deficiency is the highest. As the banks have failed to opt for voluntary disclosure, an immediate change in the existing provisions of the Banking Companies Act is called for. The adequate disclosure, though a distant goal, should be attempted to. There is also scope for improvement in Australia, Canada and U.K.

III. There are two ways for improvement of the deficiencies. The first requires an increase in authority of the bodies of professional accountants in each sample country so that it could enforce its recommendations. If the professional bodies do not rise to the occasion, the second method available to each country is extension of the disclosure provisions through statutory amendments. The first recourse should, however, be given fair trial before resorting to the second.

Legislative sanctions, however, are unnecessary in case of advanced countries like U.S.A. and U.K. where the banks have, on their own, understood their reporting obligations. Public opinion, rather legislative sanctions, should be sufficient to ensure wider reporting canvas.

IV. Regarding the disclosure of loan losses, this researcher cannot sum up recommendation better than by reproducing the comment of the International Accounting Standards Committee :

'The disclosure of loan loss provisions is a matter which may be of concern from a political or economic point of view but, because of the potential significance of such provisions on operating results, it is desirable that they should be disclosed. For the same reason amounts set aside in excess of requirements, as reserves, to cover future contingencies and the extent of their use to absorb losses, should be disclosed. While it is recognised that in practice making a distinction between justifiable provisions and excess reserves may be difficult, the user of financial statements is entitled to expect that management has exercised its judgment and experience in determining its requirements.'

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1. Summary of responses to discussion paper "Disclosures in Financial Statements of Banks," First Published March 1, 1980, Issued for information by the International Accounting Standards Committee, Supplement to The Management Accounting, March 1982, pp. 12-13.

V. The financial reporting in banks should be harmonised at international level. To begin with efforts may be made in the following specific areas :

1. Analysis of Assets and Liabilities by Maturities.
2. Undisclosed Reserves.
3. Classification of Assets and Liabilities by Nature.
4. Trust Activities.
5. Disclosure as to Existence and Amount of Irrevocable Commitments.

FINALLY, IN THE PERSPECTIVE OF THE ABOVE THE PRESENT RESEARCHER HOPES THAT THE INFORMATION ACCUMULATED IN THIS COMPARATIVE STUDY, TOGETHER WITH RELATED CONCLUSIONS AND RECOMMENDATIONS, WOULD CONTRIBUTE TO THE DISSEMINATION OF KNOWLEDGE AND PROVIDE AN IMPETUS TO FURTHER ACADEMIC RESEARCH AND INTERNATIONAL HARMONISATION IN REPORTING PRACTICES.
