

**Corporate Disclosure Practices in India – An Analytical Study**

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## **Introduction (abridged)**

The Indian Companies Act of 1882 was the first comprehensive piece of legislation related to the disclosure of information in the financial statements. Mainly based on the British Act of 1862, it required compulsory preparation of balance sheet and its audit but preparation of profit and loss account and directors' report etc. were governed by optional regulations which companies were not bound to adopt. The Companies Act of 1913 corrected the situation to some extent and revised the form of balance sheet though some provisions related to the preparation of profit and

Committee for this purpose. While recommending the adoption of many provisions of the U.K. Companies Act of 1948 regarding accounts and audit, the Bhabha Committee further suggested the retention of some provisions of the 1936 Act. The Committee also recommended the adoption of several other provisions which it considered necessary in the Indian context and

impression. For example, short-term component of term loans is not shown under current liabilities. Short-term component is represented by that portion of term loans which is due for repayment within twelve months from the reporting date.

(3) In relation to profit and loss account, there is a wide range of accounting methods available for treatment of items like depreciation and inventories. Companies use different generally accepted accounting without disclosing them in the financial statements. This makes inter-company comparisons much less meaningful.

(4) In addition to the above, there are other aspects of financial reporting which need to be considered. Prominent among them are: Is the qualitative objective of timeliness of information being fulfilled by the current reporting practices? Should diversified companies report more, or different type of, information than other companies? Can one set of standard formats with identical information package subserve the interest and satisfy needs of heterogeneous group of users? The current legislation on disclosure appears to be deficient on these counts. An attempt will be made in this study to probe into these aspects of reporting in India.