

ROLE OF REGULATORS IN THE CORPORATE FINANCIAL REPORTING PRACTICES: AUDITOR'S PERCEPTION

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Abstract

The paper focuses on the perceptions of the auditors regarding the role of regulators in improving the corporate reporting practices. The current study focuses on how regulators can govern these practices and create sound, strict policies to deal with the problem of misstatements. 100 Chartered Accountants were chosen, 50 from Chandigarh and 50 from Punjab. The study found that majority of respondents believed that laws govern the corporate sector to a large extent. Furthermore, respondents agreed that regulatory bodies should be in charge of overseeing corporate financial reporting. As businesses are spread around the world,, the respondents suggested that these laws be examined periodically and more emphasis on accurate and useful reporting should be placed to help them compete with other global corporations.

1. Introduction

The person responsible for conducting this audit should work with complete honesty and integrity to seek whether the organization is presenting a true and fair view of their concern. In India, Company Act 2013, prescribes all companies to get their accounts audited. Chartered accountants are prescribed as professionally qualified to conduct the audit by the Act. There are two categories of Auditors based on functional classification i.e. External Auditor and Internal Auditor. External Auditor is a professionally qualified person who is external to the organisation he audits accounts of. Internal Auditor is a person who may or may not be professionally qualified and are internal to the organisation they work for.

2. Review of Literature

Owusu et.al. (2018) studied the perceptions of the Ghanaian business students regarding their intentions to pursue a certified Professional Accounting (CPA) qualification. The study was conducted with the help of the questionnaire and data was collected from 641 business students from the University of Ghana Business School. The five main key constructs for the study undertaken were: capabilities, environmental issues, socio-cultural issues, preferences and constraints. The results found that for capability construction, mental fortitude to work towards the attainment of a CPA qualification was the highly rated indicator by the respondents. For environmental issues, the right attitude of the institute for CPA membership was given the highest rank. For socio-cultural issues, CPA membership would make me a better employee indicator as the top ranker. For construct indicator, CPA membership would make me better off and CPA membership would complement my self actualization goals gained the highest score. And for the last construct i.e. constraint, the costly nature of attaining CPA membership was the main scorer. The results found that for capabilities, environment issues, socio-cultural issues and preference had higher average values for accounting students whereas for constraints, the scores for non-accounting students were higher as compared to accounting students. The results also found that accounting students were more intended to pursue CPA qualifications than non-accounting students. Further, the results found that CPA qualification was more likely to be pursued by students attaining high grade point than students attaining lower grade point. The study found that gender was insignificant with the intention of a student to opt for CPA qualification.

Oussi and Klibi (2017) studied the perceptions of the students of Bachelor in Accounting regarding the importance of Business communication skills in Tunisia. The data was collected from 180 respondents from three Tunisian Business schools with 31.7% respondents being male and 68.3% of respondents being female. The findings of the study implied that the accounting programs had failed to produce graduates with the proper communication skills which were an on-going problem in the employment of these graduates. The results found that the students were less competent in the French language compared to accounting job requirements as French was the most used language in Tunisia. The results reported that according to the respondents the major skills required in the accounting labor market were: listen effectively, maintain eye contact, ask appropriate questions when talking with customers

Joshi et.al.(2016) studied the perceptions of the professional accountants in three nations i.e. Malaysia, Singapore and Indonesia regarding the adoption of International financial reporting standards(IFRS). The results were based on the sample of 86 respondents out of which 31 belonged to Indonesia, 30 belonged to Singapore and 25 belonged to Malaysia. 90% of the respondents were holding an undergraduate or higher degree and majority respondents were locally trained. Around 50% of respondents believed that economic benefits were produced with the help of IFRS adoption or convergence. The accountants that were locally trained were convinced of the advantages of IFRS than accountants with overseas training. 25% of respondents replied that the local accounting associations in their country were involved in the surveys about the adoption of IFRS. Another 25% believed that it was the pressure of international bodies that can convince the adoption of IFRS in the countries. The results found that the accountants of Indonesia were more persuaded by the economic advantages of IFRS adoption than Singapore and Malaysia. The results also found that a minority of Indonesians and Malaysians but no Singaporean expressed their views of the negligence of local authorities on IFRS adoption. Regarding the perception of the media's role in the adoption of IFRS, Singaporeans perceived that the media provided adequate information as compared to Indonesians or Malaysians; although a statistically significant difference did not exist.

Stainbank and Tewari (2014) studied the professional accounting education programmes in India and South Africa and their compliance with International Education Standards (IES) of the International Federation of Accountants(IFAC). The data was secondary in nature collected from statements of membership obligations compliance questionnaires and professional accounting bodies' websites. The results found that there were differences in the accounting education models of two countries but both the countries complied with International Education Standards. The entry points to Chartered Accountants' qualifications in South Africa were less flexible than India. The results also found that education of accounting in South Africa takes place at the university level only. The comparison was also in relation to content requirements, where India was the country that took professional skills in accounting more formally. The content of the examinations was different in both countries though both countries had equal training time periods and conducted final examinations. South Africa had more on-going professional accounting progress than India.

Islam and Dellaportas (2011) aimed to study the perceptions of the chartered accountants regarding the corporate social and environment accounting and reporting practices in Bangladesh. The sample of the study constituted 55 respondents out of which 38 respondents were corporate executives and 17 were partners in accounting firms. Out of these 55 respondents, 31 respondents were Fellow Chartered accountants (FCAs) and 24 were Associate Chartered Accountants (ACAs). On the basis of gender distribution, only one respondent was female. With the help of the questionnaire, the perceptions were studied and the results found that there was no significant difference between the mean score responses between accountants in foreign-affiliated organizations and local/domestic organisations as well as between the responses of FCAs and ACAs. The findings also reported that more than 80% of the respondents believed themselves as the mediators to encourage social change but 60% viewed that investors did not consider social; and environment information while taking investment decision in Bangladesh. 65% to 75% of the respondents responded that with regard to objectives, measurement method and reporting framework representing status of environment responsibility, there was a little consistency between reporting entities. More than 85% of respondents believed that these disclosures in annual reports are incomplete and inadequate. They believed that a high degree of power distance and family ownership led to lower corporate disclosures.

3. Research Methodology

3.1 Need of the Study

An important document that shows the financial statements of the companies is the annual report. However, there are some situations where these reports are merely window dressing or the information they contain is inaccurate. It is crucial for the government to step in during such situations. The current study focuses on how regulators govern the corporate laws, create sound practices and strict policies to deal with the problem of misstatements.

3.2 Objectives of the Study

To study the perceptions of the Chartered Accountants regarding the role of regulators in the Company Financial Reporting Practices.

3.3 Scope of the Study

The study is based on Primary Data which was gathered from Chartered Accountants of Punjab and Chandigarh. Chartered accountants have wide knowledge about the field of disclosures and information given in the annual reports. They are professionally qualified people who can comment on the information presented in the annual report. Chartered Accountants were 100 in number, selecting 50 each from Chandigarh and Punjab. The sampling technique used was Snowball sampling.

3.4 Design of the Questionnaire

A structured questionnaire was used to collect the responses, and one of the questions asked the auditor about how much the corporate sector is governed by the law. There are differing opinions about whether the government or corporations should control corporate financial reporting in India. The study also examined whether improved disclosure practices have resulted from government policies.

To ensure the validity and reliability of the survey, it underwent a pilot test. By soliciting input from Chartered Accountants, the content validity of the scale was examined. On the basis of the odd-even and split off reliability tests, the questionnaire's reliability was also tested. The Spearman-Brown Coefficient values, which were found to be 0.76, were satisfactory.

4. Data Analysis

Primary sources of data were used to gather the responses. A total of 100 respondents from Punjab and Chandigarh were chosen. The data on various demographic factors was gathered. The age of the respondent, gender of the respondent, experience of the respondent, location of the respondent, occupation of the respondent and educational qualification of the respondent were taken into account.

The maximum numbers of responses were received from auditors aged 31 to 35, accounting for 37% of all responses, followed by auditors aged 36 to 40, accounting for 25% of all responses. According to gender, male auditors made up 70% of the total sample, while females made up 30% of the total sample. Auditors with 4 to 6 years of experience were represented in the sample, followed by respondents with 16 years or more of experience. 75 percent of the sample's respondents were Chartered Accountants in private practice, with the remainder working in the service sector. Only 65 percent of the sample was qualified as chartered accountants, while 35 percent had additional degrees such as M.Com and Ph.D.

Table 1: Laws governing corporate sector

S.No.	Response Questions	4	3	2	1	0	Mean
1.	In your opinion, to what extent do the laws govern the corporate sector in India	66%	34%	0%	0%	0%	3.66

4= A great extent, 3= Some extent, 2= Little extent, 1= Not at all, 0=Uncertain

Table 1 shows that the respondents were asked to comment on the extent to which Indian laws govern the corporate sector. According to 66 percent of respondents, laws govern the corporate sector to a large extent. The reason was that the government had enacted various rules, laws, and provisions that required businesses to operate in a specific manner. According to 34% of respondents, the law governs businesses to some extent. Their reasoning was that the companies also operate at their own discretion. Few businesses even disclose required information.

Table 2: Best Module to govern corporate sector

S.No.	Response Questions	Governed by the Regulatory Bodies	Governed by the companies as per their own will	Mixed Approach	Mean
1.	In your opinion, which would be the best module to govern corporate financial reporting in India?	53	2	45	3.66

Table 2 represents that 52 percent of respondents agreed that regulatory bodies should be in charge of overseeing corporate financial reporting because allowing businesses to operate independently can result in the exploitation of their workforces, resources, and investors' money. 46 percent of respondents agreed that a mixed approach should be used to regulate reporting practises because a strict approach of governmental regulations would prevent businesses from operating freely.

The respondents agreed to the statement that accounting policies, as well as peer review, have been able to bring better disclosures and transparency. Peer review ensures that chartered accountants comply with the requirements of the profession and that quality is maintained (Prasad M.V.K 2012). 68% of the respondents strongly agreed that a uniform set of accounting standards has proved effective in ensuring uniformity in reporting practices. They believe that these guidelines provide a benchmark, consistency and comparability.

The respondents also concurred that, despite the fact that the new provisions effectively increased shareholder and stakeholder protection and disclosures, there is always room for improvement.

As businesses become more global, the respondents urged that these laws be examined annually and that the emphasis be placed on accurate and useful reporting to help them compete with other global businesses.

5. Conclusion

The auditor is in charge of ensuring that the company's financial reporting framework is free of all fraud, errors, and misstatements. He looks over the organization's books of accounts and other documents, making observations about their viability. They check to see if all transactions are properly recorded and financial

statements are provided. They examine the accuracy and completeness of all the data. The accuracy of the balance sheet, profit and loss account, and other balances is confirmed. The chartered accountants came to the same conclusion as Ho and Wang (2003), who also think that improvements to the corporate communication process are required. The study concluded that there is always a need to review and modify the laws to improve the reporting and disclosure system, even though the new act and laws have been able to bring improvements in corporate reporting practices.

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