

Disclosure Of Foreign Currency Transaction And Translation By Indian Companies

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INTRODUCTION

The study of Disclosure of Foreign Currency Transaction and Translation by Indian companies has important implications. The main reason to undertake this study is changing scenario of world economy, where the major issue can be International Trade, Foreign Direct Investment, Technology Movement and Multinational Corporations. With the boost in transactions between two countries, the exchange of foreign currency also increases and the value of two currencies of different countries does not match. So, the exchange differences arising on the re-statement of monetary items or non-monetary items need to be treated either in income statement or balance sheet. So, ICAI has taken the step and issued AS-11 in relation to accounting treatment of foreign currency transaction and translation. As per the disclosure requirement in paragraph 40-44, ICAI has given few clear instructions regarding the disclosure practices adopted by each and every public company. That's why, this study is conducted in felid of disclosure practices relating to foreign currency transaction and translation, because as the time changes, the new provisions relating to accounting treatment of foreign exchange differences is duly acknowledged by the accounting standard boards, so it becomes necessary to continuously update the previous research works.

The main objective of the study is to analyze the disclosure of the information on Foreign Currency Transaction and Translation in the Annual Reports of the selected companies in India for financial year 2007. The scope of the study consists of the analysis of disclosure practices of 205 Indian companies in relation to Effects of Changes in Foreign Exchange Rates (Accounting Standard-11 (Revised 2003)). The analysis is further examined into three sections:

- ✿ Item-wise Disclosure Analysis.
- ✿ Company-wise Disclosure Analysis.
- ✿ Industry-wise Disclosure Analysis.

METHODOLOGY OF THE STUDY

This section discusses the universe of the study, sample selection, techniques of data collection, statistical tools used in the analysis of data in this study.

✿ **Universe And Sample Of The Study:** Top 500 Indian Companies on the basis of Net-profit survey conducted by Dun & Bradstreet (D&B) in 2006 constitute the universe of this study (Dun & Bradstreet's premium publication 'India's Top 500 Companies' Edition 2006). The annual Reports of 2007 were collected for these India's Top 500 Companies.

The following filters were applied to select the sample:

- I.** The companies whose annual reports were not available for the years 2006-07 were not considered.
- II.** The companies not existing in *EDIFAR* (Electronic Data Information Filling and Retrieval System) database of SEBI (Security Exchange Board of India) were eliminated.
- III.** The companies whose annual reports had not given information regarding the objective of study were also eliminated.

Thus, as a result of these filters, a sample of 205 companies was selected and studied for the years 2006-07 to analyze the extent of corporate practices relating to accounting treatment of foreign currency gain or losses.

✿ **Data Source:** The study is based on secondary data. The annual reports are the major source of data collection. In order to collect respective data, first of all, the management of respective companies was requested to send the annual reports for the years 2006-07. Only few companies responded. *EDIFAR*, dataset of annual reports set out by SEBI was also used as a major source of data collection. Few annual reports were also collected from company's respective websites. The significant accounting policies are the major source of data collection to examine the disclosure

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practices of companies regarding foreign currency gains or losses.

(a) Collection of Data: An *Index of disclosure* consisting of items of information disclosed in an annual report was constructed to analyze the disclosure practices of selected Indian companies.

(b) Extent of Corporate practices (Construction of Index of Disclosure): Different approaches had adopted to measure the disclosure quality and quantity, but there is no general theory that offers guidance on the selection of items to measure the extent of corporate disclosure (**Marston and Shrives, 1991**). Disclosure by its very nature is an abstract construct that does not possess inherent characteristics by which one can determine its intensity or quality (**Wallace and Naser, 1995; Barako, 2007**). It was necessary to construct an *index of disclosure* for the present study.

An *index of disclosure* was taken as a benchmark to measure the level of disclosure by the selected firms. The quantum of disclosure in the annual reports of the selected companies has been studied by framing an *index of disclosure*. A total of 23 items of information were included in the *index of disclosure*. The *index of disclosure* comprises of both compulsory and voluntary items of information. A checklist of the same has been provided in the Table 1. The checklist has been divided into two parts, one measures the mandatory disclosure requirements as per the AS-11, on other hand, items of voluntarily disclosure requirements were gathered on the basis of annual reports of few companies out of the selected sample.

Table 1 : Categories & Classification of Items of Information

Categories of Items	Classification of Items
I. Compulsory Disclosure:	
a) Exchange Differences in P&L Account.	1
b) Exchange Rates Differences.	2
c) Reason for using different reporting currency instead of domicile currency.	1
d) Change in the classification of a significant foreign operation.	5
e) Effect on monetary items or financial statements in case of contingencies.	1
f) Effect on enterprise's foreign currency risk management policy.	1
II. Voluntarily Disclosure:	
a) Exchange Rates used.	3
b) Forward Exchange Contract.	4
c) Re-statement of Non-monetary Items.	1
d) Re-statement of Fixed Assets.	1
e) Integral or Non-integral Foreign Operations.	1
f) Classification of Activities in Foreign Currency.	1
g) Financial Statements compliance as per any other Country's Accounting Standard.	1
Total	23

✿ **Scoring of Items:** Both weighted (**Singhvi and Desai, 1971; Choi, 1973; Buzby, 1974; Stanga, 1976; McNally et al., 1982; Firth, 1984; Firer and Meth, 1986; Chow and Wong-Boren, 1987; Botosan, 1997 and Barako, 2007**) and unweighted (**Cooke, 1989; 1991; 1992; Tai et al., 1990; Chander, 1992; Ahmed and Nicholas, 1994; Hossain et al., 1994; Wallace et al., 1994; Wallace and Naser, 1995; Hossain et al., 1995; Raffournier, 1995; Owusu-Ansah, 1998; Chen and Jaggi, 2000; Haniffa and Cooke, 2002; Archambault and Archambault, 2003; Eng and Mak, 2003; Ahmed and Karim, 2005; Akhtaruddin, 2005; Alsaeed, 2005; Chavnet et al., 2005; Ghazali and Wheetman, 2006; Hossain and Taylor, 2006; Sehgal, Bhalla, and Bhalla, 2006; Barako, 2007; Lopes and Rodrigues, 2007 and Mahajan and Chander, 2007**) index of disclosure have been used in the accounting research. Both approaches have shortcomings. The use of a weighted index of disclosure has been criticized because it may introduce a bias towards a particular user-orientation and the use of an un-weighted index of disclosure has been criticized on its fundamental assumption that all items are equally important. Notwithstanding the subjectivity in weighting, all items cannot be of equal importance

(Barako, 2007). Empirical studies also provide substantial evidence in favour of usage of an un-weighted index of disclosure. Ahmed and Courtis (1999, p.36) wrote that the approach based on un-weighted items “has become the norm in annual report studies” because it reduces subjectivity. Chow and Wong-Boren (1987) and Barako (2007, p.119) observed no significant differences in the results when both weighted and un-weighted index of disclosure were used. Consistent with previous studies, the un-weighted index has been used for the present study. The contents of each annual report were compared with the items listed in index of disclosure and coded as 1 if disclosed or 0 if not disclosed. The *item-wise disclosure score* and *company-wise disclosure score* were calculated.

The *item-wise disclosure* has been calculated for each item included in the index of disclosure by dividing the number of companies disclosing a particular item by the total number of companies over which the item is applicable.

The *company-wise disclosure* has been calculated by dividing the total disclosure score obtained by a company during the year by the total possible disclosure of items of information for that year. The disclosure score has been calculated in percentages so as to make the disclosure of the companies comparable.

EMPIRICAL ANALYSIS

This section discusses the extent of information disclosed relating to Foreign Currency Transaction and Translation by the companies to investors and other interested parties. The extent of information disclosure has been measured in

Table 2 : Item-wise Disclosure of Foreign Currency Transaction and Translation in Annual Reports

	Number of companies disclosing an Item	Disclosure score (%)
I. Compulsory Disclosure Requirements:		
1. Exchange Differences in P&L Account	204	99.51
2. Exchange Rates Differences:	138	67.31
2.1 Net exchange differences accumulated in foreign currency translation reserve in shareholders fund	138	67.31
2.2 Reconciliation of the exchange differences at beginning and end of the period	138	67.31
3. Reason for using different reporting currency instead of domicile currency	02	100
4. Change in the classification of a significant foreign operation	--	--
4.1 Nature of change	--	--
4.2 Reason of change	--	--
4.3 Impact of the change on shareholders' fund	--	--
4.4 Impact on net profit or loss	--	--
5. Effect on monetary items or financial statements in case of contingencies	201	98.04
6. Effect on enterprise's foreign currency risk management policy.	152	74.14
II. Voluntarily Disclosure:		
1. Exchange Rates used:	202	98.53
1.1 Transactions in Foreign Currency	202	98.53
1.2 Restatement of Monetary Items	202	98.53
2. Forward Exchange Contract:	153	74.63
2.1 Gain or losses on Forward Exchange Contracts.	146	71.21
2.2 Treatment of Premium or Discount on Forward Exchange Contract	83	40.48
2.3 In nature of Hedging or not	104	50.73
3. Re-statement of Non-monetary Items	52	25.36
4. Re-statement of Fixed Assets	157	76.58
5. Integral or Non-integral Foreign Operations	32	15.60
6. Classification of Activities in Foreign Currency	180	87.80
7. Financial Statements compliance as per any other Country's Accounting Standard	02	0.97

terms of *item-wise disclosure* and *company-wise disclosure* by applying an *index of disclosure* to the annual reports of the selected companies in India for the year 2006-07. This section of the study has been divided into four parts, i.e. discusses the *item-wise disclosure* of information, *company-wise disclosure* of information presented in annual reports of selected companies in India, and *industry-wise disclosure practices* and last part highlights the findings the finding of the whole analysis.

(I) ITEM-WISE DISCLOSURE OF FOREIGN CURRENCY TRANSACTION AND TRANSLATION IN ANNUAL REPORTS

Every company in which public has invested is obligatory to follow the provisions of the accounting standards issued by the Institute of Chartered Accountants of India (ICAI), which make it mandatory for every concern to disclose certain items of information to the users. The index of disclosure was prepared after considering all the requirements of accounting standard 11 and general items disclosed by annual reports of companies. The item-wise disclosure score (%) was calculated for each item included in the index of disclosure by dividing the number of companies disclosing a particular item by the total number of companies over which the item was applicable.

Table 2 presents the item wise disclosure - both in absolute figures as well as in percentages for the years 2006-07. This Table shows that there are 23 items for which the disclosure of Foreign Currency Transaction and Translation has been analyzed.

(a) Compulsory Disclosure Requirements: Accounting Standard 11-The Effects of Changes in Foreign Currency Exchange Rates expressly requires some information to be disclosed by each company in their annual reports. The first part of Table 2 includes only those aspects which are mandatory as per the provisions of the accounting standards (AS) 11 issued by the Institute of Chartered Accountants of India (ICAI). There are 11 items included in the index of disclosure under the head *Compulsory Disclosure Requirements*. There are six items which are not applicable to all the companies. These items are '*Reason for using different reporting currency instead of domicile currency*'; it will only apply if any company uses any currency other than the Indian Rupee. The second is '*Change in the classification of a significant foreign operation*', which constitutes four sub-items; nature of change, reason of change, impact of change on shareholder's fund and impact on net profit or loss. It will apply only if the classification of foreign operations is significantly changed. From Table 2, it can be observed that item '*Exchange Differences in P&L Account*' is applicable to all of the 205 companies and only one company '*Ashiana Housing Ltd.*' is not disclosing this information, thus giving a disclosure of 99.51%. The second mandatory item as per AS-11 is '*Exchange Rates Differences*' which includes Net exchange differences accumulated in foreign currency translation reserve in shareholders fund and Reconciliation of the exchange differences at beginning and end of the period. This information can be accessed from schedule of shareholder's fund. Only 138 companies out of 205 companies were giving this information, so the percentage of disclosure comes to 67.31%. As per the requirement of AS-11 issued by ICAI, if any company uses different reporting currency instead of domicile currency, it is required to disclose the reason behind this. Out of 205 companies, only 2 companies - GTL Limited and Nava Bharat Ventures Limited are using different currency and both have stated the reason for using different currency, thus 100% disclosure rate is derived. If any company changes the classification of a significant foreign operation, it becomes mandatory to disclose the nature of such change, why that change came into existence, what will be the consequences of that change on shareholder's fund and on net profit or loss. Not even a single company mentioned that in year 2006-07 - that they had changed any classification of foreign operations. In case any company's contingent liabilities arise and those have an effect on monetary items or financial statements, it is compulsory to disclose that in respect of Accounting Standard 29 issued by ICAI. This statutory disclosure requirement was followed by 201 out of 205 companies, and constituted a 98.04% disclosure score. Another issue in regard to exchange differences in foreign currency translation or transactions a company needs to disclose its foreign currency risk management policy. The director's report is the area to have a view regarding this aspect in annual reports of the companies. Only 152 means 74.14% companies had disclosed this particular item in their annual report for the year 2006-07.

I (b) Voluntary Disclosure Requirements: The voluntary disclosure requirements included those items which were not required by AS-11. These items were captured from the annual reports of leading Indian companies and review of literature. It included a total twelve items divided into seven categories. The first item - state disclosure of exchange rate is used for both transactions in foreign currency and re-statement of monetary items. 202 companies out of 205

companies had given this information. So, it make near about 98.53% of disclosure. The second category is voluntarily disclosure regarding forward exchange contract. Now-a-days, companies start involving themselves in forward exchange contract in order to evade their risk due to exchange rate volatility. The number of 153 companies (74.63%) disclosed that they participated in forward exchange contracts to hedge their foreign currency risk. Whereas, 146 out of 205 companies stated gain or loss on these forward contracts. But only 83 companies (40.48%) revealed that how they treated premium or discount on forward exchange contracts. Whether the forward contracts are in nature of hedging or not, this information is furnished by only 104 companies. The other item which is observed to be part of disclosure is restatement of non-monetary items and fixed assets. Only 52 companies represented (around 25.36%) disclosed information regarding translation of non-monetary items and 157 out of 205 companies showed re-statement regarding fixed assets. A company has the option to run integral foreign operations or non-integral foreign operations. Integral foreign operation means the activities of the reporting enterprise is connected to its subsidiary and are treated as the foreign operations, had been those of the reporting concern itself, whereas, non-integral foreign operations are fully independent to the reporting enterprise and the companies are required to give information regarding their behaviour of conducting their operations. But it was found that only 32 companies out of a total of 205 companies disclosed this information, which consists only a portion of 15.60%. It has been observed after considering annual reports of a few companies, that they need to disclose the classification of the foreign activities in foreign currency. A portion of 87.80% of the total sample taken had disclosed this information. It is not mandatory to disclose treatment of foreign currency transactions or translations with compliance to the accounting standard applicable to the country in which its subsidiary is running its business. But two companies, Dabur India Ltd. and Infosys were disclosing this information, which constitutes only 0.97% of the total sample taken.

Table 3 : Classification Of Items Of Information According To The Disclosure Percentages Of Foreign Currency Transaction And Translation

Disclosure percentages	Number of items
0-20	02
20-40	01
40-60	02
60-80	07
80-100	07
Total Items Applicable	19

Table 3 exhibits that only 7 items have disclosure percentage between 60-80 percent and 80-100 percent. Whereas, only 2 items come in the category of 0-20 and 40-60 percentage. And only 1 item fell in the disclosure bracket of 20-40 percent.

(II) COMPANY-WISE DISCLOSURE IN ANNUAL REPORTS

This section of the study includes company-wise disclosure. It has been calculated by dividing the total disclosure score obtained by a company by the total possible disclosure of items of information for the year 2006-07. In order to have the comparable results, the disclosure score has been calculated in percentages. Table 4 shows the company-wise disclosure of items of information for the year 2006-07. The companies have been ranked in the descending order of their disclosure score for the period of the study.

The top total disclosure score of 94.12% was attained by the Allahabad Bank, Dr. Reddy's Laboratories, Jai Corporation, MRF, Navneet Publications, Panacea Biotech, Reliance Energy, and Reliance Industries, which leads these companies to first rank for year 2006-07. The ninth rank was shared by 16 companies with 88.24% of the total disclosure. There names are Britannia Industries, Chambal Fertilizers & Chemicals, Divi's Laboratories, Godrej Consumer Products, Godrej Industries, Indian Hotels Co., Jindal Photo, JSW Steel, Larsen and Toubro, Mastek, Nucleus Software Exports, Polaris Software Lab, Siemens, Tata Consultancy, Titan Industries, and Torrent Pharmaceuticals. A number of 27 companies got the 25th position in case of total disclosure by securing 82.35 percentages. The next 52nd rank was allocated to 29 companies who secured 76.47 percentages. Nava Bharat Ventures

**Table 4 : Company-wise Disclosure Of Items Of Information Relating To
Foreign Currency Transaction And Translation**

Name of Companies	Total Disclosure		Compulsory Disclosure		Voluntarily Disclosure	
	Disclosure Score (%)	Rank	Disclosure Score (%)	Rank	Disclosure Score (%)	Rank
Allahabad bank Ltd.	94.12	1	100	1	91.67	1
Dr. Reddy's Laboratories Ltd.	94.12	1	100	1	91.67	1
Jai Corp Ltd.	94.12	1	100	1	91.67	1
MRF Ltd.	94.12	1	100	1	91.67	1
Navneet Publications (India) Ltd.	94.12	1	100	1	91.67	1
Panacea Biotec Ltd.	94.12	1	100	1	91.67	1
Reliance energy Ltd.	94.12	1	100	1	91.67	1
Reliance Ltd.	94.12	1	100	1	91.67	1
Britannia Industries Ltd.	88.24	9	80	112	91.67	1
Chambal Fertilisers & Chemicals Ltd.	88.24	9	100	1	83.33	10
Divi's Laboratories Ltd.	88.24	9	100	1	83.33	10
Godrej Consumer Products Ltd.	88.24	9	100	1	83.33	10
Godrej Industries Ltd.	88.24	9	100	1	83.33	10
Indian Hotels Co. Ltd.	88.24	9	100	1	83.33	10
Jindal Photo Ltd.	88.24	9	100	1	83.33	10
JSW Steel Ltd.	88.24	9	100	1	83.33	10
Larsen and Toubro Limited	88.24	9	100	1	83.33	10
Mastek Ltd.	88.24	9	100	1	83.33	10
Nucleus Software Exports Ltd.	88.24	9	100	1	83.33	10
Polaris Software Lab Ltd.	88.24	9	100	1	83.33	10
Siemens Ltd.	88.24	9	100	1	83.33	10
Tata Consultancy Ltd.	88.24	9	100	1	83.33	10
Titan Industries Ltd.	88.24	9	100	1	83.33	10
Torrent Pharmaceuticals Ltd.	88.24	9	100	1	83.33	10
Aban Offshore Ltd.	82.35	25	100	1	75.00	30
Asian Star Co. Ltd.	82.35	25	100	1	75.00	30
Aurobindo Pharma Ltd.	82.35	25	100	1	75.00	30
BASF India Ltd.	82.35	25	100	1	75.00	30
Bharat Petroleum Ltd.	82.35	25	100	1	75.00	30
Bharti Airtel Ltd.	82.35	25	100	1	75.00	30
Carborundum Universal Ltd.	82.35	25	100	1	75.00	30
Coromandel Fertilizers Ltd.	82.35	25	100	1	75.00	30
Essar Oil Ltd.	82.35	25	100	1	75.00	30
Essar Shipping Ltd.	82.35	25	100	1	75.00	30
Gillette India Ltd.	82.35	25	100	1	75.00	30
Grasim Ltd.	82.35	25	100	1	75.00	30
Gujarat Ambuja Exports Ltd.	82.35	25	100	1	75.00	30
Gulf Oil Corporation Ltd.	82.35	25	100	1	75.00	30
Hindalco Ltd.	82.35	25	100	1	75.00	30
I-Flex Solutions Ltd.	82.35	25	100	1	75.00	30
iGATE Global Solutions Ltd.	82.35	25	100	1	75.00	30

Infosys Ltd.	82.35	25	100	1	75.00	30
Kalpataru Power Transmission Ltd.	82.35	25	100	1	75.00	30
Mercator Lines Ltd.	82.35	25	100	1	75.00	30
P & G Hygiene and Health Care Ltd.	82.35	25	100	1	75.00	30
Raymond Ltd.	82.35	25	100	1	75.00	30
South Asian Petrochem Ltd.	82.35	25	100	1	75.00	30
Tata Steel Ltd.	82.35	25	100	1	75.00	30
Tube Investments of India Ltd.	82.35	25	100	1	75.00	30
Welspun Syntex Ltd.	82.35	25	100	1	75.00	30
Whirlpool of India Ltd.	82.35	25	80	112	83.33	10
Apollo Hospitals Enterprises Ltd.	76.47	52	80	112	75.00	30
AREVA T&D India Ltd.	76.47	52	100	1	66.67	68
Ashok Leyland Ltd.	76.47	52	100	1	66.67	68
Aventis Pharma Ltd.	76.47	52	100	1	66.67	68
Balkrishna Industries Ltd.	76.47	52	60	138	83.33	10
Bharat Forge Ltd.	76.47	52	100	1	66.67	68
Cipla Ltd.	76.47	52	80	112	75.00	30
Dabur India Ltd.	76.47	52	100	1	66.67	68
Forbes Gokak Ltd.	76.47	52	80	112	75.00	30
Force Motors Ltd.	76.47	52	100	1	66.67	68
Geometric Ltd.	76.47	52	100	1	66.67	68
Graphite India Ltd.	76.47	52	100	1	66.67	68
Great Eastern Company	76.47	52	100	1	66.67	68
Jubilant Organosys Ltd.	76.47	52	100	1	66.67	68
Mahindra Ugine Steel Co. Ltd.	76.47	52	80	112	75.00	30
Moser-Baer (India) Ltd.	76.47	52	100	1	66.67	68
Nestle India Ltd.	76.47	52	100	1	66.67	68
NIIT Ltd.	76.47	52	100	1	66.67	68
Orchid Chemicals & Pharma. Ltd.	76.47	52	100	1	66.67	68
Oudh Sugar Mills Ltd.	76.47	52	60	138	83.33	10
PRICOL Ltd.	76.47	52	100	1	66.67	68
Punjab Tractors Ltd.	76.47	52	100	1	66.67	68
Rallis India Ltd.	76.47	52	60	138	83.33	10
Ruchi Soya Industries Ltd.	76.47	52	100	1	66.67	68
SRF Ltd.	76.47	52	100	1	66.67	68
Sundaram Fasteners Ltd.	76.47	52	100	1	66.67	68
Su-Raj Diamonds and Jewellery Ltd.	76.47	52	100	1	66.67	68
Thermax Ltd.	76.47	52	100	1	66.67	68
TVS Motor Company Ltd.	76.47	52	100	1	66.67	68
Nava Bharat Ventures Limited	72.22	81	100	1	58.33	109
ABB Ltd.	70.59	82	80	112	66.67	68
ACC Ltd.	70.59	82	100	1	58.33	109
Accel-frontline Ltd.	70.59	82	100	1	58.33	109
Aditya Birla Nuvo Ltd.	70.59	82	100	1	58.33	109
Apar Industries Ltd.	70.59	82	60	138	75.00	30

Atul Limited	70.59	82	80	112	66.67	68
Bajaj Auto Ltd.	70.59	82	80	112	66.67	68
Balmer Lawrie and Co. Ltd.	70.59	82	80	112	66.67	68
BPL Ltd.	70.59	82	60	138	75.00	30
Century Enka Ltd.	70.59	82	60	138	75.00	30
Cosmo Films Ltd.	70.59	82	100	1	58.33	109
Easun Reyrolle Ltd.	70.59	82	100	1	58.33	109
Eicher Motors Ltd.	70.59	82	100	1	58.33	109
Grindwell Norton Ltd.	70.59	82	100	1	58.33	109
Gujarat Gas Co. Ltd.	70.59	82	60	138	75.00	30
Himachal Futuristic Comm. Ltd.	70.59	82	100	1	58.33	109
Jain Irrigation Systems Ltd.	70.59	82	80	112	66.67	68
Kalyani Steels Ltd.	70.59	82	100	1	58.33	109
Lakshmi Machine Works Ltd.	70.59	82	60	138	75.00	30
Paper Products Ltd.	70.59	82	60	138	75.00	30
Phillips Carbon Black Ltd.	70.59	82	80	112	66.67	68
Prism Cement Ltd.	70.59	82	80	112	66.67	68
Ramco Industries Ltd.	70.59	82	100	1	58.33	109
Surya Roshni Ltd.	70.59	82	80	112	66.67	68
Welspun India Ltd.	70.59	82	40	178	83.33	10
Abbott India Ltd.	64.71	107	60	138	66.67	68
Alembic Ltd.	64.71	107	60	138	66.67	68
Avaya Global Connect Ltd.	64.71	107	100	1	50.00	146
Birla Power Solution Ltd.	64.71	107	100	1	50.00	146
BOC India Limited	64.71	107	80	112	58.33	109
Ceat Ltd.	64.71	107	80	112	58.33	109
Cranes Software Ltd.	64.71	107	100	1	50.00	146
EIH Ltd.	64.71	107	80	112	58.33	109
Finolex Industries Ltd.	64.71	107	60	138	66.67	68
Garware Polyesters Ltd.	64.71	107	100	1	50.00	146
Havells India Ltd.	64.71	107	40	178	75.00	30
Honeywell Automation India Ltd.	64.71	107	60	138	66.67	68
Housing Devlp. Finance Corp. Ltd.	64.71	107	60	138	66.67	68
ICI India Ltd.	64.71	107	80	112	58.33	109
ITC Ltd.	64.71	107	80	112	58.33	109
Kirloskar Ferrous Industries Ltd.	64.71	107	80	112	58.33	109
Kirloskar Oil Engines Ltd.	64.71	107	40	178	75.00	30
Mirc Electronics Ltd.	64.71	107	60	138	66.67	68
Numeric Power Systems Ltd.	64.71	107	100	1	50.00	146
PSL Ltd.	64.71	107	60	138	66.67	68
Rama Newsprint and Papers Ltd.	64.71	107	60	138	66.67	68
Rashtriya Chemicals & Fertilizers Ltd.	64.71	107	60	138	66.67	68
Supreme Petrochem Ltd.	64.71	107	100	1	50.00	146
Tamilnadu Petroproducts Ltd.	64.71	107	80	112	58.33	109
Thirumalai Chemicals Ltd.	64.71	107	100	1	50.00	146

GTL Ltd.	61.11	132	100	1	41.67	160
Ashapura Minechem Ltd.	58.82	133	60	138	58.33	109
Ballarpur Industries Ltd.	58.82	133	100	1	41.67	160
Blue Star Ltd.	58.82	133	100	1	41.67	160
Escorts Limited	58.82	133	60	138	58.33	109
FDC Ltd.	58.82	133	80	112	50.00	146
Gabriel India Ltd.	58.82	133	60	138	58.33	109
Genesys International Corp. Ltd.	58.82	133	100	1	41.67	160
Glenmark Pharmaceuticals Ltd.	58.82	133	100	1	41.67	160
HDFC Ltd.	58.82	133	60	138	58.33	109
IPCA Laboratories Ltd.	58.82	133	100	1	41.67	160
KRBL Limited	58.82	133	60	138	58.33	109
Lanco Industries Ltd.	58.82	133	60	138	58.33	109
Munjal Auto Industries Ltd.	58.82	133	100	1	41.67	160
Nahar Spinning Mills Ltd.	58.82	133	60	138	58.33	109
Nagarjuna Fertiliser and Chem. Ltd.	58.82	133	60	138	58.33	109
Nirma Ltd.	58.82	133	100	1	41.67	160
Novartis India Limited	58.82	133	40	178	66.67	68
PTC Ltd.	58.82	133	100	1	41.67	160
Raj Rayon Ltd.	58.82	133	40	178	66.67	68
Rane (Madras) Ltd.	58.82	133	60	138	58.33	109
RICO Auto Industries Ltd.	58.82	133	100	1	41.67	160
Salora International Ltd.	58.82	133	60	138	58.33	109
Shree Cements Ltd.	58.82	133	100	1	41.67	160
Sundaram Clayton Ltd.	58.82	133	100	1	41.67	160
Sunflag Iron and Steel Co. Ltd.	58.82	133	100	1	41.67	160
Unichem Laboratories Ltd.	58.82	133	80	112	50.00	146
Usha Martin Infotech Ltd.	58.82	133	100	1	41.67	160
Voltas Ltd.	58.82	133	100	1	41.67	160
VST Industries Ltd.	58.82	133	100	1	41.67	160
Wyeth Ltd.	58.82	133	100	1	41.67	160
ABG Shipyard Ltd.	52.94	163	100	1	33.33	186
Andhra Petrochemicals Ltd.	52.94	163	40	178	58.33	109
Asahi India Glass Ltd.	52.94	163	40	178	58.33	109
Asian Hotels Ltd.	52.94	163	40	178	58.33	109
Best and Crompton Engineering Ltd.	52.94	163	80	112	41.67	160
Birla Corporation Ltd.	52.94	163	40	178	58.33	109
Bombay Dyeing and Mfg Co. Ltd.	52.94	163	40	178	58.33	109
Chennai Ltd.	52.94	163	60	138	50.00	146
FAG Bearings India Ltd.	52.94	163	100	1	33.33	186
Godavari Fertilisers & Chemicals Ltd.	52.94	163	60	138	50.00	146
JCT Electronic Ltd.	52.94	163	80	112	41.67	160
LG Balakrishnan and Bros Ltd.	52.94	163	40	178	58.33	109
Madras Cements Ltd.	52.94	163	40	178	58.33	109
Man Industries (India) Ltd.	52.94	163	40	178	58.33	109

Monnet Ispat & Energy Ltd.	52.94	163	40	178	58.33	109
Ruchi Infrastructure Ltd.	52.94	163	60	138	50.00	146
Sundaram Finance Ltd.	52.94	163	100	1	33.33	186
Aarti Industries Ltd.	47.06	180	40	178	50.00	146
Bank of Maharashtra	47.06	180	100	1	25.00	200
HMT Ltd.	47.06	180	40	178	50.00	146
Nahar Industrial Enterprises Ltd.	47.06	180	60	138	41.67	160
Shipping Corporation of India Ltd.	47.06	180	100	1	25.00	200
Shriram Transport Finance Co. Ltd.	47.06	180	60	138	41.67	160
Suryalakshmi Cotton Mills Ltd.	47.06	180	60	138	41.67	160
Andhra Pradesh Paper Mills Ltd.	41.18	187	60	138	33.33	186
Camphor and Allied Products Ltd.	41.18	187	60	138	33.33	186
Jindal Stainless Ltd.	41.18	187	40	178	41.67	160
Lloyds Steel Industries Ltd.	41.18	187	40	178	41.67	160
Merck Ltd.	41.18	187	60	138	33.33	186
Monsanto India Ltd.	41.18	187	40	178	41.67	160
Neyveli lignite corp Ltd.	41.18	187	80	112	25.00	200
Sandesh Ltd.	41.18	187	60	138	33.33	186
Steel Strips & Wheels Ltd.	41.18	187	60	138	33.33	186
Bajaj Hindusthan Ltd.	35.29	196	60	138	33.33	186
Disa India Ltd.	35.29	196	40	178	33.33	186
Jenson and Nicholson (India) Ltd.	35.29	196	40	178	33.33	186
KSB Pumps Limited	35.29	196	40	178	33.33	186
Mangalore Chem. & Fertilisers Ltd.	35.29	196	40	178	33.33	186
Mysore Petro Chemicals Ltd.	35.29	196	20	204	41.67	160
Aarti Drugs Ltd.	29.41	202	40	178	25.00	200
Ashiana Housing Ltd.	29.41	202	20	204	33.33	186
Kwality dairy (India) Ltd.	29.41	202	40	178	25.00	200
Swaraj Engines Ltd.	29.41	202	40	178	25.00	200

Limited got a score of 72.22 percentage and was placed at the 81st position. 25 companies were placed at the 82nd rank & next 25 at 107th rank with a score of 70.59 and 64.71 respectively. GTL Ltd. was positioned at 132nd rank, having a score of 61.11%. 30 companies were ranked at 133rd position, 17 companies at 163rd position, 7 companies at 180th position, and 9 companies at 187th position. Bajaj Hindusthan, Disa India, Jenson and Nicholson (India), KSB Pumps, Mangalore Chem. & Fertilizers and Mysore Petro Chemicals secured 35.26 percentage of total disclosure and were placed at the 196th rank. Only four companies, Aarti Drugs, Ashiana Housing, Kwality Dairy (India), and Swaraj Engines were placed at 202nd rank, having the lowest score of 29.41%.

Table 4 shows that 111 companies obtained a full score in case of compulsory disclosure. Allahabad Bank Ltd., Dr. Reddy's Laboratories Ltd., Jai Corp Ltd., MRF Ltd., Reliance Energy Ltd., Reliance Ltd. were the few names of companies which were providing 100 percent compulsory disclosure as per the requirement of Accounting Standard 11 (Revised 2003). Whereas, 26 companies disclosed 80 percent compulsory disclosure & were ranked at the 112th position, 40 companies were providing 60 percent disclosure & were given 138th rank and 26 companies were providing 40 percent items of compulsory disclosure & were ranked at 178th position. Only 2 companies, Ashiana Housing Ltd. and Mysore Petro Chemicals Ltd. were placed at 204th position by securing 20 percent of compulsory disclosure rate, which is least among all.

In case of voluntarily disclosure, the Table 4 gives information that the highest score is of 91.67%, which had been

attained by nine companies; Allahabad Bank, Dr. Reddy's Laboratories, Jai Corporation, MRF, Navneet Publications (India), Panacea Biotech Ltd., Reliance Energy, Reliance and Britannia Industries. 20 companies were ranked at 10th place by having a count of 83.33% of the total voluntarily disclosure. 38 companies obtained the 32nd rank by getting 75% of total voluntarily disclosure. The 68th position was acquired by 41 companies, whose score was 66.67 %, whereas 37 companies were positioned at 109th rank with a score of 58.33%. 14 companies were ranked at 146th position and 26 companies at 157th position with a score of 50 and 41.67% respectively. A portion of 14 companies out of selected companies were placed at 186th position with a score of 33.33 %. Neyveli Lignite corporation, Aarti Drugs, Kwaliti Dairy (India), Swaraj Engines, Shipping Corporation of India and Bank of Maharashtra were placed at 200th rank with the least score of only 25% of total voluntarily disclosure.

Table 5 : Classification Of Companies According To The Disclosure Percentage Of Foreign Currency Transaction And Translation

Disclosure Percentages	Number of items		
	Total Disclosure	Compulsory Disclosure	Voluntarily Disclosure
0-20	--	02	--
20-40	10	26	20
40-60	63	40	77
60-80	81	26	79
80-100	51	111	29
Total Number	205	205	205

Table 5 is providing a brief overview by putting disclosure scores to slabs of an interval of 20 percentages. It can be observed from the table 5 that the maximum disclosure lies between intervals of 60-80 percent in case of total and voluntarily disclosure with 81 and 79 companies respectively. On other hand, maximum 111 companies range between 80-100 percent in case of compulsory disclosure. The least frequency of companies has been observed between 0-20 percent, as it is nil in case of total as well as voluntarily disclosure and only 2 in case of compulsory disclosure.

(III) INDUSTRY-WISE DISCLOSURE SCORE

In order to analyze the disclosure practices of companies on the basis of industry classification, firstly, the companies were grouped as per different industries on the basis of classification given as per the survey conducted by **Dun & Bradstreet (D&B) in 2006 (Dun & Bradstreet's premium publication 'India's Top 500 Companies' Edition 2006)**. After the classification, the descriptive statistics of different industries had being conducted. In this descriptive analysis, the mean disclosure score, standard deviation and range has been tabulated and presented for the year 2006-07 in table 6.

From the table 6 it can be observed that 205 companies have being divided into 20 industries, these are Automobile (18), Bank & FI's (7), Cement (7), Chemicals (17), Diversified (5), Electrical & Electronic (10), Engineering & Components (15), Fertilizer (6), FMCG/ Food (14), Iron, Steel, Glass & Metals (22), Oil/ Gas (7), Paper & Publications (5), Pharmaceuticals (17), Polymers/ Plastics Products/Paints (8), Power (8), Shipping and Logistics (5), Software, ITes & Peripherals (13), Telecom & Media, (4) Textiles (8), Others (9).

Table 6 reveals that the companies belonging to different industries have variations in their mean disclosure score for the year of the study. The analysis highlights that the mean disclosure score of the companies belonging to oil and gas industry (77.31%) is highest among all and it has been followed by the Software/ITes & Peripherals industry with a score of 76.65% for year 2006-07 in case of total disclosure. The highest mean value in relation to compulsory disclosure was 100 percent in case of Shipping & Logistics and Software/ITes & Peripherals, which shows that these industries are complying fully with the Accounting Standard 11 issued by ICAI. But in case of voluntarily disclosure, the highest mean (71.43%) was of the companies who came under the category of oil and gas industry. It has been followed by diversified industry (70%) and electrical and electronic industry.

A large standard deviation and range indicates that the data points are far from the mean and a small standard deviation and range indicates that they are clustered closely around the mean. Diversified industries are having least standard

Table 6 : Industry-wise Disclosure Score Relating To Foreign Currency Transaction And Translation

Name of the Industry	N	Disclosure Score (%)											
		Total Disclosure				Compulsory Disclosure				Voluntarily Disclosure			
		Mean	S.D.	Min	Max.	Mean	S.D.	Min	Max.	Mean	S.D.	Min	Max.
Automobile	18	67.32	14.01	29.41	94.12	84.44	22.29	40.00	100.00	60.19	15.54	25.00	91.67
Bank & FI's	7	64.71	19.21	47.06	94.12	82.86	21.38	60.00	100.00	57.14	25.20	25.00	91.67
Cement	7	65.55	10.97	52.94	82.35	80.00	28.28	40.00	100.00	59.52	10.12	41.67	75.00
Chemicals	17	62.63	18.12	29.41	88.24	71.76	28.34	20.00	100.00	58.82	17.30	25.00	83.33
Diversified	5	75.29	9.67	64.71	88.24	88.00	17.89	60.00	100.00	70.00	9.50	58.33	83.33
Electrical & Electronic	10	65.88	15.14	35.25	88.24	62.00	19.89	40.00	100.00	67.50	14.93	33.33	83.33
Engineering & Components	15	63.92	14.04	35.29	88.24	81.33	25.60	40.00	100.00	56.67	16.43	33.33	83.33
Fertilizer	6	61.76	20.63	35.29	88.24	70.00	24.49	40.00	100.00	58.33	19.72	33.33	83.33
FMCG/ Food	14	68.07	18.56	29.41	88.24	80.00	22.19	40.00	100.00	63.10	20.86	25.00	91.67
Iron, Steel, Glass & Metals	22	67.72	15.07	41.18	94.12	79.09	24.28	40.00	100.00	62.88	14.94	33.33	91.67
Oil/ Gas	7	77.31	13.77	52.94	94.12	91.43	15.74	60.00	100.00	71.43	13.49	50.00	91.67
Paper & Publications	5	65.88	19.24	41.18	94.12	76.00	21.91	60.00	100.00	61.67	24.01	33.33	91.67
Pharmaceuticals	17	70.59	15.28	41.18	94.12	85.88	19.70	40.00	91.67	64.22	18.34	33.33	91.67
Polymers/ Plastics Products/Paints	8	59.56	13.86	35.29	70.59	70.00	26.19	40.00	100.00	55.21	12.55	33.33	66.67
Power	8	69.85	15.86	41.18	94.12	95.00	9.26	80.00	100.00	59.38	20.62	25.00	91.67
Shipping and Logistics	5	68.24	16.95	47.06	82.35	100.00	0.00	100.00	100.00	55.00	24.01	25.00	75.00
Software, ITes & Peripherals	13	76.65	10.16	58.82	88.24	100.00	0.00	100.00	100.00	66.67	14.83	41.67	83.33
Telecom & Media	4	64.71	17.32	41.18	82.35	90.00	20.00	60.00	100.00	54.17	17.35	33.33	75.00
Textiles	8	65.44	13.13	47.06	82.35	70.00	21.38	40.00	100.00	63.54	16.02	41.67	83.33
Others	9	66.01	17.84	29.41	88.24	77.78	29.06	20.00	100.00	61.11	16.14	33.33	83.33

deviation of 9.67%, whereas, fertilizer industry had the highest value of 20.63% of standard deviation in case of total disclosure for year 2006-07. In case of compulsory disclosure, Shipping & Logistics and Software/ITes & Peripherals had zero standard deviation, which is again an indicator that these industries are complying 100% with the requirements provided in AS-11 by ICAI. Companies' categories as others are having highest value of standard deviation in case of compulsory disclosure requirements with 29.06%. Diversified industry were found to have least disclosure score (9.5%) of standard deviation in case voluntarily disclosure requirements on other hand, Bank and FI's were found to have highest standard deviation disclosure score of 25.2%.

It can be observed from the whole analysis that many sectors are following fair practices to disclose their accounting information in their annual reports. The software industry can be regarded best out of others in disclosing practices of their facts to the external user by using comparative study techniques. Every company attempts to describe to the maximum level of its original position because of two reasons, one - the investor behavior has changed to a large extent. They need factual and detailed information before taking investment decisions and the second reason is to disclose its position in the market to take competitive advantage among other companies.

FINDINGS

On the basis of whole analysis, the disclosure practices of selected Indian companies either by way of item-wise or

company-wise or industry-wise the following conclusions can be drawn:

1. There are 111 companies out of 205 selected companies which are providing 100% disclosure of mandatory items in the annual reports of the selected companies for the year 2006-07 as per the requirements of Accounting Standard 11 (Revised 2003) issued by ICAI. These are: Information about exchange differences in P&L Account and net exchange differences accumulated in foreign currency translation reserve in shareholders fund, reconciliation of the exchange differences at beginning and end of the period, reason for using different reporting currency instead of domicile currency (if applicable), change in the classification of a significant foreign operation, its nature, reason and impact on shareholders' funds and on net profit or loss (if applicable), effect on monetary items or financial statements in case of contingencies and effect on enterprise's foreign currency risk management policy.
2. The disclosure score of the voluntary items of information varies from 25% to 91.67% for the period of the study. The voluntary items which were taken into consideration for year 2006-07 in order to know the disclosure practices are: exchange rates used for transactions in foreign currency and restatement of monetary items, information about forward exchange contract, Gain or losses on forward exchange contracts, treatment of premium or discount on forward exchange contract and whether it is in nature of hedging or not, re-statement of non-monetary items and fixed assets, integral or non-integral foreign operations, classification of activities in foreign currency and financial Statements compliance as per any other Country's Accounting Standard in which company is having business other than India.
3. The company-wise disclosure analysis shows that the companies like Allahabad bank, Dr. Reddy's Laboratories, Jai Corporation, MRF, Navneet Publications (India), Panacea Biotech, Reliance Energy and Reliance Ltd. have got the first position by disclosing the highest percentages of 91.67. The least disclosure percentage (29.41%) had been secured by Aarti Drugs, Ashiana Housing, Kwality Dairy (India) Ltd., and Swaraj Engines Ltd..
4. The overall item-wise and company-wise disclosure is highest among the companies belonging to the Software/ITes & Peripherals industry, and these industries can be accreted as the best. All the companies in the Software industry were having a disclosure score of 100% in case of compulsory disclosure practices. The main reason behind such good disclosure practices is that these companies have their working internationally, so they are required to follow international rules and regulations. The other reason may be due to the changed behaviour of the investors, the company is obliged to give true and fair disclosure in order to satisfy the shareholders.

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