

# Assessment of Internet Financial Reporting Quality in Tourism Companies Listed on BIST

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**KEYWORDS:** Accounting; Internet Financial Reporting; IFR; Financial Reporting Quality.

## ABSTRACT

Financial reporting might be evaluated as one of the most important tasks to be performed by accounting departments of companies due to the increasing and developing information needs of stakeholders. In order to provide trustworthy and satisfactory information within the scope of financial reporting data processing and information presentation needs to fulfill the requirements on national and international levels and to be standardized for the sake of better comparison by stakeholders. Quality of reports regarding to complete and transparent disclosure of financial and non-financial measures is another critical issue which needs to be argued and clarified by accounting professionals and authorities. Major aim of this study is to evaluate the internet financial reporting qualities of tourism companies listed in BIST (Borsa Istanbul - Istanbul Stock Exchange) by means of additional criteria to previous methods suggested in former studies in accounting literature. Various financial and non-financial measures are going to be included and weighed as part of quality designation model for internet financial reporting.

## INTRODUCTION

Researches revealed that the usage of internet as a channel for dissemination of the corporate information is a phenomenon that has experienced considerable growth during the recent years (Andrikopoulos et al, 2013). Businesses are benefiting from various communication media and tools in order to inform their stakeholders about the financial results and positions of the entity. In this regard internet has been started to be used intensely by businesses because of the following reasons (Çalışkan and Güler, 2013):

- Information submission immediately
- Lower costs related to communication of financial and non-financial statements or other information
- Interactive communication possibilities
- Ability to communicate financial and non-financial information to broader groups of stakeholders

Researches on internet financial reporting have been conducted since the beginning of 1990s and generally conducted on the analysis of information submitted and content of information (Khan, 2014). By means of internet financial reporting all stakeholders are able to access the issued financial and non-financial information additional to the stockholders of the corporation. It is possible to state that international and national investors constitute the major part of stakeholders who are in need of corporation related information (Jefferson and Stanwick, 2001, 31). Information type demanded and strength of demand by the stakeholders are two major determinants of financial or non-financial reporting by corporations on internet media. Following factors might be listed as influencing with respect to the information demand of stakeholders (O'Kelly, 2000):

- Accessibility: Need for and use of financial information is wide spreading due to the communication practices developed parallel to the globalization and other issues such as increased mobility about investments and labor force.
- Immediacy: Timeliness of the information has become as important as the information itself. Development in transportation and communication increased the importance of timeliness additional to the classical roles of information.
- Richness of content: Information demanding stakeholders are expecting the content of information to be rich enough.
- Connectivity: Regardless of their geographical or time zone restrictions all stakeholders are expecting to be connected whenever they need information or interaction with information providers.
- Interactivity: Information users are expecting to be in an uninterrupted communication, in other words interaction, in order to demand information or to personalize their information needs in a way which meet their expectations and needs.

On the other hand, enhancing corporate image, gaining a competitive advantage, meeting the obligations to community, obtaining funds from wider sources, receiving government support and other incentives, stability and improvement in share prices and distinguishing the corporation by media attention might be listed as some of the factors that stimulate internet financial reporting activities of corporations (Khan and Ismail, 2012).

**Advantages and Disadvantages of Internet Financial Reporting**

Internet financial reporting provides some advantages or eases bot for information providers and users. Compared to providing paper based information which is considered as time consuming and costly due to the presentation and dissemination of information internet financial reporting is considered to be less costly and environment friendly. As noted by Ojah & Mokoaleli-Mokoteli, internet serves as a fantastic medium for delivering publicly listed firms’ material information in a timely fashion to foreign and often sophisticated investors. Additionally, some internet reports of companies provide software that permits internet users to do on-the-spot and interactive financial analyses and communicate to firms in real-time at a relatively lower cost (Ojah & Mokoaleli-Mokoteli, 2012). Additionally, electronical presentations and dissemination might require advanced technology systems which are costly to launch but the costs related to the establishment of these systems could be compensated by decreased presentation and dissemination costs in the long run.

On the other hand, internet financial reporting has some disadvantages. Khan and Ismail mentioned costs related to setting up the necessary system, expertise needed to maintain and sustain the system and electronic disclosure, security related issues, poor we-site design, authentication and information overloading as the major disadvantages of internet financial reporting. Their studies in 2012 revealed that Malaysian internet financial report users perceived high costs of system to be launched and security problems as the major disadvantages of internet based disclosure (Khan and Ismail, 2012).

**MATERIALS AND METHODS**

Within the scope of study eleven companies currently being traded on Borsa Istanbul and included in tourism sector are examined regarding to their internet financial reporting activities and quality of internet financial reports. Previous criteria developed by Dyczkowska (2014) are used in order to score and evaluate the financial reports issued on internet media by tourism companies. Web sites of each company, contents of websites and details of contents are checked and evaluated by means of the checklist developed by Alali and Romero (2012). Main items checked for the evaluation are listed in table 1 as follows.

**Table 1: Evaluation criteria checklist**

Financial And Non-Financial Information Items	
Financial statement data	Contact details and other information
Balance sheet of current year	Email is used to reach shareholder investor
Balance sheet of previous years	Phone is used to reach shareholder investor
Income Statement of current year	Website in other language
Income Statement of previous years	Information on dividends
Cash Flow current year	Investor calendar
Cash Flow previous years	Social responsibility disclosures
Quarterly report current year	Environmental information
Quarterly report previous years	Information on intellectual capital
Half year report current year	Corporate strategy
Half year report previous years	Corporate social responsibility
Financial ratios	Corporate Governance Information
Audit report current year	Information about managers
Audit report past years	Presentation
Segmental report by line of business current year	Link to the information of the company in databases of
Segmental report by line of business previous year	supervisory bodies
Annual report current year	Direct link to investor relations
Annual report previous years	Financial data in processable format (like excel)
Other financial information	Sitemap
Section on relevant events	Internal search engine
Press releases	Mailing lists
Projected information	Date when the site was last updated
Stockholders information	FAQs
Number of shares	Securities markets on which it is quoted
Classes of shares	BIST
Schematic chart with the evolution of authorized capital	Other
Shareholder structure	

Research results revealed that 10 out of 11 companies are engaged in internet financial reporting on their own websites. Only one of the financial information of listed companies might be reached through web site of Public Information Platform (www.kap.gov.tr) organization. Whole data which is subjected to this research are gathered by specific controls and examinations carried out directly by author by means of field research and ratings are based on standardized observations and professional expertise of the author. Financial and non-financial reports are evaluated based on the following weights listed on table 2 as follows.

**Table 2: Quality indicators and weights**

Completeness of financial reporting information	30%
Accuracy of financial reporting information	25%
Relevance of financial reporting information	25%
Transparency of financial reporting information	20%

Weighted evaluation criteria checklist items are scored in a standardized manner based on the scoring scale illustrated in table 3. Scaling is standardized between 0 and 1 on 1/5 percentiles ranging from very poor to very high. By means of scoring scale it is determined that the internet financial and non-financial disclosure levels of listed companies are acceptable or unacceptable.

Additionally, Mann-Whitney U test is referred in order to determine if there is a relationship between the internet financial reporting levels and qualities of listed companies and profitability and size of companies. Profitability and company size are chosen as a proxy because both of these indicators are generally accepted as a proxy of company success in accounting literature.

**Table 3: Scoring scale for the weighted quality indicators**

Completeness level	Scoring Scale	Relevance level	Scoring Scale
Very poor	(0,00-0.20)	Very poor	(0,00-0.20)
Poor	(0.20-0.40)	Poor	(0.20-0.40)
Moderate	(0.40-0.60)	Moderate	(0.40-0.60)
High	(0.60-0.80)	High	(0.60-0.80)
Very High	(0.80-1.00)	Very High	(0.80-1.00)
Accuracy level	Scoring Scale	Transparency level	Scoring Scale
Very poor	(0,00-0.20)	Very poor	(0,00-0.20)
Poor	(0.20-0.40)	Poor	(0.20-0.40)
Moderate	(0.40-0.60)	Moderate	(0.40-0.60)
High	(0.60-0.80)	High	(0.60-0.80)
Very High	(0.80-1.00)	Very High	(0.80-1.00)

**RESULTS AND DISCUSSION**

As it is summarized in table 4 six out of ten companies have acceptable internet financial or non-financial reporting disclosure levels. Four of the companies having internet disclosures seem to be performing under the acceptable level. On the other hand companies with the levels of acceptable internet disclosure are tested if there are differences regarding to the size of companies and acceptable levels of internet disclosures. Results of the Mann Whitney U test ( $p > 0,05$ ) revealed that there is not a significant difference between company size and acceptable level of internet financial and non-financial disclosures.

**Table 4: Company size**

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Acceptable Disclosure level	6	6,83	41,00	4,000	-1,706	,088
Unacceptable disclosure level	4	3,50	14,00			

Table 5 summarizes the results of Mann Whitney U test which is applied in order to reveal if there is a relationship between financial and non-financial internet financial disclosures and profitability of tourism companies listed on BIST. Net profits of the companies are used as the proxy of success partially related to internet financial disclosures. Findings revealed that acceptable level of internet financial disclosure and IFR quality have a significant effect on profitability ( $p < 0,05$ ).

**Table 5: Company profitability**

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Acceptable Disclosure level	6	7,17	43,00	2,000	-2,646	,033
Unacceptable disclosure level	4	3,00	12,00			

## CONCLUSION

Accounting professionals and academicians agree on the necessity of internet financial reporting activities in order to improve the reporting activities and enhance the accessibility of company related information. Facilitation of information accessibility related to financial and non-financial figures is considered as a vital function for the sake of gathering and retaining investors. Additionally, internet financial reporting is considered and accepted as one of the most effective ways of disseminating company related information by academicians and practitioners. This study revealed that 10 companies out of 11 operating under the tourism sector title of Borsa Istanbul are disclosing their financial and non-financial information directly on their web sites. Only one of them does not have internet financial reporting on the official web site of company. Regarding to the evaluation based on the criteria and scoring table based on the previous academic studies it might be stated that more than half of the companies have an acceptable disclosure level with respect to the quality of information type and content disclosed. Direct observations and checked web pages revealed that a big majority of the companies have differentiating information dissemination frequencies, styles and user profiles. In order to prove the meaningfulness of internet financial reporting two generally accepted success indicators as to be company size and profitability were chosen as the proxies within the scope of this study. It might be concluded that internet financial reporting activities does not have a meaningful effect on company size. Regarding to the profitability as another proxy of company success it might be stated that internet financial reporting activities have a meaningful affect with respect to the Mann Whitney U test results. As a whole it might be concluded that financial and non-financial disclosures on official web-sites of companies facilitate the accessibility of company related information and enhance the evaluation capabilities of information users.

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