Telling their story: the role of the Australian Institute of Management in influencing business disclosure

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Abstract
The Australian Institute of Management was formed through predecessor bodies in the early 1940's with the objective of assisting managers to secure their future in an ever-changing business environment. While not part of their original charter, the AIM became involved in the sponsorship of annual report awards, which were designed to influence Australian firms to voluntarily disclose information not required under the existing regulatory environment.

The purpose of this paper is to document the reasons for the AIM to become involved in these awards and the criteria established to be satisfied by entrants into the awards competition. The paper then examines the awards made over the period 1950 to 1989, the period the AIM was involved in these awards and the impact of the awards on the level of disclosure by award entrants.

Further, whether the awards achieved their underlying objectives will be reviewed and whether they contributed to improved communication and comprehension for recipients of annual reports will be discussed.
The paper concludes with an evaluation of the success of the awards and the reasons for the AIM ceasing its sponsorship of the awards in 1989.

Keywords: *Annual Reports; design; presentations; accounting practices*

1. Introduction

The corporate annual report has long been established as the major form of communication between a company and its shareholders. The primary objective of financial reporting was for management to report on their stewardship to owners where stewardship was narrowly interpreted as management and protection of resources provided by the owners. Where possible companies only disclosed what was prescribed and chose not to voluntarily disclose any additional information.

However companies to further promote their activities to a wider audience than shareholders can use the annual report. With the return to peacetime conditions following the Second World War, this time of change presented a challenge to companies to be recognised for the important role they played in a country’s prosperity. It was acknowledged that the annual report could be used to promote the role of private industry and foster community support and acceptance.

To be successful in the post war period, companies would need consumer goodwill, cooperation from employees and sound relations with business suppliers. This could best be achieved if business were more transparent in their annual reports. Industrialist, John Storey, was one person who recognised the need for business to engage in a public relations exercise with the community and the need for workers and management to recognise their common interests (Lack, 2000,p.321). In his Presidential address to the Institute of Industrial Management he stated:

> if the public mind is confused by the propaganda of those who want all business to be managed by the Government, if it is influenced by the cry that profits are excessive, that private industry is exploitation of the worker, and that efficiency measures in industry mean sweated labour, that equipment which reduces costs and raises living standards is the source of unemployment, that slowing down of output hurts the boss but not the worker, or that wages which can be paid have no relationship to production and production costs- it is because we have failed to give the public the facts on which to base an accurate opinion (Storey,1944,p.11).

Storey believed that such disclosure would unite the efforts of management and workers and lead to improved efficiency. The decade after the Second World War was one of considerable industrial development. Existing companies and newly floated companies needed to raise capital and access to such finance would be assisted by additional disclosure by companies in their annual reports. In this period, capital issues were the most important source of capital after retained earnings (Mathews and Grant, 1962). Therefore, to gain the support of the investing public, the annual report would play an important role since improved disclosure would encourage and maintain the support of investors. This could best be achieved by improved disclosure of financial and other information in the annual report. To encourage business to improve their communication with shareholders, two prominent accountants, E. S. Owens and R. K. Yorston, instituted an annual report awards competition sponsored by the Australian Institute of Management (AIM).

Owens explained how the idea for the awards had arisen:

> for some considerable time prior to the middle of 1948 when the idea finally crystallised, it had occurred to me on many occasions, that the financial statements and accompanying reports of public companies and matters of finance and accountancy generally were to the layman shrouded, or for want of a better term "black magic". The suggestion to a layman that he should take more interest in the published accounts of the companies in which he was a shareholder was met with a despairing shrug of the shoulders and a statement to the effect that what chance had he of understanding a balance sheet or accounts, which even though prepared on a basis of reasonable disclosure was far beyond his ability and in any case annual reports were unattractive to him. Such a situation was, I felt, generally recognised at that time but very few companies were progressive enough to do anything about it (Owens, 1958).

The objective of the award was to improve the standard of disclosure in corporate financial reports in Australia by establishing a set of criteria, independent of existing requirements, which would encourage additional presentation and disclosure in annual reports. They believed that companies could disclose more information than required by law, and that such disclosure should be not just to shareholders, but extended to a wider audience that included employees and the wider community. This would enable companies to make known the important role they played in society, to tell about their achievements and with such increased disclosure public confidence would be enhanced and this would assist future funding requirements (Yorston and Owens, 1958,p.11).

The nature and criteria underlying the awards have been examined by Olsson (1983) and Fraser (1983) but this paper extends their work to investigate the impact the award scheme had on the disclosure of information including the design and presentation of such information incorporated in the financial reporting practices of Australian companies.

2. Background

Two accountants, E. S. Owens and R. K. Yorston, were responsible for the establishment of the awards by the Institute of Management.

Both men were prominent members of the Institute of Chartered Accountants in Australia, and of the Australian Institute of Management and active in business, education and the wider community. Owens, the son of an Anglican Minister, qualified as a Chartered Accountant in 1947 following war service in the Middle East and New Guinea. Yorston, a graduate of the University of Melbourne, was the Principal of the Australian Accountancy College, a private educational college.

The motivation of both men lay in their Christian faith and Yorston in particular was an active lay member of the Presbyterian Church and served in a number of roles including Convenor of Finance Committee, a member of the Stewardship Committee, the Board of the Scottish Hospital, Sydney, and on the Finance Board of the Australian Inland Mission. These roles demonstrated his underlying personal faith and view on stewardship of time, talents and money, often reflected in his addresses and sermons (Yorston, NLA, MS9064). Underlying the accounting function was the notion of stewardship, which required management report on their activities on a regular basis to shareholders. Companies could better fulfill Yorston believed this obligation if they increased and improved their level of disclosure to shareholders and other parties. Owens and Yorston who were both members of the Australian Institute of Management Finance Panel convinced the Institute to commence annual report awards in 1950. The AIM had been formed in the early 1940s with the objective of assisting managers to secure their future in an ever-changing business environment (Fogarty, n.d.). The AIM announced that to improve the presentation and content of annual reports, the Institute would make an award for the best annual report published in that year. The object of the award was to encourage better annual reports so as to:

> Make known the important place of private enterprise in the community.
> Encourage the dissemination to shareholders and others of information about company activities in a form, which those without business training can understand. Endeavour to establish better employee-employer relations by making known facts about the company and the financial result of its activities, and to endeavour to create employee pride in the company, its products and the services, which it provides (AIM Newsletter 1950, p.1).

Initially the award was a competitive one with all companies listed on Australian stock exchanges invited to submit their annual reports for examination. An adjudicating panel was formed and annual reports were evaluated against a set of criteria guided by award objectives and detailed analysis of entries under three main headings: form of presentation, financial data and general information.

The criteria for which marks were awarded were: -

> General impression in respect to readability, public relations, clarity of layout and typography.
>
> Notice of meeting clearly shown and logical order of contents.
>
> Highlights page.
>
> Financial statements well classified and clearly presented with adequate notes.
>
> Comparison of data with prior years.
>
> Adequate detail in financial statements, including amount and composition of turnover, depreciation, stock valuation and tax provision.
>
> Source and use of funds statement.
>
> Adequate statistical and other performance data.
>
> Informative directors' report.

Information about employees.

Appropriate use of graphs and charts

Cost of annual report not apparently excessive.

The above criteria were limited to one sentence and did not identify the attributes required to meet the listed criteria although more detail was provided in adjudicator's reports. Three levels of award were made, the award for the best annual report, while reports less able to meet the specified criteria, were awarded either distinction or merit awards. In 1958 the awards were extended to include government and semi-government bodies, charitable and welfare groups not listed on the stock exchange. The diversity of organizations now considered for the award made judgement more difficult and separate criteria were developed for the unlisted organizations. This led to the a review of the objectives of the award and the first objective was replaced by a new objective, to encourage the development and use of valid and objective measures of company performance (AIM, 1972, p. 1).

In 1973, the listed and unlisted categories were replaced by three divisional classifications for organizations. This new classification system was not endorsed by the Chairman of the Adjudicating committee, businessman Norman Rydge who wrote to the President of the AIM stating:

> we are now very far away from what was the original intention and this was to emphasis the important part that Private Enterprise plays in giving our community the highest standard of living that has yet been possible under any system operating in any part of the world. I do feel with the introduction of semi-governmental undertakings, charitable and community organizations that the basic primary object of the introduction of the annual report awards is being disregarded. And I do feel that today, more than ever before, it is necessary to stress the importance of the private enterprise system and the role it plays in our community. It is now more important than in 1950 to stress the importance of private enterprise (Rydge, 1973).

Rydge's views were disregarded and a new awards classification scheme introduced. The principal activities of an organization determined the category under which it was classified. Three divisions were established; Division A was all competitive business enterprises including government business enterprises in competition with private enterprise, Division B public administration and Division C all charitable and community organizations. Under this new scheme the selection and judging process was revised. Three stages were now involved and the first stage of the judging process involved all reports received, and to qualify for the next two stages, the reports had to contain:

A clear indication of what the organization does;
A reasonably comprehensive review of its operation;
Financial information in a form, content, and detail appropriate to an organization of its type;

Statistical and other data of a sufficient number of items for a minimum period of five years; and

Design and typography of a reasonable standard.

For the second stage, committee's were formed to examine reports for each division.
Judging of annual reports in this stage was based upon about 25 criteria specifically chosen to meet the individual informational needs of each classification. In all cases sixty-five percent of the criteria was directed to the information requirements of shareholders, employees and/or the interested public.

Twenty-five percent of the criteria were designed to meet the needs of professional analysts and industry specialists and the remaining criteria were selected to evaluate the general format and presentation of the report. At the conclusion of this second stage of examination, committees presented their recommendations for consideration by the full Annual Report Awards Committee.

The third stage consisted of presenting the Annual Report Award Committee's report and recommendations to an adjudicating Panel. It was open to this Panel to question the recommendations of this committee, to offer any advice that might assist the committee, and finally to confirm the awards recommended.

In the same year the award categories of best, merit and distinction were discontinued. Instead the awards were now designated gold, silver and bronze. Gold was awarded for annual reports of a high standard which fully met all aspects of the criteria. A silver award meant that the report met all aspects of the criteria but had minor shortcomings, while the bronze award was for reports that met substantially the criteria laid down for the industry classification to which it belonged.

In 1974 a further objective was added, that been, to create public awareness of the objectives of enterprises and organizations and of their achievements and to promote a better understanding of the significant factors underlying the particular results achieved and the report also provided more detailed information on criteria used. The objectives and criteria to evaluate reports remained unchanged until 1989 when the AIM ceased its involvement in the awards. In the next section of the paper we will examine the awards in relation to the financial reporting practices of companies listed on the Stock Exchange.

3. Adjudicator's views of annual reports

At the time the awards were introduced, corporate law provisions governed the extent of disclosure in annual reports and while legislation was State-based, the provisions were substantially the same (Gibson, 1971). The Act (s) required specific disclosures be made which included a profit and loss account and balance sheet. The profit and loss account had to show under separate headings: the net balance of profit and loss on the company's trading; income from general investments; income from investments in subsidiary companies; amounts charged for depreciation or amortization of (a) investments; (b) goodwill (c) fixed assets; any profit or loss arising from the sale or revaluation of fixed or intangible assets and Directors' fees.

Where appropriate, companies also had to comply with the recommendations on accounting principles issued by the Institute of Chartered Accountants in Australia in 1946 (ICA, 1946). These recommendations were just that, and not compulsory or enforceable at law.

The objective of the award was to encourage better disclosure and the emphasis was on style and presentation. Annual reports were judged by an Adjudicating Panel comprised of a chairman of directors as chairman, the chairman of the Sydney Stock Exchange, a nominee of the Institute of Chartered accountants, a nominee of the AIM Finance Panel and nominees from the production, personnel and marketing Panels of the AIM who possessed no accountancy training. They took as their guiding principle the three objectives listed earlier and made a detailed analysis of the entries under the following three headings - presentation, financial data and general information. In their report they selected Jantzen (Australia) Limited as the first award winner and a further twenty other companies were included in the merit list.

In the first report, the committee stated that it was not influenced by the costliness of printing paper or general layout. Reports should speak for industry in simple terms, with the aid of proper graphs and charts, without large expenditure being incurred. The one-line criteria provided little guidance as to what the adjudicator's sought, but their written report for each year's awards gave some indication of how reports were assessed. More instructive is the approach adopted by Jantzen (Australia) Limited, the winner of the inaugural award. While satisfying the requirements of the Companies Act of New South Wales, the company considered that such reporting did not tell the story of their business satisfactorily, nor was it circulated adequately by being confined to shareholders and the press. Their 1950 annual report was addressed to shareholders, employers and business associates, in recognition of a larger readership, to whom was owed an obligation of reporting. Additional contents included in the award winning entry were:

A company message on human relationships;

The previous year's figures for comparison on the explanatory profit and loss statement and explanatory balance sheet;

A statement on the meaning of profits;

A pie chart on division of available income between employees, shareholders, and retained profits;

A chart on employees and their service and a statement on changes in financial position during the year (Yorston and Owens 1958, pp. 29 – 36).

The same weaknesses identified in the first adjudicator's report were repeated over the next three years. The adjudicators desired that standard practice be to include a pie or bar chart showing how the sales pound is growing and its distribution. This will show clearly to the layman the relationship of material, labour, and administration costs, taxes, dividends and reserves and does more to correct the erroneous impression of high dividend and reserve appropriations than any other factor. Such disclosure would achieve the objective of the awards by ensuring that employees and unions would be better able to judge performance of the company, demonstrate that owner returns were not excessive and indicate whether their demands for pay rises were justified. Presentation and style were still their concern. They were critical of companies, who did not clearly display their name on the outer cover and did not clearly indicate that it was the company's annual report. The size of type used could also be improved as many companies used too small a size. By 1955 most reports were judged to be prepared in an attractive manner, something that was necessary to encourage shareholders to read its contents. Two years later the adjudicators believed the standard of reporting was the highest since the inception of the award and led to the promotion of better relations between companies, employees and the public. Nevertheless, adjudicator's were critical of certain aspects of reporting including the reluctance of companies to disclose turnover, the perfunctionery recognition of employee's contribution and the lack of useful information contained in the director's report.

While the emphasis of the awards was on presentation, the Panel did however raise concerns about classification of assets and liabilities. Panel members believed that some companies were showing long- term assets and liabilities as current assets and liabilities so that they could report an improved and inflated liquidity position (working capital).

They were also critical of vague disclosures on stock valuation, claiming that few companies gave meaningful descriptions of value. Corporate law required that every balance sheet of a company shall state the basis of valuation of each class of assets Whilst this requirement was complied with, and stock was disclosed as valued at cost or less than cost, the Panel considered this less useful than disclosing cost, market selling price or replacement cost, whichever is lower. The Panel was also critical of the failure by companies to disclose provisions for depreciation, as they believe that if these amounts were not disclosed, it was impossible to judge their adequacy.

By 1958 the Adjudicating Panel considered there had been an improvement in the standard of financial reporting (AIM, 1958, p. 1). However, serious weaknesses in corporate reporting were still present and adjudicator's believed that the level of merger and takeover activity in Australia had exposed these during this particular year (Bushnell, 1961). Such activity had raised questions about the level of disclosure and the accuracy of accounting information and forced company managers to provide additional information. For acquiring companies, annual reports did not identify the activities of the takeover candidate as indication was given of the contribution of various segments to company performance, and the rate of return earned by these segments and its adequacy could not be determined. Yet, by the end of the first decade the Panel considered that improved use of graphs, photographs and colour illustrations had occurred (AIM, 1960, pp.1-2). Despite these improvements annual reports were still lacking in disclosure. A study of Australian annual reports found that these reports were brief, did not clearly disclose the nature of activities, failed to disclose sales, cost of sales and operating costs, and had little value for purposes of financial analysis (De Maris and Zimmerman, 1960). They concluded that it was a precise technical document designed to reach a special limited audience, and supported the view of Irish who observed some years earlier that everybody tends to obey it so that it becomes a maximum rather than a minimum standard of disclosure (Irish, 1948, p. 405). Yorston and Owens believed fear of criticism made companies behave in this way (Yorston and Owens 1958, p. 8), but another reason for was that disclosure beyond legal requirements was at the discretion of management and directors and not obligatory.

The second decade of committee comments in relation to awards presented, awards continued to criticise companies for layout, use of too small typeface, and lack of illustrations, no company name displayed on the front cover and the failure to make annual reports attractive to all recipients. The influence of the annual reports awards was evidenced by the inclusion in the ninth schedule, which formed part of the 1961 Companies Act. This schedule incorporated two of the awards requirements, the grouping of assets and liabilities in the balance sheet and the introduction of comparative figures for two years. The reports submitted as entries for the award usually met these requirements but their inclusion in the schedule imposed the requirement on all companies. Despite the new Companies Act, those judging the reports were still concerned with company's not displaying their name clearly on the front cover and not including a notice of meeting. While the inclusion of a highlights page was almost generally accepted, even with the requirements of the new Act many companies failed to show depreciation provisions as clearly as they should despite and it is not possible to gauge whether provisions are adequate, deficient or excessive (AIM, 1963,p.4) These criticisms did not however address the questionable accounting practices and inter-company dealings that would lead to corporate collapses around this time.

As Australia's economy faltered, a series of corporate collapses including Reid Murray, Latec Investments and Sydney Guarantee Ltd led to criticisms of financial accounting practice and the misleading nature of financial statements. The complex relationships across some of these companies raised concerns about companies accepting money as deposits without a prospectus. Public Borrowings Acts were introduced to require borrowing or guarantor companies to file half yearly accounts. An indication of the influence of the award was the request by A.B.Mellor, Chairman of the Sydney Stock Exchange that the awards criteria include half-yearly reports. Mellor was concerned that there would be non-compliance by companies with the listing rules and corporate law requirements. He believed inclusion in the awards criteria would overcome failure of companies to fully disclose the required information. Such a view signified the influential nature of the awards and from 1965 the awards included interim reports in their criteria. Despite further corporate failures, the view of the adjudicating Panel was that annual reports had improved, noting:

> There has been a marked trend this year towards the type of annual report, which presents the company to the public instead of merely recording statistics. This is something, which the Australian Institute of Management has encouraged since the beginning of the Award and it is rewarding to see so many companies taking this approach (AIM, 1964 p. 2).

Nevertheless the weaknesses identified in the earlier years were still identified present through the remainder of the decade. Despite this, by the end of this time, adjudicators believed that companies were producing more informative reports (AIM, 1969, p. 2).
Gibson observed that until this time the most effective work done through the awards was the development of better presentation and style in financial reporting (Gibson 1971, p 203). Yet the adjudicating Panel believed there was continued improvement in financial reporting and

led them to believe award entrants benefited from their comments. In their 1972 report they provided information on the items that were components of the main headings: format, text, financial statements and general statistical data and summary However, the need to improve company accounts was an ever continuing ever one, and the more influential presence of accountants on the Adjudicating Panel led to increased attention to accounting practice and disclosure. In the same report they believed further disclosures were necessary on matters such as revenue recognition, leasing and investments in associated companies. (AIM, 1972, pp. 6 – 11).

In their 1973 report, they identified the attributes of annual reports that gained either gold or silver awards. These included:

> A clear statement of corporate objectives to the various groups to which a company is particularly responsible – namely shareholders and lenders – and in manner suitable to inform customers, employees, and other members of the community.
> Provision of information (both in totals and percentages) on assets, sales and profits for each division of the organization.
> Detailed information on the organization's people – an organisational chart and facts about industrial relations, staff training and welfare.
> A profit and loss account showing income or sales by divisions and adequate detail of expense items.
> The composition of stock in the balance sheet, or in the notes itemising raw materials, work in progress stock in transit, and finished goods.
> Disclosure of the amount of interest capitalised on construction projects.
> Statement of source and application of funds showing gross rather than net figures and supplemented by charts or graphs.
> Highlights page with current and preceding year's figures and percentage changes, and with figures accompanied by a written statement, setting out the main features of the year's activities.
> Directors' reports commenting in detail on the year, including prospects for the next year.
> A five or ten year statistical summary which showed not only a summarised balance sheet and profit and loss information, but also operational information (e.g production, sales, or miles flown) and relevant percentages (e.g load capacity or occupancy ratio).
> Suitability of a report's size, layout and typography.
> Clear graphs and charts supporting the relevant figures, which appear on the same page (AIM, 1973, p. 10).

In the same report they identified areas of common weakness as:

> Lack of information on activities, including the relative importance of different divisions or subsidiaries, of the company.
> Absence of a clear description of major accounting policies.

Lack of detail in profit and loss accounts, many of which did not follow the pattern of beginning with a sales figure, then deducting costs, to give trading profit from which deductions, and to which additions were made.
Inadequate reporting on associate companies.
Use of "netting" in the source and application of funds.
Little information on employees, particularly staff training and development programmes. Many failed to state wages and salaries paid.
Production of unnecessarily lavish reports (AIM, 1973, pp. 14 -15).

Some of these concerns continued to be raised over the next few years. While the awards lacked statutory authority, they were still influential on the disclosure and reporting behaviour of companies. For instance, the Panel their continued and repeated concern about the methods used by companies to accounting for investments in associated companies led indirectly to the issue of an exposure draft on this topic by the accounting profession.

Equally, their continued advocacy of segmental disclosure was heeded when four large diversified companies voluntarily disclosed this information in 1974. Clearly, these companies believed such disclosure would benefit their image, enhance their award winning capability and influence other companies to follow their example. Yet, despite other companies following their example, some time elapsed before an accounting standard was issued on this subject (AARF, 1984), as the profession's attention was directed to how to adjust historical cost accounting for changing price levels. In the early part of the 1970's oil prices and domestic wage pressure were responsible for a period of high inflation in Australia (Kriesler, 1999). This led the accountancy profession both in Australia and overseas to consider modifications to the historical cost accounting system (AASC, 1976) although no accounting standard became mandatory in Australia.

Panel members were aware of the limitations of financial statements prepared on an historical cost basis, noting in their 1976 report that there was inadequate explanation of the impact of inflation on company's performance and financial position (AIM, 1976, p. 3).

The failure by companies to account for inflation continued to be criticised by adjudicators' even though inflation rates declined over the next decade. Despite the failure to resolve how to incorporate inflation accounting into financial reports adjudicators still believed there had been a general improvement in the level of financial reporting (AIM, 1979, p. 1).

Whilst the motivation for companies to be entrants in the award are not identifiable, the awards indirectly influenced companies to participate. Participation and gaining an award was perceived as enhancing the standing and prestige of a company, although whether it had a positive impact on share price has not been investigated. Therefore the awards provided an incentive to companies to increase their level of disclosure and improve the communication process with shareholders and other users of the annual report. A clear indication of the awards influence is the increased disclosure by companies of the major highlights of the year as part of the annual report. Adjudicators had listed this as a criteria and the increased percentage of companies including such a statement in their annual report (Pang, 1982) could be attributed to the influence of the awards.

In these intervening years adjudicator's continued to identify new areas of disclosure for companies to include in their annual reports. They believed annual reports should reflect community interest and disclosure should include current matters of concern such as the environment, employment policies, and community involvement and how the company was socially responsible (AIM, 1981, pp.13 – 14). They advocated inclusion of a value added statement, which they claimed was effective in reporting and communicating to employees and unskilled investors on how the value created by the company, was distributed (AIM, 1981, p.14). This recommendation is consistent with the earlier criteria of a pie chart showing how the sales dollar was distributed and would enable the company to claim its profits were not excessive. Yet their concern with increased disclosure in the profit and loss statement continued. They still viewed Corporate law requirements as restrictive in terms of disclosure and divisional reporting was considered necessary to inform readers of the relative importance of the company's different areas of activity to the overall final result.

Such disclosure should include information on transfer pricing policies and the extent of inter-divisional business (AIM, 1982, p.13). Further, information should also be disclosed on acquisition and divestment of subsidiaries, details of share issues as well as a statement of the company's future prospects. While companies may be reluctant to forecast where economic conditions are difficult the Panel still considered that an attempt to provide this information was warranted. As well, the Panel believed more attention to the impact of inflation on company results is still desirable, despite the failure of the accounting profession to mandate a method of accounting. (1983, p15).

In 1984, adjudicators considered the standard of reporting had not improved on the previous year (1984, p.16). In their report they recommended more reporting on cash flows, debt-equity ratio's, trend analysis and borrowing arrangements (1984, p.18).

A year later, the award adjudicators considered that there was still room for improvement in the level of financial disclosure and reporting. In particular the Australian government's decision to float the dollar, led the Panel to believe improved disclosure was desirable on how foreign currency movements had affected the financial performance of Australian companies. The adjudicator's criticisms were that companies did not disclose the accounting policies used, how they treated the financial effects of changes in the Australian dollar in the current year and the anticipated effects for the next year (AIM, 1986, p.16). In the same report they identified other areas of accounting and disclosure that needed resolution. These included the provision of details of redeemable preference shares issued, disclosure of unrealised gains, lack of detail on accounting policies on and departures from accounting standards.

Other major areas where there was often room for improvement in presentation and details including the following:

> impact of inflation, state of the economy and its effect on the industry and the company, dealing with contentious issues in the financial statements, impact of deregulation, marketing / competitive position (AIM, 1986, p. 17)

In the last two years of the AIM's involvement in the awards, adjudicators continued to identify the same weaknesses listed in earlier reports. They expressed concern about the "cavalier" approach to informing shareholders on major items such as debt defeasance arrangements, the lack of disclosure and discussion on subsidiaries reporting large profits or losses (AIM 1988, p. 14). Other concerns included lack of disclosure on research and development, no explanation of major changes in the balance sheet and the lack of disclosure on the company's competitive position (AIM 1988, p. 17).

The 1989 report was the last award made by the AIM. There were a number of reasons for the decision to cease its involvement in future awards. Firstly, the instigators of the award Yorston and Owens and business people who supported the awards, were no longer involved. The changed regulatory environment also led the Institute's management to recognise that the maintenance of their role was no longer a core activity of their management body. However the AIM was committed to ensuring the awards continued. The AIM required that the new sponsor continued the awards and was committed to the award's objectives and the importance of quality annual reports. The awards still exist, conducted annually under the auspices of the Australasian Reporting Awards, an independent not-for-profit organization sponsored by the Institute of Company Directors.

4. Evaluation and Conclusion

Two accountants Owens and Yorston were responsible for the introduction of the AIM annual report awards. The awards were introduced with the objectives of making known the important role of private enterprise in the community; to encourage the dissemination to shareholders and others of information about the company activities in a form which those without business training could understand and to establish better employee relations through disclosure and create employee pride in the company, its products and services it provided. Both Yorston and Owens believed that annual reports prepared at this time were not properly explaining the role of business in society, nor did shareholders or employees understand them and improved disclosure was required to better enable companies to fulfil their stewardship obligations. A set of criteria were established which were designed to improve the presentation and style of annual reports. The criteria would enable companies to better tell their story in a way that readers would understand.

In evaluating the success of the awards in achieving their objectives, we need to review the criteria. Throughout the life of the award, the adjudicators claimed that the standard of financial reporting continually improved although this view was based on the number of companies who satisfied the criteria. Yet this was only a small proportion of entrants. Given that the number of entrants does not necessarily increase each year, one can argue that the awards have limited success in improving the quality of financial reporting. Many companies are not interested and unlikely, to implement the criteria in their annual reports. Many were content to simply meet the existing regulatory requirements and not disclose more information than required. The sharing of the best award by a handful of companies was evidence that the awards interested only a small number of companies. Yet the evidence was not conclusive, as companies may still have entered the awards and achieved a higher level of award or have improved their level of reporting although not gaining an award.

The judgement of whether or not the awards improved financial reporting was related to the criteria specified. These criteria were one line items with no detail provided. Their substance was in the subjective assessment of adjudicators and this could only be gleaned from their reports. No indication of how the criteria were developed was provided and whether they had been chosen in relation to the needs of readers. Another weakness was that the importance of each criterion was not known. If all items were treated equally, this ignored their relative importance, and could influence the ranking of annual reports.

Where entrants only satisfied some and not all the criteria, the adjudicators would be required to make a judgement. In the early years, the focus of the criteria was on style and presentation. These attributes of annual reporting were seen as enabling better understanding of annual reports. The regular revision of the criteria also ensured that the criteria reflected the reporting environment at that time. Gibson believed the most effective work done by the awards was to develop better presentation and style, and that the award could claim credit for the improvement in company reporting (Gibson, 1971 pp.203–11). However in the subsequent years the awards also considered the issues of accounting practice and disclosure. The evidence shows mixed results in respect of the influence and contribution of the Panel to the development of accounting standards on deficiencies they identified in annual reports, but the awards did indirectly contribute to improved accounting practice and reporting in a period when the regulatory environment changed. The contribution of the awards was to lead to revision of regulatory disclosure requirements. A number of factors led the AIM to cease its involvement in the awards in 1989, including the view that it no longer was perceived as a core activity of the Institute, but the awards are still an integral part of the business environment.

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