

CORPORATE GOVERNANCE AND THE TIMELINESS OF FINANCIAL REPORTING: A Summary of Prior Studies

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ABSTRACT

This article summarizes the findings of more than 20 studies on the timeliness of financial reporting. Some studies also examined which audit firms audited the companies and which set of accounting principles were used in the company annual reports.

INTRODUCTION

Timeliness of reporting financial results is one of the attributes of good corporate governance according to the Organisation for Economic Cooperation and Development (OECD) and the World Bank. Shareholders and others need financial information while it is still fresh, and the more time that passes between year-end and disclosure, the more stale and less useful the information becomes. This article summarizes the findings of more than 20 studies of the timeliness of financial reporting that have been made of companies in Russia, China, the USA, the European Union and Kenya. Some studies also examined which audit firms audited the companies and which set of accounting principles were used in the company annual reports.

Due to space constraints, a full literature review is omitted. However, those who are interested in reading more on the topic of timeliness may find several literature reviews at the links provided in this article.

METHODOLOGY

The timeliness of financial reporting was measured by counting the number of days that elapsed between a company's year-end and the date of the audit report. For the comparative studies, statistical tests were conducted to determine whether the difference in timeliness between countries was significant.

FINDINGS

The below summarizes the findings of the prior studies.

Summaries of Prior Studies on Timeliness Theoretical Study ^{1 2}

Summarizes prior theoretical studies on the timeliness of financial reporting, emphasizing corporate governance and timeliness in transition & developing economies. The full study is available at [SPRINGER LINK](#).

1 McGee, Robert W. 2008. Corporate Governance and the Timeliness of Financial Reporting: An Overview, in Robert W. McGee, editor, Corporate Governance in Transition Economies. New York: Springer, pp. 91-99.

Reprinted in Robert W. McGee. 2010. Corporate Governance and the Timeliness of Financial Reporting: An Overview, in Robert W. McGee, editor, Corporate Governance in Transition Economies, Dongbei, China: Dongbei University of Finance & Economics Press, pp. 104-115.

2 McGee, Robert W. 2009. The Timeliness of Financial Reporting in Developing Economies: An Overview, in Robert W. McGee, editor, Corporate Governance in Developing Economies. New York: Springer, 87-95.

Russia¹
(Energy)

The timeliness of Russian energy companies was compared to the timeliness of non-Russian energy companies.

RUSSIAN COMPANIES

Mean 145.5 days
Range 50-351 days

NONRUSSIAN COMPANIES

Mean 70.2 days
Range 11-143 days

The difference was highly significant ($p \leq 3.012 \times 10^{-18}$).

Russia & non-Russian²
(Telecom)

RUSSIAN TELECOM COMPANIES

Mean 138.3 days
Range 65-339 days

1 McGee, Robert W. 2006. Timeliness of Financial Reporting in the Energy Sector. *Russian/CIS Energy & Mining Law Journal* 4(2): 6-10.

Also published in McGee, Robert W. 2007. Corporate Governance and the Timeliness of Financial Reporting: A Case Study of the Russian Energy Sector. *Andreas School of Business Working Paper*, Barry University, April. Reprinted at <http://ssrn.com/abstract=978114>

Also published in McGee, Robert W. 2008. Timeliness of Financial Reporting in the Russian Energy Sector, in Robert W. McGee, editor, *Accounting Reform in Transition and Developing Economies*. New York: Springer, 459-466.

Reprinted in McGee, Robert W. 2011. Timeliness of Financial Reporting in the Russian Energy Sector, in *Accounting Reform in Transition and Developing Economies* (Robert W. McGee, ed.), New York: Springer & Dalian, China: Dongbei University of Finance and Economics Press, 154-160. Chinese edition.

Also published in McGee, Robert W. 2007. Corporate Governance and the Timeliness of Financial Reporting: A Case Study of the Russian Energy Sector. *Proceedings of the Fifth International Conference on Accounting and Finance in Transition*. London, July 12-14, pp. 289-303.

The 2006 version is available online at <http://ssrn.com/abstract=899615>

Another 2006 version is available online at <http://ssrn.com/abstract=883770>

2 McGee, Robert W. 2007. Corporate Governance in Russia: A Case Study of Timeliness of Financial Reporting in the Telecom Industry, *International Finance Review* 7: 365-390.

NONRUSSIAN TELECOM COMPANIES

Mean 63.2 days
Range 23-281 days

The average delay for large Russian companies was 131.6 days, compared to 141.4 days for small Russian companies. The difference was not significant ($p = 0.1939$).

It took large non-Russian companies an average of 62.7 days to report, compared to 64.4 days for small companies and 63.1 days for medium-sized companies. The differences were not significant.

The reporting delay for statements using Russian Accounting Standards (RAS) averaged 106.6 days ; for U.S. GAAP statements 117.5 days ; for IFRS statements 181.5 days. The differences between RAS and IFRS and between U.S. GAAP and IFRS were highly significant, but the difference between RAS and U.S. GAAP was not significant.

The dominant international auditor was Ernst & Young (60.4% of all audits), which took 137.3 days to issue an audit opinion, compared to 134.3 days for the other audit firms. The difference was not significant.

A trend analysis found that the difference in reporting times between the earliest and latest year of the study was not significant.

Russia³
(Telecom)

RUSSIAN TELECOM COMPANIES

Mean 141.6 days
Median 119 days
Range 65-546 days

NONRUSSIAN TELECOM COMPANIES

Mean 63.9 days
Median 59 days
Range 23-281 days

The difference was highly significant.

Ernst & Young was the dominant international auditor, with 66.7% of total audits, followed by Deloitte & Touche (16.7%) and KPMG (16.7%).

None of the Russian companies published English language statements using RAS, although it should be pointed out that they are required by law to use RAS. IFRS statements were issued by 64% of the Russian companies ; 36% of the companies used U.S. GAAP.

3 McGee, Robert W. 2008. The Timeliness of Financial Reporting: The Russian Telecom Industry, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 115-126.

Russia¹
(Banks)

RUSSIAN BANKS
Mean 98.8 days
Median 104 days
Range 18-346 days

The Big-4 accounting firms conducted 85% of the audits: PricewaterhouseCoopers (27.3%), Deloitte & Touche (22.8%), KMPG (19.5%), Ernst & Young (15.4%).

More than 80% of Russian banks reported results using International Financial Reporting Standards. Russian Accounting Standards were the next most popular choice, followed by U.S. GAAP.

Russia²
(Banks)

RUSSIAN BANKS
Mean 112.8 days
Median 107.0 days
Range 18-376 days

NOTE : The U.S. Securities and Exchange Commission imposes a 60-75 day deadline to report, depending on the type of entity reporting ; 80% of Russian banks took longer than 75 days to report.

1 McGee, Robert W. and Thomas Tarangelo. 2008. *The Timeliness of Financial Reporting and the Russian Banking System: An Empirical Study*, in Robert W. McGee, editor, *Accounting Reform in Transition and Developing Economies*. New York: Springer, 467-487.

Reprinted in McGee, Robert W. and Thomas Tarangelo. 2011. *The Timeliness of Financial Reporting and the Russian Banking System: An Empirical Study, in Accounting Reform in Transition and Developing Economies* (Robert W. McGee, ed.), New York: Springer & Dalian, China: Dongbei University of Finance and Economics Press, 161-184. Chinese edition.

Also published in McGee, Robert W., Thomas Tarangelo and Wendy Gelman. 2009. *Corporate Governance in Russia: A Study of Financial Reporting in Russian Banks*. 55th Annual Southeastern Academy of Legal Studies in Business Conference, Miami Beach, November 5-7.

The 2008 version is available online at <http://ssrn.com/abstract=1141885>

2 McGee, Robert W., Yeomin Yoon and Thomas Tarangelo. 2013. *The Timeliness of Financial Reporting: An Empirical Legal Study of Russian Banks*. *Hastings Business Law Journal* 9(2): 303-325.

Available online at <http://ssrn.com/abstract=2244470>

Also published in McGee, Robert W., Thomas Tarangelo, Yeomin Yoon and Wendy Gelman. 2012. *Financial Reporting in Russian Banks: A Study in Corporate Governance*. Presented at the 20th Annual Conference of the Global Finance Association, Chicago, May 24-26.

A trend analysis examining 1998 to 2010 found that Russian banks are becoming less timely over time, which is the opposite of what one might expect.

Banks that used Russian Accounting Standards had the smallest reporting delay (93.7 days). Banks that used U.S. Generally Accepted Accounting Principles (GAAP) took only slightly longer (98.5 days), which was not a significant difference (p = 0.55121). Banks that used International Financial Reporting Standards (IFRS) took an average of 115.5 days to report, which was significantly longer compared to both U.S. GAAP (p = 0.02041) and Russian Accounting Standards (p = 0.00035).

Pricewaterhouse Coopers conducted the most audits (116), followed by Deloitte & Touche (107), KPMG (102) and Ernst & Young (62). All Russian firms combined conducted only 31 audits, followed by Grant Thornton (6) and BDO (5). The audit firm could not be determined in 11 cases. Grant Thornton was by far the timeliest, with an average delay of only 22.8 days. Of the Big-4 accounting firms, Ernst & Young was significantly more timely than the other three firms.

Russia & Other Countries³(Banks)

RUSSIAN BANKS
Mean 98.8 days
Median 104 days
Range 18-346 days

NONRUSSIAN BANKS
Mean 44.9 days
Median 59 days
Range 31-88 days

The differences in median scores were significant.

Russia⁴ (Oil, Gas & Power)

RUSSIAN COMPANIES
Mean 134.1 days
Median 126.0 days
Range 50-351 days

3 McGee, Robert W. and Thomas Tarangelo. 2008. *The Timeliness of Financial Reporting: A Comparative Study of Russian and Non-Russian Banks*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 101-113.

4 McGee, Robert W. 2008. *The Timeliness of Financial Reporting: The Russian Oil, Gas and Power Industries*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 127-136.

NONRUSSIAN COMPANIES

Mean 72.9 days
Median 66.0 days
Range 11-231 days

The difference in median scores with highly significant. PricewaterhouseCoopers dominated the Russian audit market with 70% of total audits. KPMG was a distant second, at 10%.

Forty-one percent (41%) of the Russian companies used IFRS ; 36% published their statements using RAS ; 23% used U.S. GAAP.

Russia¹ (Trend Analysis)

The mean, median and range of reporting delays were :

YEAR	MEAN	MEDIAN	RANGE
1999	93.1	95	42-139
2000	100.2	106	45-151
2001	95.1	87	44-158
2002	100.3	92	45-157
2003	96.1	86	29-152
2004	99.6	91	18-159
2005	105.0	104	31-158
2006	107.5	108	51-157

Conclusion : Russian companies became less timely over time.

Russia & Other Countries² (Transportation)

RUSSIAN COMPANIES

Mean 161 days
Median 176.5 days
Range 85-309 days

NONRUSSIAN COMPANIES

Mean 45.1 days
Median 42 days
Range 40-100 days

1 McGee, Robert W. 2008. *The Timeliness of Financial Reporting in Russia: A Trend Analysis*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 181-188.

2 McGee, Robert W. and Ramon Gunn. 2008. *The Timeliness of Financial Reporting: A Comparative Study of Russian and Non-Russian Companies in the Transportation Industry*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 137-145.

The difference in median scores was highly significant. PricewaterhouseCoopers dominated the market with 29.4% of the total audits, followed by KPMG (19.6%), Ernst & Young (11.8% and Deloitte & Touche (9.8%).

Companies used IFRS overwhelmingly to report financial results (92.3%).

Russia & Other Countries³
(various industries)

This study compared Russian and non-Russian companies in several industries. The mean scores below list the Russian companies first and the non-Russian companies second.

- Airlines 178.11/60.62
- Other transportation 134.33/58.75
- Finance, insurance & real estate 114.7/71.3
- Ferrous & nonferrous metals 140.31/61.48
- Defense contractors & aerospace 227.0/54.23
- Auto manufacturers 69.00/73.00
- Food industry 89.86/62.04
- Precious metals & diamonds 123.5/69.33
- Overall 116/59

The median delay by country was :

- USA 54 days
- England 56
- Switzerland 57
- Australia 65
- Canada 77
- Russia 115.5

The range by country was :

- Australia 51-119 days
- Canada 37-151
- England 42-72
- Russia 64-271
- Switzerland 52-69
- USA 8-90

The Russian companies were audited by the following firms:

- PricewaterhouseCoopers 22%
- Deloitte & Touche 21%
- KPMG 20%
- Ernst & Young 13%
- Other 24%

3 McGee, Robert W. and Michael Tyler. 2008. *The Timeliness of Financial Reporting: A Comparative Study of Russian and Non-Russian Companies*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 147-156.

Russian companies reported using the following accounting standards :

- IFRS 67%
- US GAAP 19%
- RAS 14%

Russia & USA¹

RUSSIAN COMPANIES

- Mean 101.7 days
- Median 100.0 days
- Range 18-159 days

US COMPANIES

- Mean 65.8 days
- Median 53.0 days
- Range 8-100 days

The difference in median scores was highly significant.

Russia & USA²

It took Russian companies 136.6 days to report financial data, compared to 63.6 days for U.S. companies.

Russian companies that published their annual reports using U.S. GAAP took an average of 123.3 days to report. Russian companies that used IFRS took an average of 184.1 days to report.

Overall, Russian companies published 42.4 pages of financial data in their annual reports. Russian companies that used U.S. GAAP reported an average of 39.9 pages of financial data. Russian companies that used IFRS reported an average of 51.3 pages of financial data.

1 McGee, Robert W., Thomas Tarangelo and Michael Tyler. 2008. *The Timeliness of Financial Reporting: A Comparative Study of Companies in Russia and the USA*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 157-163.

2 McGee, Robert W. 2007. *Transparency and Disclosure in Russia*. In Tomasz Marek Mickiewicz (editor), *Corporate Governance and Finance in Poland and Russia*, Palgrave Macmillan, pp. 278-295.

Russia & EU³

RUSSIAN COMPANIES

- Mean 101.7 days
- Median 100.0 days
- Range 18-159 days

EU COMPANIES

- Mean 78.7 days
- Median 69.0 days
- Range 23-354 days

The difference in median scores was highly significant.

Russia & China⁴

RUSSIAN COMPANIES

- Mean 101.7 days
- Median 100.0 days
- Range 18-159 days

CHINESE COMPANIES

- Mean 89.7 days
- Median 86.0 days
- Range 28-181 days

The difference in median scores was highly significant.

Russia & Kenya⁵

KENYAN COMPANIES

- Mean 97.1 days
- Median 82.0 days
- Range 16-357 days

3 McGee, Robert W., Michael Tyler, Thomas Tarangelo and Danielle N. Igoe. 2008. *The Timeliness of Financial Reporting: A Comparative Study of Companies in Russia and the European Union*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 165-171.

4 McGee, Robert W., Xiaoli Yuan, Michael Tyler and Thomas Tarangelo. 2008. *The Timeliness of Financial Reporting: A Comparative Study of the People's Republic of China and Russia*, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 173-179.

5 Muhoro, Judith, Robert W. McGee, Michael Tyler and Thomas Tarangelo. 2009. *Corporate Governance and the Timeliness of Financial Reporting: A Comparative Study of Kenya and Russia*, in Robert W. McGee, editor, *Corporate Governance in Developing Economies*. New York: Springer, 119-125.

RUSSIAN COMPANIES

Mean 101.7 days
Median 100.0 days
Range 18-159 days

The difference in median scores was significant at the 1% level.

EU & Transition Countries¹

Companies in old EU countries were compared to companies in transition countries that were new EU members.

NEW EU MEMBERS

Mean 84.7 days
Range 37-342

OLD EU MEMBERS

Mean 85.6 days
Range 23-354

The difference in mean scores was not significant.

AUDIT FIRMS FOR NEW EU COMPANIES

Ernst & Young 25.4%
Deloitte & Touche 24.9%
PricewaterhouseCoopers 23.2%
KPMG 16.0%
Arthur Andersen 9.4%

EU & Kenya²

KENYAN COMPANIES

Mean 97.1 days
Median 82.0 days
Range 16-357 days

EU COMPANIES

Mean 78.7 days
Median 69.0 days
Range 23-354 days

The difference in median scores was significant at the 1% level.

EU, China & USA³

	MEAN	MEDIAN	RANGE
PRC	84.7	86	11-303
EU	78.8	69	23-354
US	65.8	53	8-100
EU & US combined	73.1	65	8-354

Chinese companies took significantly longer to report data than either the US or EU companies (1%).

EU companies took significantly longer to report data than US companies (1%).

Nearly 90% (89.6%) of audits of Chinese companies were conducted by firms other than the Big-4.

COMPARISON OF TIMELINESS – BIG-4 VS. CHINESE AUDIT FIRMS

	MEAN	MEDIAN	RANGE
Big-4	84.0	85.5	27-120
PRC	84.8	86.0	11-303

The difference in median scores was not significant (p <= 0.8908)

1 McGee, Robert W. and Danielle N. Igoe. 2008. The Timeliness of Financial Reporting: A Comparative Study of Selected EU and Transition Economy Countries, in Robert W. McGee, editor, Corporate Governance in Transition Economies. New York: Springer, pp. 189-199.

Also published in McGee, Robert W. and Danielle N. Igoe. 2008. Corporate Governance and the Timeliness of Financial Reporting: A Comparative Study of Old and New EU Countries. Proceedings of the 43rd Annual Western Regional Meeting of the American Accounting Association, San Francisco, May 1-3, 74-87.

An earlier version of this article is available online at <http://ssrn.com/abstract=1131331>

2 Muhoro, Judith, Robert W. McGee, Danielle N. Igoe, Thomas Tarangelo and Michael Tyler. 2009. Corporate Governance and the Timeliness of Financial Reporting: A Comparative Study of Kenya and the European Union, in Robert W. McGee, editor, Corporate Governance in Developing Economies. New York: Springer, 105-110.

3 McGee, Robert W. and Xiaoli Yuan. 2012. Corporate Governance and the Timeliness of Financial Reporting: A Comparative Study of the People's Republic of China, the USA and the European Union, Journal of Asia Business Studies 6(1): 5-16.

China¹

CHINESE COMPANIES

Mean 92.2 days
Range 24-181 days

NONCHINESE COMPANIES

Mean 65.5 days
Range 46-111 days

The difference was significant at the 1% level.

PricewaterhouseCoopers was the Big-4 accounting firm that conducted the most audits (35.8%), followed by KPMG (26.3%), Ernst & Young (16.8%) and Deloitte & Touche (1.1%). BDO conducted 5.2% of the audits.

The most frequently used accounting standards were Chinese (45.3%), followed by Hong Kong (24.2%), IFRS (20.0%) and U.S. (10.5%).

China & USA²

CHINESE COMPANIES

Mean 89.7 days
Median 86.0 days
Range 28-181 days

US COMPANIES

Mean 65.8 days
Median 53.0 days
Range 8-100 days

1 McGee, Robert W. and Xiaoli Yuan. 2009. Corporate Governance and the Timeliness of Financial Reporting: An Empirical Study of the People's Republic of China. *International Journal of Business, Accounting & Finance* 3(1): 19-27.

Also published in McGee, Robert W. and Xiaoli Yuan. 2008. Corporate Governance and the Timeliness of Financial Reporting: An Empirical Study of the People's Republic of China. Presented at the Spring Conference of the International Academy of Business and Public Administration Disciplines, Dallas, April 24-27, 2008. *IABPAD Conference Proceedings* 5(2): 574-583.

The 2008 version is available online at <http://ssrn.com/abstract=1131338>

A slightly different version is available online at <http://ssrn.com/abstract=1283343>

2 McGee, Robert W. and Xiaoli Yuan. 2008. The Timeliness of Financial Reporting: A Comparative Study of the People's Republic of China and the USA, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 201-210.

The difference in mean scores was highly significant.

AUDIT FIRMS FOR CHINESE COMPANIES

Chinese firms	35.4%
PricewaterhouseCoopers	33.3%
Ernst & Young	12.5%
KPMG	12.5%
Deloitte & Touche	4.2%
BDO	2.1%

ACCOUNTING STANDARDS USED BY CHINESE COMPANIES

Chinese	65%
Hong Kong	23%
IFRS	10%
US	2%

China & EU³

CHINESE COMPANIES

Mean 89.7 days
Median 86.0 days
Range 28-181 days

EU COMPANIES

Mean 78.7 days
Median 69.0 days
Range 23-354 days

The median difference was highly significant.

China & Kenya⁴

KENYAN COMPANIES

Mean 97.1 days
Median 82.0 days
Range 16-357 days

3 McGee, Robert W., Danielle N. Igoe, Xiaoli Yuan and Michael Tyler. 2008. The Timeliness of Financial Reporting: A Comparative Study of the People's Republic of China and the EU, in Robert W. McGee, editor, *Corporate Governance in Transition Economies*. New York: Springer, pp. 211-216.

4 Muhoro, Judith, Robert W. McGee and Xiaoli Yuan. 2009. Corporate Governance and the Timeliness of Financial Reporting: A Comparative Study of Kenya and the People's Republic of China, in Robert W. McGee, editor, *Corporate Governance in Developing Economies*. New York: Springer, 127-133.

CHINESE COMPANIES

Mean 89.7 days
Median 86.0 days
Range 28-181 days

The difference in median scores was not significant.

Kenya¹

Mean 97.1 days
Median 82.0 days
Range 16-357

MEDIAN (days)

1988	81.0
1989	113.0
1990	110.5
1991	107.0
1992	88.0
1993	83.0
1994	82.0
1995	88.0
1996	96.0
1997	87.5
1998	86.0
1999	88.0
2000	78.0
2001	71.0
2002	78.0
2003	75.5
2004	78.0
2005	74.0
2006	77.0

Kenya & USA²

KENYAN COMPANIES

Mean 97.1 days
Median 82.0 days
Range 16-357 days

US COMPANIES

Mean 65.8 days
Median 53.0 days
Range 8-100 days

The difference in median scores was significant at the 1% level.

1 Muhoro, Judith and Robert W. McGee. 2009. Corporate Governance and the Timeliness of Financial Reporting: A Case Study of Kenya, in Robert W. McGee, editor, Corporate Governance in Developing Economies. New York: Springer, 97-104.

2 Muhoro, Judith and Robert W. McGee. 2009. Corporate Governance and the Timeliness of Financial Reporting: A Comparative Study of Kenya and the United States of America, in Robert W. McGee, editor, Corporate Governance in Developing Economies. New York: Springer, 113-118.

**კორპორატიული მმართველობა და ფინანსური ანგარიშგების
ნარდგენის ვადები: წინა კვლევების შეჯამება**

რობერტ ვ. მაკგი
ფაეტევილის სახელმწიფო უნივერსიტეტი, აშშ

რეზიუმე

ეს სტატია აჯამებს ფინანსური ანგარიშგების ნარდგენის ვადების თაობაზე სხვადასხვა დროს გამოქვეყნებული 20-ზე მეტი წინარე კვლევის შედეგებს. მათ შორის, შესწავლილია თუ რომელი აუდიტორული ფირმები იღებდნენ მონაწილეობას კომპანიების დამოუკიდებელ აუდიტში და რა ტიპის ბუღალტრული აღრიცხვის სტანდარტები გამოიყენება ამა თუ იმ ქვეყანაში კომპანიის წლიური ანგარიშგების მოსამზადებლად.