

Submission on Managing Complexity in Financial Reporting

Question 1: Additional sources of reporting complexity

Part of the problem is that General Purpose Financial Statements are reported to a very wide set of stakeholders. It is too easy to suggest that disclosures XY and Z ought to be useful to "someone". If the range of "legitimate" stakeholders was narrowed then GPFR could be more focused.

Question 2: Assist stakeholders to better manage

The short-term solution described in the comments relates to "... strategies to assist stakeholders to better manage this complexity". This seems to address the symptom rather than the cause. This does not seem to reflect the document which covers a range of strategies and approaches. I do not really understand the question.

Question 3: Comments on Strategies

I do not have any substantial comments on the strategies. For research on the barriers to implementing of XBRL please see Carolyn J. Cordery, Carolyn J. Fowler, Khairil Mustafa, (2011) "A solution looking for a problem: factors associated with the non-adoption of XBRL", *Pacific Accounting Review*, 23(1): pp.69 – 88.

Question 4: Financial reporting terms

Trying to "define" accounting terms is not an appropriate response. This will only add to complexity. The investor community use their own definition of accounting data, which in they feed into their own valuation models. Defining a term differently is unlikely to have any impact on this process. Furthermore, XBRL is based on a common taxonomy, so I do not see any further standardisation required. At worst creating definitions might be seen as developing interpretations of IFRS.

Question 5: Quick wins

The FRC should encourage the IASB to withdraw the EPS standard. If a company did not report EPS would the financial statements be materially incorrect? Having an accounting standard on an accounting ratio raises several issues: (1) it is inconsistent with the IASBs position they provide information but analysts convert that information into estimates of value; (2) It begs the question - why not have more standards covering leverage ratios or the quick ratio?; (3) It is likely to result in further clutter and complexity, because there is an argument that per share figures will be required for comprehensive income or pro-forma earnings numbers.

Question 6: Other

We often require disclosure of reconciliations between balance sheet items. Most of the PPE note is really a reconciliation of opening and closing balances. Such items of disclosure are essentially part of the stewardship control function, rather than the decision usefulness function.

That is, we like the idea that such reconciliations are prepared, but I would question whether they require disclosure. If the audit function could attest to the fact that such reconciliations have been prepared then the users have confidence over the control function without increasing clutter for the resource allocation function of financial reporting. Alternatively, it may be possible to have an accounting standard that requires preparers to prepare certain reconciliations and these can then be covered by the audit report.



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Has IFRS Resulted in Information Overload?

by

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Has IFRS Resulted in Information Overload?

Abstract

The move to NZ IFRS has been surrounded by complaints of too much information being provided. This is not simply a matter of the cost of providing the information, but the possibility of data overload. Data overload is an important issue as it impacts information search strategies and decision outcomes. This is relevant for the current debate on differential reporting and for assessing whether NZ IFRS has achieved its goals of reducing the cost of financial analysis. The purpose of this paper is to examine the impact of the move to international financial reporting by New Zealand listed entities on the quantity of data provided in the annual report. Our analysis shows that the annual report increased for 92% of our sample firms. The average increase in size was 29% of the prior years' annual report and arose through notes to the accounts and accounting policies. Even after transitional information (e.g., accounting policies and reconciliations) the increase is 15%.

Keywords: Information overload, NZ IFRS, financial reporting

Has IFRS Resulted in Information Overload?

Introduction

“The other major gripe with IFRS was the sheer volume of disclosures required...” (Hall, 2009). This quote is typical of anecdotal claims by practitioners that the move to International Financial Reporting Standards (IFRS) has substantially increased the size of the annual report. This is a major concern for small entities that might have to report under NZ IFRS.¹ The IASB (2009) notes that “...many private entities say that full IFRSs impose a burden on small private entity preparers – a burden that has been growing as IFRSs have become more detailed and more countries have begun to use them”.

The contribution of this paper is to raise the issue of information overload and its affect on the reporting and understanding of financial statements. Studies that report on the potential impact of NZ IFRS (e.g., Dunstan, 2002; Ernst & Young, 2004) have ignored the impact of financial report size and the potential information overload, as a cost of moving to NZ IFRS. Prior research has shown that information overload impacts information processing strategies and decision outcomes (Eppler and Mengis, 2004 provide a review of the literature on information overload). The possibility of information overload is an important issue when considering whether the benefits of adopting IFRS have been achieved. More importantly it is an issue for accounting policy makers that are currently considering the level of reporting disclosures for small and medium size entities under NZ IFRS. On September 12, 2007 the Accounting Standards Review Board (ASRB) announced a delay to the mandatory

¹ This is not just an issue from small entities, although this is where the impact is most acute. In 2009 the average annual report in the UK increased by 3% from 2008 and 41% from 2005 (Deloitte, 2009).

adoption of New Zealand IFRS (NZ IFRS) for smaller entities, pending a government review of financial reporting requirements (Sealy-Fisher, 2007). This paper has implications for this review.

A second contribution of the paper is that we provide empirical evidence on the anecdotal claims of increased report size under NZ IFRS. That is, we measure the change in length of annual reports in the years surrounding the implementation of IFRS. We classify the major reasons for the change in disclosure and ask if other (non-financial statement) disclosures are reduced as a result of IFRS. This is the first step in assessing whether information overload is a potential issue under NZ IFRS. We find that 92% of our sample increased annual reports increased in length. This increase is due solely to an increase in the financials section (i.e., the financial statements and notes) of the annual report. The median increase from the previous year was 24%. Most of the increase arises from the notes to the accounts. We also find that firms beyond the transition phase of NZ IFRS (i.e., early adopters) increase report size by 9%.

In the next section we review background literature on the issue of information overload and on standard setters' attempts at reducing the burden of full GAAP financial statements. We then provide an analysis of the change in length of the annual report.

Background Literature

Information Overload

The semi-strong form of the *Efficient Market Hypothesis* (EMH) holds that market prices fully reflect all publicly available information (Fama, 1970). One of the main implications of market efficiency for financial reporting is simply to provide more disclosure (Beaver, 1973).² However, there is increasing dissatisfaction with the EMH due to evidence of pricing anomalies. For example, the post-announcement-drift anomaly arises when prices drift after the market has had the opportunity to react to information (e.g., Bernard and Thomas 1990). Sloan (1996) provides evidence that prices over-react to the transitory accrual component of earnings. Hand (1990) finds a market reaction to a component of earnings that reflects a previously announced debt-equity swap.

Bloomfield (2002) provides a rationale for some of the observed anomalies in the EMH. He develops an *Incomplete Revelation Hypothesis* (IRH). The IRH suggests that “statistics” (i.e., useful facts extracted from financial statements such as earnings and financial ratios) that are more costly to extract result in less trading interest and are therefore less completely revealed by market prices. The market anomalies (i.e., information not being fully absorbed into prices) observed by Sloan (1996), Hand (1990), Bernard and Thomas (1990) and others can be explained by the cost of information extraction. The IRH does not imply that investors are irrational, but that the cost of extracting information not impounded in prices will not generate sufficient profits. Hence information processing capacity is an important factor in the efficient functioning of capital markets.

² Beaver (1973) was perceptive enough to suggest that future research ought to examine the behavioural impact of accounting data on individual investors, as opposed to the impact on aggregate prices.

Figure 1, is a conceptual view of information processing. It indicates the factors associated with information processing capacity and the influence on processing strategies and decision outcomes.

The underlying demand for information arises from the requirements of the decision task (i.e. whether the task is simple or complex). Processing capacity is also affected by the information available (load) and by the ability (capacity) of the decision maker (Eppler and Mengis, 2004). Figure 1 also indicates that several other environmental variables (such as time constraints and incentives) can impact cognitive processing limits (Tuttle and Burton, 1999). Thus, information overload arises when the supply of information exceeds the individual's capacity to process information within the available time (Snowball, 1980; Schick *et al.*, 1990).

Notwithstanding the importance of time and motivational factors on information processing, information load has an important impact on processing. Schroder *et al.* (1967) consider that task performance improves as the amount of information expands. However, as the amount of information exceeds the decision maker's capacity to process it, performance eventually declines. The Schroder *et al.* (1967) model is important because it is the accountants, who prepare reports, that determine how much information is presented and, therefore, used by decision makers (Tuttle and Burton, 1999). Several studies examine decision performance under differing levels of accounting information (Casey, 1980; Snowball, 1980; Shields 1983; Iselin, 1988; Chewning and Harrell, 1990). The information load in these studies is

manipulated by varying the level of aggregated data, by not including the notes to the financial statements, and by diversifying the amount of information presented.

Information overload has consequences for processing strategies and decision outcomes. Research on how individuals cope with information overload is limited. A few studies have focussed on information search and on retrieval strategies. In dealing with the stress of information overload, prior research suggests an ordered response: (1) acceleration, (2) filtration, and (3) change decision model. Without time constraints individuals spend more total time to make decisions relative to those with lower information loads (Casey, 1980). Even without time constraints individuals often self-impose time limits on tasks. Accelerating the rate at which information is processed is the simplest form of coping with information overload, but the most difficult to sustain. Research into human processing indicates that individuals can only process about six or seven chunks of information at one time (Chewning and Harrell, 1990). Filtration consists of processing the information that is perceived to be most important and filtering out less important. High information loads also lead to the adoption of a less cognitively demanding decision model.

The ordered response to information overload suggests that difference in decision outcomes may occur depending on the chosen coping strategy. In general, research shows that information overload results in lower decision quality (e.g., Chewning and Harrell, 1990; Stocks and Harrell, 1955; Stocks and Tuttle, 1998; Tuttle and Burton 2002).

Differential Reporting

Concerns over the psychological limitations of information processing and data expansion on accounting communication and understanding are not new (Fertakis, 1969; Revsine, 1970). Some jurisdictions acknowledge the impact of processing costs by having a differential reporting regime. For example, NZ GAAP (pre-NZ IFRS) included a differential reporting regime which gave qualifying entities an exemption from following specific requirements in standards (typically disclosure requirements) or in some cases the whole standard. The *Framework for Differential Reporting* acknowledges that financial reporting standards create costs (usually for the reporting entity) and benefits (usually for the users of financial reports) (DIFF REP 3.3 (a)). The IASB has also developed a reporting framework for small and medium enterprises because full IFRS are designed to meet the needs of equity investors of public companies.³

The decision to adopt IFRS in New Zealand was made in 2002. However, the government has been slow to consider which entities will have to apply NZ IFRS. While the Ministry of Economic Development issued two discussion papers (MED 2004a, 2004b), the slow rate of progress required the ASRB to delay the mandatory adoption of NZ IFRS for specified small entities because of a further government review (Sealy-Fisher, 2007). This review was issued in September 2009. The review indicated the main weaknesses in the current reporting framework and proposed the consolidation of all financial reporting under a re-constituted Accounting Standards Review Board (ASRB); called the External Reporting Board (XRB). The report also issued proposed indicators of general purpose financial reports (the who should report

³ *IFRS for Small and Medium-sized Entities* was issued in July 2009.

question). In a companion document, the ASRB issued proposals for the reporting obligations for each class of reporting entity (the what to report question). The ASRB proposal considers not only the level at which NZ IFRS ought to be applied but also which differential format is the most appropriate.⁴

While studies that consider the impact of adopting IFRS acknowledge the cost to preparers of financial reports (e.g., Dunstan, 2002) they do not explicitly consider the impact of information overload. In reviewing whether the benefits to financial analysis under NZ IFRS have been achieved (i.e., whether cost of capital is lower), it would also be reasonable to consider the negative effects of any potential information overload.

Furthermore, while DIFF REP notes that information users also incur costs; it does not explicitly refer to information processing costs. In reviewing the level at which entities ought to apply NZ IFRS the potential costs of information overload on users needs to be considered in addition to the costs of compliance with NZ IFRS.

This study investigates whether the size of annual reports increase under NZ IFRS. While Figure 1 indicates that several factors impact information processing capacity, standard setters only have control over information load. Other elements in Figure 1 (i.e., incentives, time constraints, the individuals' capacity and decision task) are outside the standards setters control and are unlikely to be affected by the move to IFRS. Thus our results are important for reviewing whether the expected benefits and

⁴ Old NZ GAAP has a single book approach to differential reporting. Under this approach the exemptions of whole standards or requirements of individual standards are identified. Under the IFRS for SMEs approach there would be two books: big GAAP and little GAAP. Accountants would have to know each book or specialise in one book.

costs of the move to NZ IFRS have been realised and the current debate on differential reporting.

Data and Method

The population for sampling was all (170) firms listed on the New Zealand Stock Exchange as at March 31, 2009. An interval sampling method was used, with a randomly chosen starting point. Firms were discarded for several reasons. First, we excluded finance companies, banks, or insurance companies as they have prudential supervision requirements and additional industry standards under NZ IFRS which are likely to impact the level of disclosures. Second, we exclude firms not reporting under NZ IFRS (e.g., those reporting under Australian equivalents to IFRS). Third, we also exclude trusts as these have a different ownership and governance structure to other listed firms, which are known to influence financial reporting. When a firm was discarded the next firm was chosen. Our sampling procedures resulted in a total of 38 firms comprising 12 early adopters (i.e., those firms that chose to adopt NZ IFRS before the mandatory date of January 1, 2007) and 26 late adopters.⁵

Annual reports were either downloaded from the entity's website or from the Companies Office website (www.companies.govt.nz). Our selection was made in the first year of mandatory adoption of NZ IFRS. However, it was expected that our sample would include early adopters of NZ IFRS. Late adopters provide evidence on the transition to NZ IFRS, whereas early adopters provide an interesting control group of firms that have passed the transition year and are continuing under NZ IFRS.

⁵ Early adopters were identified against a list of 48 firms obtained from the Investment Research Group website.

Data are collected from the annual reports by counting the number of pages or part-pages to selected topics. Non-financial statement report pages were counted in whole pages or half pages only. Financial report pages were analysed into fractions of pages: halves, thirds, quarters and eighths were used. The authors independently coded one company's annual report and then compared the results. The comparison and discussion formed the basis for the procedures to be followed. One author collected data for the entire sample while the other independently test checked 10% of the sample observations. As another check all individual sections were added and checked against the total number of pages in the document.

To measure the relative change length of the annual report we estimate the following statistic: $\text{relative change} = (\text{length of section in year } t \text{ less length of section in year } t-1) / \text{total annual report length in year } t-1$.⁶

Results

Annual Report Length

In Table 1, for an overview, we report the distribution of annual report length for each year (2007 and 2008) analysed by late adopters (Panel B) and early adopters (Panel C). In Panel A we report the percentage of increase, decreases and no change. In Panel D we report the results of statistical tests.

For late adopters 77% of the sample increased annual report size, compared to 75% of early adopters. Recall that late adopter reflect the transition to IFRS, while early adopters reflect continuing IFRS obligations. This explains the higher proportion of

⁶ We considered scaling the section change in t by the length of the section in $t-1$. However, in several cases the length in the section in $t-1$ is zero.

no change firms (17%) in the early adopters. Unexpectedly, given anecdotal claims, more late adopters actually decrease the annual report (19%) than early adopters (8%).

The median (mean) annual report for late adopters increased from 53 (60) pages to 71 (76) pages. A large number of early adopters' also increase report length (from median 63 pages to 72 pages). The means and medians in Table 1 indicate that the data are right skewed. Hence, non-parametric statistics are appropriate. In Panel D of Table I we report then results of a Wilcoxon matched pair test. The results show that the difference between annual report length between 2008 and 2007 is statistically different from zero (at the 0.01 level) for both late and early adopters.

In untabulated results we also compared the difference between early and late adopters for each year. The difference in report length between early and late adopters is not significantly different from zero (at conventional levels) in either year.

Overall, these results suggest that both the move to NZ IFRS and the continuing requirements have increased annual report size. However, unexpectedly, a large number of late adopters (19%) reduced annual report length.

Annual Report Components

We analyse the relative change in the annual report for three major components: (1) financials (the major statements and notes); (2) non-financials (management commentary, audit reports, and directory information); and (3) other (non-content items such as title pages, blank pages and pictures). Untabulated results show that the relative change (increase) in the financials component was statistically significant,

while changes in the other two components are not statistically different. Hence, it is only the financial statements that are driving the changes (on average increase) in annual report length observed in Table 1.

Table 2 reports the change in financials section of the annual report analysed by components: (1) the four major statements (balance sheet, income statement, movement in equity, cash flow statement), (2) accounting policies and (3) notes. In Panel A we report the increases, decreases and no changes and in Panel B we report descriptive statistics of the relative change measure. The results of statistical tests of whether the change in relative report length is significant and whether there is a difference between late and early adopters is reported in Panel C.

The financials section of the annual report increases for 92% of firms and decreases for 8%. The median (mean) relative increase on last year's annual report is 24% (22%). The change in length of the financials section across the sample ranges from -16% to +67%. That is for at least one firm the financial section of the annual report increased by two-thirds. Panel C shows that the relative increase is statistically significant at the 0.01 level. All components of the financials have increased. The largest increase is in the notes to the accounts (10.9% median), followed by accounting policies (10.3%) and the statements (0.5%). These increases are statistically significant at the 0.01 level. The statistical difference between early and late adopters is also significant at conventional levels.

Financials Components

We provide further analysis of the change in length of the financials section. Table 3 analyses the impact of NZ IFRS on the each accounting statement and the accounting

policies. Table 4 examines the impact on the notes to financial statements. Table 3 provides an analysis for the total sample. Panels A and B report the percentage increases, decreases and no changes for the late and early adopters respectively. Panel C reports descriptive statistics and Panel D reports the results of statistical tests.

For the late adopters (i.e., the IFRS transition effect) the change in the length of the balance sheet and cash flow statement is not statistically significant at conventional levels. There are small (but significant) increases to the income statement and comprehensive income statement (statement of changes in equity or statement of recognised income and expense). NZ IFRS requires more items to be shown on the face of the balance sheet (IAS 1.68) and the income statement (IAS 1.81) than OLD GAAP (pre-IFRS). The norm under OLD GAAP was to have a simple income statement with more details in the notes.

For the change in accounting policy components, we analysed separately ‘IFRS transition’ and ‘critical estimates’, as these are new reporting requirements under IFRS. It became obvious during the analysis that ‘financial instruments’ was a major item of change. The ‘general’ column represents the residual impact on accounting policies after the changes in transition, critical estimates and financial instruments have been measured.

All components of accounting policy (general, IFRS transition, financial instruments and critical estimates) have significantly increased in length. The financial instrument accounting policy increased for 96% of the sample firms. Even general accounting policies increased for 81% of the sample firms. The IFRS transition policy note is relatively small. The critical estimates policy is a new feature under NZ IFRS (IAS 1.116). Perhaps surprisingly for 46% of firms there is no change for this accounting policy component.

As to be expected, the early adopters have a larger percentage of no changes across all items in Table 3. For early adopters, the only items to register statistically significant changes are increases in accounting policy notes are the general and financial instrument components. These items suggest the continuing effect of IFRS is both specific (to IFRS) and general.

In Table 4 we report the impact of NZ IFRS on the notes to the financial statements. For late adopters (Panel A), tax and deferred tax (row 4) is the most common cause of increase (92% of firms). The requirement to report earnings per share (row 12) increased annual report length for 81% of firms. Earnings per share which was not required to be reported under old GAAP. However “other” balance sheet items (row 5) also increased for 81% of firms, indicating a general increasing trend. For late adopters, the total impact on notes to the accounts (row 1) is a median (mean) increase of 14% (16%). The range is from -10% to 47%. The median (mean) increase due to the IFRS reconciliation (row 17) is 4.5% (4.6%). Hence, if the IFRS reconciliation is a temporary reporting requirement, the transition to NZ IFRS has resulted in a 10% increase in the notes to the financial statements.

For early adopters (Panel B, row 1) there is a median increase in report length of 1.1% (mean 21%). Overall this increase is weakly significant at the 0.10 level. Only borrowings (row 8) registered a significant increase (at the 0.05 level). This is likely to be due to the requirements of NZ IFRS 7 *Financial Instrument Disclosures* which

became operative on or after 1 January 2007 or could be earlier adopted if full NZ IFRS was early adopted.⁷

Summary and Conclusion

This paper has summarised the literature on information overload, which has implication for both the assessment of whether the adoption of IFRS has achieved the goals of reducing the cost of capital and for the current debate over the level of differential reporting.

The results show that the increase in annual report size was due to the financials section of the report. The financials section increased for 92% of our sample firms and decreased for 8%. The median increase in financials section was 24%, which came mostly from increases in the notes to the accounts and accounting policies. IFRS reconciliations and accounting policies on transition accounted for 4 to 5% of this increase. These items are not required on a continuing basis. If these transitory items are eliminated, the results indicate nearly a 20% continuing increase in the annual report arising mostly from accounting policy and note disclosures under IFRS.

Furthermore, the annual report of firms continuing under NZ IFRS (i.e., the early adopters) have a median relative increase of 9%, related mostly to accounting policies.

⁷ Events after balance date significantly decreased for early adopters. Arguably this item could be removed from the analysis as it relates to (possibly random) events that might confound the analysis. Our preference is to report these in our analysis rather than eliminate from the readers view. In any event the impact is unlikely to alter the interpretation.

When the decision to adopt IFRS was made in 2002, the FRSB and ASRB discontinued its previous harmonisation policy. Had this policy continued, then it is likely that FRS 39, *Financial Instruments: Recognition and Measurement* and IFRS 2 *Share-based Payments* would have adopted. Hence, it could be argued that these two standards are not strictly part of the adoption to IFRS or at least should be considered separately. These two accounting standards accounted for a median 4.8% increase in annual report for late adopters. However, even if IAS 39, IFRS 2 and the transition and reconciliation adjustments are discounted, NZ IFRS reports have increased by 15% for adopting firms and 3% for firms continuing under NZ IFRS.

In conclusion, NZ IFRS has significantly increased information loads for preparation, communication and understanding of financial statements. At this stage we cannot claim this has resulted in information overload. Before such a claim can be made more research is required on whether the information provided by NZ IFRS (and financial instruments in particular) has increased the cost of analysis or resulted in poorer decisions.

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Table 1

A comparison of annual report length for late adopters (N=26) and early adopters (N=12)

	2007	2008
<i>Panel A: Changes (percentage of firms)</i>		
	<i>Late adopters</i>	<i>Early adopters</i>
Increase	77%	75%
Decrease	19%	8%
No change	4%	17%
<i>Panel A: Late adopters (annual report pages)</i>		
Mean	60	76
Std Dev	25	30
Minimum	28	40
Median	53	71
Maximum	122	138
<i>Panel B: Early adopters (annual report pages)</i>		
Mean	69	79
Std Dev	23	31
Minimum	40	44
Median	63	72
Maximum	111	153
<i>Panel D: Statistical test (Wilcoxon matched pair rank test)</i>		
Z statistic	3.775	2.727
p-value (2-tailed)	0.000	0.006

Table 2

An analysis of the change in the length of the financials section of the annual report for total sample (N=38) by major component

	Financials	Components		
		Statements	Accounting Policies	Notes
Panel A: Changes (percentage of firms)				
Increase	92%	74%	92%	84%
Decrease	8%	16%	8%	16%
No change	0%	11%	0%	0%
Panel B: Relative change				
Mean	0.224	0.008	0.098	0.117
Std Dev	0.196	0.014	0.066	0.133
Minimum	-0.160	-0.023	-0.034	-0.104
Median	0.240	0.005	0.103	0.109
Maximum	0.670	0.047	0.250	0.470
Panel C: Statistical tests				
Is the change significant? (Wilcoxon matched pair test)				
Z statistic	5.040	3.781	5.228	4.576
p-value	0.000	0.000	0.000	0.000
Are late adopters different from early adopters? (Mann Whitney test)				
Z statistic	3.046	2.859	2.292	3.423
p-value	0.002	0.004	0.022	0.001

Table 3.

An analysis of the change in the length of statements and accounting policies

	Statements				Accounting Policies			
	Income statement	Balance sheet	Comprehensive income	Cash flow statement	General	IFRS transition	Financial instruments	Critical estimates
<i>Panel A: Late adopter: change (% of firms)</i>								
Increase	65%	19%	58%	19%	81%	54%	96%	46%
Decrease	4%	8%	8%	15%	19%	19%	0%	8%
No change	31%	73%	35%	65%	0%	27%	4%	46%
<i>Panel B: Early adopter: change (% of firms)</i>								
Increase	25%	0%	33%	8%	75%	17%	100%	25%
Decrease	25%	0%	17%	17%	17%	8%	0%	25%
No change	50%	100%	50%	75%	8%	75%	0%	50%
<i>Panel C: Relative change</i>								
Mean	0.003	0.000	0.005	0.000	0.035	0.007	0.054	0.003
Std Dev	0.005	0.005	0.010	0.005	0.039	0.021	0.035	0.005
Minimum	-0.004	-0.024	-0.004	-0.017	-0.034	-0.018	0.000	-0.005
Median	0.002	0.000	0.000	0.000	0.025	0.000	0.048	0.000
Maximum	0.017	0.012	0.042	0.017	0.156	0.116	0.119	0.017
<i>Panel D: Statistical tests</i>								
<i>Is the change significant? Late adopters (Wilcoxon matched pair test)</i>								
	3.835	1.030	3.341	0.241	3.797	2.248	4.445	2.819
	0.000	0.302	0.001	0.810	0.000	0.025	0.000	0.005
<i>Is the change significant? Early adopters (Wilcoxon matched pair test)</i>								
	0.127	.	0.888	-0.576	2.551	0.680	.	0.211
	0.899	.	0.374	0.565	0.011	0.496	.	0.833
<i>Are late adopters different from early adopters? (Mann Whitney test)</i>								
	2.674	0.836	0.052	0.594	2.261	0.914	0.47	1.86
	0.008	0.403	0.692	0.545	0.024	0.361	0.574	0.063

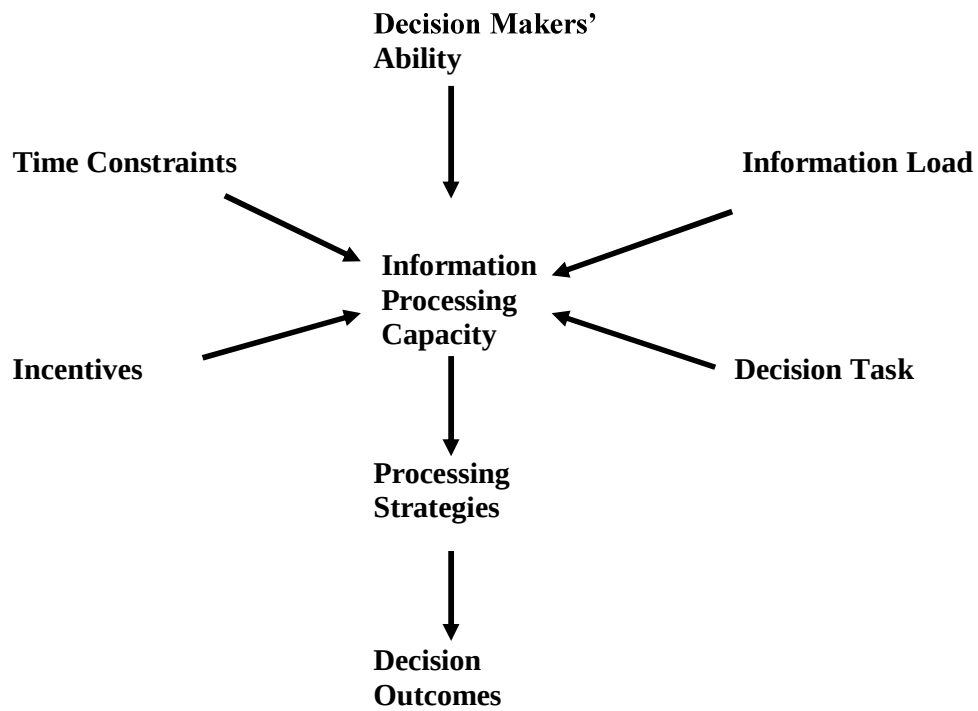
Table 4
An analysis of the change in the length of notes to the financial statement

Panel A: Late adopters

	Relative change					Change (% firms)			Statistical tests	
	Mean	Standard Deviation	Minimum	Median	Maximum	Increase	Decrease	No change	Z statistic	p-value (2-tailed)
1. Total	0.161	0.137	-0.104	0.140	0.470	88%	12%	0%	4.178	0.000
2. Segments	0.005	0.018	-0.071	0.005	0.028	62%	15%	23%	2.712	0.007
3. Revenue and expense	0.006	0.017	-0.030	0.008	0.055	69%	27%	4%	1.867	0.062
4. Tax and deferred tax	0.015	0.012	-0.004	0.015	0.043	92%	8%	0%	4.280	0.000
5. Balance sheet (other)	0.027	0.031	-0.026	0.026	0.096	81%	19%	0%	3.543	0.000
6. Intangibles	0.012	0.012	-0.006	0.012	0.033	73%	8%	19%	3.853	0.000
7. Investments	-0.002	0.021	-0.066	0.000	0.040	38%	42%	19%	0.204	0.838
8. Borrowings	0.009	0.013	-0.003	0.003	0.047	58%	8%	35%	3.380	0.001
9. Equity and dividends	0.013	0.023	-0.019	0.009	0.085	69%	19%	12%	2.950	0.003
10. Cash flow reconciliation	0.000	0.004	-0.008	0.000	0.010	23%	31%	46%	0.604	0.546
11. Share based payments	0.010	0.015	0.000	0.000	0.044	35%	0%	65%	2.980	0.003
12. Earnings per share	0.007	0.006	-0.002	0.006	0.026	81%	8%	12%	4.120	0.000
13. Contingencies, commitments and leases	0.003	0.005	-0.007	0.003	0.015	69%	15%	15%	3.081	0.002
14. Related party	0.009	0.011	-0.012	0.006	0.042	73%	15%	12%	3.445	0.001
15. Events after balance date	0.000	0.007	-0.027	0.000	0.015	46%	35%	19%	0.549	0.583
16. Retirement plans	0.002	0.008	0.000	0.000	0.039	4%	0%	96%	1.000	0.317
17. IFRS reconciliation	0.046	0.041	-0.027	0.045	0.151	77%	12%	12%	3.928	0.000

Figure 1

Conceptual view of factors associated with information processing capacity



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