Does IFRS and GRI adoption impact the understandability of corporate reports by Chinese listed companies?

IASB Discussant
Jianqiao Lu
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Key research findings and contributions

• Examined the readability and conciseness of corporate reports to assess the impacts of adoption of IFRS Standards and GRI on understandability
  – Readability: measured by Fog index using Chinese Readability Index Explorer
  – Conciseness: measured by number of pages of the reports

• Research findings
  – Adoption of IFRS Standards results in more readable but longer reports
  – Adoption of GRI results in less readable and longer reports
  – Understandability of Chinese companies’ report:
    • Readability and conciseness are not satisfactory and downward trend observed

• Contributions – conducted the understandability-related research in the Chinese context and contributed to relevant literature
Comments and Suggestions (1)

• Clarification on what understandability means - what does the Conceptual Framework say?
  – Information needs to be clear and concise
  – Excluding information about those inherently complex phenomena from financial reports would be incomplete and possibly misleading
  – The targeted users of financial reports are those (a) have a reasonable knowledge of business and economic activities; (b) review and analyse the information diligently; (c) need to seek the aid from advisors in some circumstances

• Whether the readability measured by Fog index and conciseness measured by length of the reports can faithfully represent the understandability of the financial reports or other reports?
  – Examine the targeted users’ reactions (eg quality of analyst reports?) and the market reactions; Consider preparers’ materiality judgements
Comments and suggestions (2)

• Clarification on what corporate reports mean – what are the boundaries between various forms of the reports the paper used?
  – Financial statements
  – Annual reports
  – Sustainability/CSR/ESG reports, GRI reports
  – Integrated reports

• Adoption of IFRS Standards would only affect the understandability of financial statements, not wider corporate reporting
Comments and suggestions (3)

• What are the factors that may affect the understandability of financial statements?
  – New big IFRS Standards?
  – The size and the business complexity of the companies?
  – AH financial statements VS A financial statements: are they really different?

• How to compare the level of understandability of corporate reports among different countries?
  – Comparable basis, eg same or similar scope, same or similar methodology or measures, same or similar users