

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

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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

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