

Survey Reveals Importance of Corporate Annual Reports

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WITHUMSMITH+BROWN

WHILE WORKING WITH PUBLIC COMPANY clients, the subject of annual reports arises from time to time. Are these documents ever read cover to cover? Are annual reports relevant in today's age of technology? Do these reports truly supply the information readers seek?

Recently, WithumSmith+Brown (WS+B), Certified Public Accountants and Consultants, was approached by MGT Design, a visual communications company specializing in the design of annual reports, to collaborate on a survey that would ask these very questions.

The purpose of the survey was to determine the value of annual reports and how annual report readers perceive them. In addition, the survey would demonstrate how information from annual reports is used to analyze and evaluate public companies. The WS+B study was conducted online and via telephone, and included individual investors, portfolio managers and securities analysts—the primary readers of annual reports.

A total of 102 individuals completed the annual report survey, including 68 individual investors owning a stock portfolio of \$50,000 or more, and 34 portfolio managers and securities analysts combined. The portfolio managers were drawn from a list of institutional investors, and the securities analysts were selected based on their wide range of industry coverage.

Nearly 79 percent of all survey participants agreed that annual reports are an important tool in making investment decisions about companies. And, 90 percent of all participants agreed that annual reports should contain additional information facing the company and its industry, such as sustainability of the environment or corporate governance, and not just the company's financial and shareholder issues.

In addition, 81 percent of all participants prefer a printed annual report versus one in an electronic format. By audience, 75 percent of investors prefer a printed version and 94 percent of portfolio managers and securities analysts (combined) favor the printed format as well. Respondents cited that printed annual reports are easier to read, easier to file for future reference, and easier to highlight, mark up and take notes on, in addition to being more mobile than an electronic version.

Of the total number of survey participants, 33 percent stated they read most of the report, while 39 percent said they read less than half of the report. It was noted that 50 percent of portfolio managers and securities analysts read most or all of the report. Of the investors, 30 percent read most or all of the report, and 44 percent read less than half of the report.

Other results revealed almost 66 percent of all participants agreed with a preference for an annual report to contain photos and/or illustrations. This preference was strongest with investors, as 73 percent agreed with this statement. Of portfolio managers and securities analysts, 53 percent agreed with this statement. In general, three-out-of-four participants agreed that the annual report is the single most important publication that a public company produces.

The complete survey results are available free on the WS+B Web site at www.withum.com or the MGT Design Web site at www.mgtdesign.com/arsurvey. ■

Kirk Holderbaum, CPA, is a shareholder of Withum Smith+Brown. Founded in 1974, WS+B is one of the largest regional accounting and consulting firms in the tri-state area. For more information, visit www.withum.com.