Individual Investors' Perceptions on the Summary Annual Report: A Survey Approach

Dr. Marc J. Epstein, Graduate School of Business, Harvard University
Dr. Moses L. Pava, Accounting, Yeshiva University

Abstract

As the role of institutional investors is being transformed, there is a tendency to overlook the needs of individual investors. Nevertheless, there are well over 30 million individual investors in the United States, and these numbers are growing rapidly. One area of particular concern is corporate communications. All investors, professional as well as non-professionals, should have "access" to financial information. However, annual reports, as currently issued, are often difficult to read and understand, and therefore lack communication value. A possible solution is the summary annual report (SAR), which has been designed to condense and simplify the traditional GAAP statements. To date, most U.S. Corporations have not adopted the new format, in part, out of a fear of negative shareholder reaction. Our survey results clearly indicate that annual reports, as they are currently issued, are difficult to understand for a sizeable minority of investors. One out of 4 investors reported that annual reports were so difficult to understand that they were of no substantial help in making investment decisions. Further, results show that a majority of respondents demand inclusion of further explanation of the financial information in less technical terms, and over a third would like to see SARs to the exclusion of full GAAP reports. Through the SAR, management has an opportunity to significantly improve corporate communications. We strongly recommend that management continues to experiment with its format, design, and content.

Introduction

Business historians believe that a major transformation in corporate control occurred during the early years of this century. As shareownership became more widespread and more diverse, the authority of the owners of the corporation to maintain control over the economic activities of the entity diminished significantly. As the size of the corporations grew, individual stockholders traded away their authority for anticipated liquidity gains and increases in stock prices. Power to make business decisions moved from stockholders to a new class of professional managers. During this period, the stockholder -- as decision-maker -- became less important, and corporate management began to take a much more active and vital role within the business firm.

Today, a consensus is developing which recognizes a similarly important contemporary change. As institutional investors obtain larger and larger positions in the companies in which they invest, they are also demanding increased accountability and authority, as well. Pension and mutual fund managers are redefining what it is that they do, and are beginning to take a much more active role in company decision-making. In turn, there is a loss of authority for corporate managers. Like all valuable economic assets, power is a scarce resource.

We do not dispute this view. However, we believe that as the decision-making ability of institutional investors increases, corporate managers may not be the only losers. Individual investors may see an even further erosion of their authority and their ability to affect corporate policy. In other words, power is being transferred not only from corporate managers to institutional investors, it is also being transferred from individual investors to institutional investors. This change deserves scrutiny.

Purpose of the Study

One area of particular concern is the annual report to shareholders. As Kohut and Segars (1992) have noted it is through the annual report that management discharges it obligation to report to the investing public on its stewardship of the business. Further, the annual report provides the vehicle through which management can "provide meaningful information for appraising past performance and projecting future opportunities." (p. 7) In addition, Subramanian, Insley, and Blackwell (1993) have convincingly argued that a well-written, honest, clear, and concise annual report can enhance investors' trust and confidence in corporate management.

However, as managers become more concerned about satisfying institutional investor demands, they show less interest in meeting individual investor demands. For example, Lev (1992) reflecting this transformation has recently noted that:

Managers may be interested in a large institutional ownership since it generally proves a ready market for new stock or bond issues. Furthermore, demand for the firm's securities can be more readily enhanced by providing specific, tailor-make information to a few large investors than to many small geographically scattered, and largely uninformed shareholders." (p. 19)

While there is some overlap in information needs between investor groups, there are unique demands, as well. Annual reports and financial statements which are designed to meet the needs of institutional investors, do not, and will not, meet the requirements of the less sophisticated individual investors. If individual investors do not understand the annual report, corporate executives are not fulfilling their obligations.

A possible solution to the problem of meeting the unique needs of different user groups is the summary annual report (SAR). Therefore, our primary research question can be succinctly stated as follows: Can summary annual reports (SARs) be an effective tool for communicating financial information to individual investors? The individual investor remains an extremely important player in the U.S. economy. According to a 1990 New York Stock Exchange (NYSE) survey, there are nearly 30 million individual investors owning shares of NYSE-listed stocks. This number represents a 17 percent increase since 1985. The sheer magnitude of these numbers underscores the importance of our research focus.

Background

A recent study examining the effectiveness of the annual report concluded that about half of all individual investors either skim or do not read annual reports (Hawkins & Hawkins, 1986). This finding underscores an important weakness inherent in financial reporting, and more generally, corporate communications. According to the Financial Accounting Standards Board (FASB), the information provided by management "should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence" (FASB, 1980). Do annual reports, as currently issued, meet this minimum standard? Can low readership be attributed to difficulty in understanding the annual reports? Finally, and most importantly, to what extent can management improve corporate communications?

The FASB has clearly articulated its position with regard to "understandability." In Concept Statement No. 1, the FASB wrote that all investors, professional as well as non-professionals, should have "access" to financial information. Additionally, the FASB recognizes the obligation of management to "increase the understandability of financial information" (FASB, 1978). Management, in fulfilling its stewardship function, is responsible for preparing clear, unambiguous, well-written, financial disclosures.

As mentioned above, a possible solution to the problem associated with low readership, and difficulty in understanding financial statements which recognizes the unique needs of different user groups, is the SAR. The vast majority of U.S. Corporations, however, have adopted a wait and see approach, and are extremely hesitant to deviate from the traditional format. One of the main concerns firms have expressed, according to Alan Schneider (1988) is the fear that shareholders will react negatively to changes in corporate communications. But survey results negate this concern.

In 1987, Iowa Power and Light experimented with the SAR. Their results are clear. Two thousand-five hundred readers of the summary annual report responded overwhelmingly that they liked it with positive opinions ranging from 56 percent to 81 percent and shareholders responding 65 percent (like), 9 percent (dislike), and 26 percent (no opinion). With such overwhelming responses, Iowa Power and Light discontinued the SAR even though they admitted to have created "a more readable report" (Hamilton, 1990). It produced a more readable report and moved toward meeting the objectives of financial reporting, it is therefore puzzling why the project was discontinued.

Our survey study, and the Iowa experiment demonstrate that this fear on the part of corporate management that shareholders would react negatively is misplaced. Our results show that a large minority of investors have difficulty in understanding the traditional annual report. Further we provide evidence which suggests that there is a strong demand for clear and usable communications. The emergence of SARs is a positive step, and therefore we agree with the position that "The summary annual report presents a unique opportunity for public companies to improve their communication with shareholders" (Deloitte Haskins & Sells and Financial Executive Research Foundation, 1987). To the extent that SARs represent an attempt to better communicate with corporate shareholders, and to the extent that SARs are not used to mislead investors, or to withhold information, they signal a forward development in financial reporting to investors. If the annual report is to be more than mere "public relations," management and accountants must continually devise methods to convey and explain information about both historical, and expected future, firm performance. Just as teachers must continually organize and re-organize material in a coherent fashion so that students can understand their thoughts, so too, managers have an obligation to report to shareholders in a manner which allows investors to understand the annual report.

What are SARs?

According to a recent study which examined the content of SARs, 32 firms issued SARs during 1987 and early 1988 (Lee and Morse, 1990). The SAR, as its name implies, is a summary, or condensed version, of the full Generally Accepted Accounting Principles (GAAP) financial statements. When viewed, in conjunction with the full statements, which are still mandated under Securities and Exchange Commission (SEC) requirements, it can be a useful tool to investors.

In 1987, the SEC, in response to proposals by General Motors, and McKesson Corp., explicitly acknowledged that the inclusion of GAAP statements with the proxy material fulfills existing SEC reporting requirements. Therefore, inclusion of the SAR as part of the annual report package does not violate SEC compliance rules. The following is a list of the defining characteristics of SARs:[1] (1) Most SARs include balance sheets and income statements, (2) SARs include expanded financial review sections, (3) There is an emphasis on charts, graphs, and verbal explanations, (4) Most SARs are audited, (5) There is less technical jargon and boilerplate than in GAAP statements, (6) Footnotes have generally been eliminated, although some of the disclosures are included in financial review section, and (7) The financial statements are prepared at a higher level of aggregation than GAAP statements.

On the basis of this list, it is clear that SARs, strictly speaking, contain less information than the full GAAP statements. There is no argument that important and useful information is eliminated in the process of summarizing. For example, in eliminating footnotes with regard to pension disclosure, important information about the pension liability is removed (Nair and Rittenberg, 1990). Statistics about discount rates, increases in future compensation levels, future market rates, are included only in the GAAP statements, and not in the SARs. The point, however, is that much of this type of disclosure is extremely difficult to understand. Management has an obligation to devise a format in which this information, if, in their view has a material impact on the financial condition of the firm, is publicly disclosed, and understood. If it is true, as over one half of the 32 firms in the Lee and Morse study explicitly stated, that the reason firms issue SARs is a "desire to improve communications with shareholders," and "improve readability" then it is difficult to take issue with the SAR innovation.

SARs in an Efficient Market

Market Efficiency, the notion that stock prices fully reflect all available information, is often used as a rationale to support arguments of the following sort. "It doesn't matter where or how the information is disclosed in annual reports, the market price acts 'as if' the information is widely-known and understood. After all, the market is driven by large institutional players, and is, therefore, dominated by sophisticated investors."[2] Such an argument can be applied to the case at hand. The efficient market argument is that since SARs do not provide additional disclosure, and they merely recapitulate information that is publicly available elsewhere, there is no need for SARs. The responses to the efficient market views are:

1-Even if market efficiency is a fairly accurate description of capital markets, there is still the issue of equity, where equity is thought of as equal access to information. Individual investors, and in particular, the less sophisticated investors, who have difficulty understanding annual reports and corporate communications, may withdraw from the market. If the game is perceived as being unfair, individual investors will opt out it. This, in turn, will have negative repercussions for the remaining market participants, as well. For example, Baruch Lev recently wrote, "inequity in capital markets...leads to adverse private and social consequences: high transaction costs, thin markets, lower liquidity of securities, and in general, decreased gains from trade" (1988). More specifically, Lev devises the following standard to gauge accounting regulations. "The interest of the less informed investors should, in general, be favored over those of the more informed investors." To the extent that SARs can reduce information asymmetries across investors, equity can be improved.

2-A second criticism to the market efficiency argument is even more powerful. To what extent is the market truly efficient? Recent evidence suggests that the question is still very much alive. Eugene Fama, writes, "Precise general inferences about the degree of market efficiency are likely to remain impossible" (Fama, 1991). Similarly, Victor Bernard has shown that even with regard to changes in net income, arguably, the most widely followed accounting indicator, the market price is extremely slow to react, and in this sense, inefficient (Bernard, 1990). Therefore, it is difficult to conclude, a priori, that the disclosure format is irrelevant. If corporate communications are enhanced through the issuance of clear and understandable SARs, the degree of inequity in the market will be reduced, and market efficiency may even be improved. A logical next step is to examine, from the investors perspective, the need and desirability of SARs.

Survey Results

To examine the need and demand for SARs, we examine the responses to a questionnaire sent to 2,359 shareholders in all 50 states across the country. These shareholders represent a random sample of shareholders owning at least 100 shares on either the New York Stock Exchange or the American Stock Exchange.[3]

The content of the questionnaire was based, in part, on an earlier survey conducted in 1973 by Epstein (1975).[4] The questionnaire was both a replication of parts of the 1973 questionnaire and was expanded to incorporate additional items not included in the original study, as there have been numerous financial accounting innovations in the past 20 years. Only those questions related to SARs are reported and discussed here.[5]

Before designing the final version of the questionnaire, a pilot study was conducted in which a preliminary version of the questionnaire was sent out. Eighty-six responses were analyzed, both in terms of responses to specific questions included in the survey and in terms of design comments about the questionnaire. On the basis of the pilot study, the preliminary version of the questionnaire was modified.

In total, we received 246 responses (first mailing--156, second mailing---90). The response rate was in line with expectations for a study of this scope in which the objective was to reach a wide cross-section of individual shareholders, and to obtain sufficient responses to a detailed set of questions about the use of the annual report. Because of our desire to reach a very diverse population, potential respondents were expected to be less likely to respond than other groups of annual report users. Shareholders shared no affiliation with the researchers. The questionnaire was extensive and relatively long (12 pages). Potential respondents were not compensated in any way for their time.

One of the most important questions surrounding any survey is the degree to which one can generalize results to the population of interest. One of the difficulties in interpreting findings results from non-responses. The most common method used to examine "non-response bias" is to compare results between respondents to a first mailing and respondents to a follow-up mailing. The follow-up procedure is a way of weakening the resistance of potential non-respondents (Wallace and Cooke, 1990). If there are no significant differences between the two samples, our confidence is enhanced that no important biases have been introduced, and that the sample results can be generalized to the population of interest. We compared the results to each of the 108 questions between respondents to the first mailing and respondents to the second mailing by using the chi-square statistic. The 108 questions analyzed included both demographic questions and questions related to the use of the annual report. The results indicate that there are almost no statistically significant differences between these two samples. In fact, in only four cases (out of 108) are the chi-square statistics significant at reasonable levels (.05 level of significance).

In addition, we compare demographic characteristics of the sample versus demographic characteristics of the NYSE Shareownership survey (1990). Again, no statistically significant differences emerge. We thus conclude that we detected no evidence of bias in the sample.

The first important result related to the issue of SARs, involves the issue of "understandability." Investors were asked, "Do you agree with the following statement? 'Since the annual reports are so difficult to understand and read, they are of no substantial help to me.'" One out of 4 (25 percent) investors surveyed answered yes to this question. In a more detailed question we asked investors, in particular, which items do you have difficulty understanding? Table 1 (first column) reports our results. As reported, a sizeable minority of investors have difficulty in understanding the balance sheet (28 percent), the statement of cash flows (29 percent), the auditors report (21 percent), and the footnotes to the financial statements (29 percent).

To further gauge this issue, we also asked investors on which items would you like to see further explanation? Once again, a sizeable minority answered affirmatively in reference to a number of important annual report items. For example (Table 1, Column 2), over one third of investors would like to see further explanation on the Balance Sheet (41 percent), and the statement of cash flows (38 percent). Thirty percent of investors would like more information on footnotes and the Management, Discussion, and Analysis Section. The results to these questions reveal a significant communications gap between management and individual investors, and perhaps are symptomatic of management adopting a compliance view, rather than a communications perspective -- where management focuses on providing reports with information value.[6] The finding that 25 percent of investors find the annual reports so difficult to understand as to render them useless, is cause for concern.

TABLE 1
Difficulty in Understanding Annual Report Items

QUESTION 1: Which of the following do you often have difficulty understanding?
QUESTION 2: On which of the following items would you like to see further explanation?

Annual Report Item	QUESTION 1 Percent of Respondents	QUESTION 2 Percent of Respondents
President's Letter	5	9
Essay and Pictorial	11	14
MD&A	16	30
Income Statement	16	29
Balance Sheet	28	41
Statement of Cash Flows	29	38
Auditor's Report	21	23
Footnotes	29	30
None of the Above	37	21

Two questions on the survey specifically addressed the issue of investors' demand for SARs (See Table 2). First, investors were asked the following question: "Would inclusion of further explanation of the financial information in less technical terms be valuable enough to your investment decisions so as to include them in future corporate annual reports?" Sixty percent of the respondents answered yes to this question. In fact, out of a list of 13 additional disclosure items, the demand for "less technical terms", was 4th behind only demand for additional disclosures related to pending litigation, additional disclosure of unasserted claims, and demand for budgeted income statements.

Given that the SARs are specifically designed for those investors who have difficulty understanding annual reports, it is useful to report the survey results separately for these investors. We examine a subset of the data, the 25 percent of investors who report that annual reports are "so difficult to understand and read, they are of no substantial help to me". The results, as expected, are even more pronounced. Seventy-one percent of these investors regard it as important to include further explanation in less technical terms. To the extent that SARs are designed to furnish understandable, and less technical communications, we conclude that they are fulfilling an important need in the financial markets through satisfying the explicit demand of corporate investors.

In addition, Table 2 reports the results to a second explicit attempt to measure the reported demand for SARs. The question reads: "Do you believe that the annual report should be made shorter to include only a summary of important aspects of corporate activities in less technical terms rather than complete financial statements (summary annual report) and the complete financial statements should only be included in proxy materials?" The major difference between this question and the one reported on above, is whether or not the summary material should be included instead of full GAAP statements, or in conjunction with full GAAP statements. As reported in Table 2, even with this more extreme formulation of the question, 34 percent answered affirmatively.

The Table 2 also reports the results separately for those investors who have difficulty understanding financial statements. Once again, there is a dramatic increase in the percentage of investors who respond affirmatively. Of those investors who have difficulty in understanding financial statements, a slight majority (52 percent) would like SARs to the exclusion of the full GAAP statements.

On the basis of results presented in Table 2, it is premature to conclude that SARs should replace full GAAP reports. The large differences in responses to QUESTION 3 and 4, suggest that while investors would like more and better explanation, they generally do not want to pay the price of losing the full disclosures required under GAAP. Perhaps a clearer, and more informative Management, Discussion, and Analysis Section would provide a useful compromise.

To summarize, our survey results clearly indicate that annual reports, as they are currently issued, are difficult to understand for a sizeable minority of investors. One out of 4 investors reported that annual reports were so difficult to understand that they were of no substantial help in making investment decisions. Further, results reported in Table 2, show that a majority of respondents, demand inclusion of further explanation of the financial information in less technical terms, and over a

TABLE 2
Demand For Summary Annual Reports

QUESTION 3: Would inclusion of further explanation of the financial information in less technical terms be valuable enough to your investment decisions so as to include them in future corporate annual reports?

QUESTION 4: Do you believe that the annual report should be made shorter to include only a summary of important aspects of corporate activities in less technical terms rather than complete financial statements and the complete financial statements should only be included in proxy materials?

	QUESTION 3 Percent of Respondents		QUESTION 4 Percent of Respondents	
Full Sample:				
	Yes	60	Yes	34
	No	40	No	66
Subsample*:				
	Yes	71	Yes	52
	No	29	No	48

*This subsample is created by examining the 25% of investors who reported annual reports are "so difficult to understand and read, they are of no substantial help to me."

third would like to see SARs to the exclusion of full GAAP reports.

Implications

The difficulty associated with reading and understanding financial statements is, certainly, in part, a function of the complex environment in which businesses operate. Managers and accountants are trying to communicate about millions of economic transactions. The transactions themselves, viewed in isolation, are often difficult to understand. The interaction among these transactions adds to the challenge. However, it does not follow that the complex environment allows management the liberty to produce unintelligible reports. In fact, as the business environment becomes more and more complex, the responsibility of management to explain it, becomes ever more urgent. The SAR innovation represents an important step in the right direction. Management must continue exploring and experimenting with the format, content, and distribution of SARs.

If management does decide to opt for the SAR, our survey results are of particular interest. The most difficult items to understand, as indicated in Table 1 above, are: balance sheet, statement of cash flows, and footnotes. In designing SARs, management must place particular emphasis in "translating" the information these items were designed to communicate. With regard to the balance sheet, management might want to more fully explain the nature and characteristics of some of the more difficult elements; for example deferred taxes, and capitalized leases. Similarly, management might want to discuss how accounting rules, like historical cost, affect both the balance sheet and reported income. A building purchased, years earlier, at the beginning of a real estate boom, would be severely undervalued on current balance sheets. These items represent important issues which are not readily understood by less sophisticated investors. With reference to the statement of cash flows, management might consider utilizing the "direct" format rather than the "indirect" format in preparing SARs (Epstein and Pava, 1992). The vast majority of firms currently present the statement of cash flows using the indirect method which reconciles net income to cash flows from operations, but does not disclose cash inflows from customers, and cash payments to suppliers, etc. The direct method which lists cash inflows and outflows by source provides a clear and unambiguous presentation. Finally, with regard to footnote information, management must experiment with alternative language and approaches to communicating this information. The footnotes are integral to analyzing a firm. Without a fair and equitable summary of this information, less sophisticated investors will be misled.

Given that SARs emphasize prose over numbers, management should consider the possibility of improving the Management, Discussion and Analysis Section (MD&A) and including a variant of it as part of the SAR. In crafting this discussion, management's goal is to communicate useful information, both retrospective and prospective in clear, straight-forward language. The MD&A provides management with a potentially rich and flexible communication medium. While the SEC requires certain minimum disclosures within the MD&A

section, its open-ended format allows for subtle, textured, future-oriented, and understandable communications. Unlike the more formal financial statements which are highly constrained by the technicalities of GAAP -- Management -- through the MD&A, has the opportunity to tell its "story." The MD&A should provide a useful complement to the financial statements. Our research indicates, however, that, while it is true that a minority of firms report very specific and extremely accurate information, most firms are resistant to explicitly articulate predictions of future trends (Pava and Epstein, 1993).

Suggestions For Future Research

SARs represent an exciting evolutionary development in financial accounting. The theory underlying the SAR is that there are differences among users, and that management has an obligation to communicate useful information to both the sophisticated users and less sophisticated ones. This theory is sound. Through the SAR, management has an opportunity to significantly improve corporate communications. Acting on this theory, the Securities and Exchange Commission is taking a much more active stance in demanding that firms provide both useful and understandable corporate communications. The SEC is demanding increased disclosure of items related to executive pay in a format in which investors can understand. Further, the SEC has demanded increased disclosure of forward looking information in the MD&A section of the annual report.

The summary annual report is likely to resurface in the United States and is likely to take hold since corporate shareholders need less technical reports. We strongly recommend that management continues to experiment with the format, design, and content of the annual report. If accounting information is incomprehensible to the most important stakeholders, individual investors, financial accounting becomes much ado about nothing.

Our hope is that this paper will stimulate additional interest in researching the needs of financial accounting users. A useful extension of the current study would be to survey other groups of users. For example, it would be helpful to compare our results to responses of more sophisticated users like financial analysts and institutional investors.

*****Footnotes*****

1. See also Gibson and Schroeder (1989) for a thorough discussion of the content of SARs.
2. For example, see William Beaver, *Financial Reporting: An Accounting Revolution*, 1989. Beaver writes, "The efficient market implies that the substance rather than the form of disclosure may be the more important policy issue...Once in the public domain, it is unclear whether or not the format used to display the data is a substantive issue, at least in its impact on security prices. For example, while it may be important that an item appear somewhere in the annual report, it may not make any difference in terms of the price of the security whether the item is reported in the footnotes or in the body of the statement.
3. The list was obtained from a professional list company with millions of shareholders from hundreds of different companies in the U.S. on a master list of shareholders.
4. Copies of the questionnaire are available from either author.
5. For a thorough discussion of the other questions on the survey see Epstein and Pava (1993).
6. Kohut and Segars (1992) have argued that "Something has information value if it reduces a receiver's uncertainty and increases the predictability of future messages." (p. 10)

*****References*****

1. Beaver, William, *Financial Reporting: An Accounting Revolution,* Prentice-Hall, Englewood Cliffs, NJ, 1989.
2. Bernard, Victor, "Stock Price Reactions to Earnings Announcements: Recent Anomalous Evidence and Possible Explanations," Working Paper, 1990.
3. Deloitte Haskins & Sells and Financial Executives Research Foundation, *Summary Annual Reports,* 1987.
4. Epstein, Marc J., *The Usefulness of Annual Reports to Corporate Shareholders,* Bureau of Business and Economic Research, California State University, Los Angeles, CA., 1975.
5. Epstein, Marc J., and Pava, Moses, "The Statement of Cash Flows: How Useful Is It?" *Management Accounting,* Vol. 74, No.1, pp.52-55, 1992.
6. Epstein, Marc J., and Pava, Moses. *The Shareholder's Use of Corporate Annual Reports,* JAI Press, Inc., Greenwich, Connecticut, 1993.
7. Financial Accounting Standards Board, *Statement of Financial Accounting Concepts No. 1,* FASB, Stamford, CT, 1978.
8. Financial Accounting Standards Board, *Statement of Financial Accounting Concepts No. 2,* FASB, Stamford, CT, 1980.
9. Fama, Eugene, "Efficient Capital Markets: II," *Journal of Finance,* (Vol. 46) pp. 383-417, 1991.
10. Gibson, Charles, and Schroeder, Nicholas, "How 21 companies handled Their Summary Annual Reports," *Financial Executive,* pp. 45-47, November/December 1989.
11. Hamilton, Jim, "Summary Annual Report," *Management Accounting,* Vol. 71, No. 7, pp. 38-40, 1990.
12. Hawkins, David, and Hawkins, Barbara, *The Effec-*

tiveness of the Annual Report as a Communication Vehicle, Financial Executives Research Foundation, Morristown NJ, 1986.

13. Kohut, Gary F., and Segars, Albert H., "The President's Letter to Stockholders: An Examination of Corporate Communication Strategy," *The Journal of Business Communication,* Vol. 29, No. 1, pp. 7-21, 1992.
14. Lee, Charles, and Morse, Dale, "Summary Annual Reports," *Accounting Horizons,* Vol. 4, No. 1, pp. 39-50, 1990.
15. Lev, Baruch, "Toward a Theory of Equitable and Efficient Accounting Policy," *The Accounting Review,* Vol. 63, No. 1, pp. 1-22, 1988.
16. Lev, Baruch, "Information Disclosure Strategy," *California Management Review,* pp. 9-32, Summer 1992.
17. 7NYSE, *Shareownership,* NYSE, New York, 1990.
18. Nair, R., and Rittenberg, Larry, "Summary Annual Reports: Background and Implications for Financial Reporting and Auditing," *Accounting Horizons,* Vol. 4, No. 3, pp. 25-38, 1990.
19. Schneider, Alan J., "Summary Annual Reporting: Has the Concept Been Accepted," *Financial Executive,* pp. 20-24, July-Aug. 1988.
20. Subramanian, Ram, Insley, Robert G., and Blackwell, Rodney D., "Performance and Readability: A Comparison of Annual Reports of Profitable and Unprofitable Corporations," *The Journal of Business Communication,* Vol. 30, No. 1, pp. 49-61, 1993.
21. Pava, Moses, and Epstein, Marc J., "MD&A as an Investment Tool: User Beware," *Journal of Accountancy,* Vol. 175, No. 3, pp. 51-53, 1993.
22. Wallace, R.S.O. and T.E. Cooke, "Nonresponse Bias in Mail Accounting Surveys: A Pedagogical Extension," *British Accounting Review,* Vol. 22, pp. 283-288, 1990.