Reporting Practice of Accounting Disclosure on Changes in Listed Companies of Bangladesh

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Abstract

Consistency in accounting policy is one of the basic accounting assumptions for preparing and disclosing financial position. The presentation and classification of items in the financial statements should be retained from one period to the next period. User can use annual report to analyze their financial position for one accounting period. Financial statement can provide information about financial position, performance and cash flows of an enterprise that is useful to wide range of users in making economic decisions. Therefore, an enterprise will use the same accounting policy in the annual report for one accounting period. A change in accounting policy should be made only if required by statute, or if the change will result in a more appropriate presentation of events or transactions in the financial statements of the enterprise.

This study discusses the disclosure or reporting practices of accounting changes in the annual report of finance companies listed on the main board of the Dhaka Stock Exchange (DSE) for the period of ten years from the year 2000 to 2008. Simple Random sampling technique was used in this study and companies are selected randomly by using random number table. 37 companies were selected from various industries. A number of 365 annual reports were scrutinized and used to analyze the practice of the DSE listed companies. This study examined the practice of DSE listed companies on accounting item changes in Bangladesh, and the accounting changes flow for the period of ten years beginning from the year 1999 to 2008.

This study also discusses the relationship between reporting accounting changes and earnings per share, firm size and audit firm. Lastly, the research finding shows that accounting changes were done every year and the most obvious changes were evident from the year 2001 to 2003. Only at 2004, there was a significant relationship between reporting accounting changes and audit firm.

Keywords: Accounting changes, Financial Reporting, Disclosure Standards and Bangladesh.

JEL Classification Code: M41, M42

Introduction

Accounting disclosure especially notification of information on a business unit has become a widely studied area in the West (Benston 1973). The issue of accounting change has been subject to considerable research attention during 1990s. The main interest has been directed at exploring change in: accounting systems, accounting techniques, the accountancy profession, and the role

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of an accountant (for general references to such work, see Chua (1995) and Bhimani (1996). In Bangladesh, the accounting disclosure has yet to be studied vigorously (Hossain 1998). This however, does not mean that this issue is unimportant, and lately a lot of researchers have been researching on the report of extraordinary item (Shamsul & Nor Izah 2000), cash flow statement (Ng 1999), empirical studies on accounting and disclosure (Ng 1998), uses of financial report (Azhar 1999) and information that are needed by consumer and voluntarily disclosure by DSE listed companies (Ahmed. 2009).

Disclosure is a mean whereby information regarding a business unit can be conveyed. Based on this information, interested parties and potential investors will be informed of the strengths and weaknesses of a particular business unit, in terms of profits made, and/or whether the management of the business unit acts in a manner which can be beneficial to the potential investors (Hamzah 1983).

Consistency in the accounting policy as stated in the Federation Accounting Standards Board (FASB) is one of the accounting doctrine, which is the basis of financial planning and presentation. User should be able to compare and differentiate every company financial statement for a period of time to identify financial position flow, performance, and cash flow. For that matter, the same accounting policy will be used for an accounting period. Changes in the accounting policy need to be done if directed by the law or if the change will give a more accurate result for presenting a situation or transaction in a company's financial statement. This study is a preliminary study on the accounting disclosure by companies that are listed on the main board of the DSE based on the annual financial report of these companies.

Literature Review

Reporting of Accounting Changes

A study done by May and Schneider (1988) shows that there has been some improvement in technical compliance with standards, but there is very strong evidence suggesting that management's primary motivation in making accounting changes is not to achieve representational faithfulness, but rather to manage reported earnings.

Studies of motivating factors have shown that changes frequently accomplished in suspected earnings goal apparently is to adopt a method that increases reported earnings in the current year (Cushing 1969; and Gosman 1971). Gosman (1973) examined several characteristics of firms making accounting changes by comparing those firms given at least one consistency expectation by its auditors, during the 1958-68 period, with firms without such an expectation.

Gosman (1973) investigated the characteristics of company making accounting changes. The sample consisted of the 1,000 annual reports issued for the 1959-1968 period by 100 firms randomly selected from those listed in the 1969 *Fortune 500*. Bremser (1975) studied an extension of the attributes of companies reporting accounting changes, with the nature of the reported earnings of these companies being the primary of the investigation. The major finding of this study are that the companies reporting accounting changes exhibited a poorer pattern of EPS and had lower ROI than the firms with no reported changes.

Hamzah (1983) examined a preliminary study relating to accounting disclosure in Malaysia. The study indicate that Malaysian accountant have not been exposed to or are not able to appreciate the importance of items that could be disclosed for the benefits of users. The study also implies that Malaysian accountant are very rigid in their adherence to conventions.

Lilien et al. (1988) analyses of the pattern of accounting changes of successful and unsuccessful firms indicate that unsuccessful firms are more likely than successful firms to make accounting changes that increase income. The empirical findings are consistent with the assertions that managers can modify reported income through judicious accounting changes. This tendency of unsuccessful firms to enhance income through accounting changes is observed for both the smallest and the largest firms of *Fortune 500*.

Relationship between reporting of accounting changes and earnings per share, firm size and audit firm

Bremser (1975) examined the direction of change in earnings per share and its relation to the company, which reported the accounting changes. Gosman (1973) studied the relationship between the size of the company and audit firm with the accounting changes reporting.

Bremser (1975) in his study on the direction of change in earnings per share for the period of five years found out that a number of 80 sample companies, demonstrated a weak direction of earnings per share compared to companies that do not make any reporting of accounting changes from the year 1965 to 1970. This study also demonstrates that there was a relationship between the increase and decrease of earnings per share with the companies that reported the accounting changes.

Bremser (1975) explained that no differences existed between companies that made the accounting changes reporting with the size of the companies, where the size of the companies was measured by the amount of sales turnover. Gosman (1973) found out that bigger companies received at least one consistency qualification from the year 1959 to 1968 compared to smaller companies.

A study by Gosman (1973) found out that using size differences of audit firms were not a suitable variable to make comparison between companies audited by Price Waterhouse and Lybrand. Ng Eng Juan (1991) stated that the effects of the industry, and the size of company and audit firm, on highlights statement showed bigger companies were more obedient than smaller companies, and companies audited by big public accounting firms were more obedient than companies being audited by smaller accounting firms.

Corporate Annual Reports as a Device of Information Disclosure

Disclosure means effective communication of meaningful information. Disclosure is concerned with providing information, which are useful in making business and economic decisions by the audience-of-interest and the parties who have right to receive it. Financial disclosure is the end output of the financial reporting process. The balance sheet, profit and loss account and cash flow statement along with the supporting notes are known as the basic financial disclosure. Accounting may be treated as an information system that needs financial statements as the end result. Financial statements are the summarized and classified reports of financial events.

In a greater sense, financial statements are the direct product of a large number of integrated accounting processes which provide periodic income, financial position and cash flow statements (Mueller and Kelly: 1991).

All financial statements is concerned in varying degrees with decision-making. The need for disclosure to audience-of-interest on which to base investment, credit and similar decisions underlie the objectives of financial reporting. The importance of disclosure must be evaluated in relation to the purposes to be served, and the objectives of disclosure are focused in the use of accounting disclosure in decision-making.

The International Accounting Standards Committee (IASC) describes financial statements in its Exposure Draft-28, Framework for the preparation and presentation of Financial Statements, as

> *"Financial statements normally include a balance sheet, a profit and loss statement, a statement of changes in financial position, notes and other statements and explanatory material that are integral parts of the financial statements". (IASC, 1988)*

The financial statements give information about an enterprise's resources, obligation and earnings. The purpose of financial statements is to give information that are useful to users in making managerial and economic decisions.

According to the definition given by the Accounting Standard Steering Committee (ASSC) of the UK and Ireland, a corporate financial report means "the comprehensive package of information of all kinds which describes an organization's economic activity"(1975).

Financial statements give useful information and detailed information is given by corporate financial reports although the information relates directly or indirectly to the information provided by a business enterprise's accounting system. In addition to basic financial statements, it provides narrative and descriptive statements and often-illustrative materials. Financial reporting is a means of providing information to users of all kinds, which most completely describes an organization's economic activity. It has also been stated that *"... ... Financial reporting by the entities attempts to meet the needs of the external users of financial reports who lack authority to prescribe the financial information they want from entities" (FASB, 1978).*

Financial reporting in broader terms not only includes financial statements but also other means of communicating information relating directly or indirectly to the information provided by the accounting system. A comprehensive financial report may typically include corporate annual reports, various statutory annual information filing with regulatory commissions and registration statements for new securities to be sold publicly (Mueller and Kelly, 1991). Management may communicate information to those outside an enterprise by means other than the financial statement either because the information is required to be disclosed by authoritative pronouncement, regulatory rule or custom or because management considers it useful to those outside the enterprise and discloses it voluntarily.

Definition of Accounting Changes

Gosman (1973) defined an accounting change as any change in the method of applying generally accepted accounting principles. Kieso *et al.* (2001) defined that there are three types of accounting changes, which are change in accounting principle, change in accounting estimate and change in reporting entity. According to Malaysian Accounting Standards Board (MASB) 3, there was no specific definition of accounting changes. However MASB 3 did mention about changes in accounting estimates, changes in accounting policies and fundamental errors.

What Does ACCOUNTING CHANGE Mean? A change in accounting principles, accounting estimates, or the reporting entity. A change in an accounting principle is a change in a method used, such as using a different depreciation method or switching from LIFO to FIFO. An example of an accounting estimate change could be the recalculation of machine's estimated life due to wear and tear. The reporting entity could change due to a merger or a break up of a company.

Accounting changes require full disclosure in the footnotes of the financial statements to describe the justification and financial effects of the change. This allows readers of the statements to analyze the changes appropriately.

Investopedia explains ACCOUNTING CHANGE- A Company generally needs to restate past statements to reflect a change in accounting principle. A change in accounting estimate does not need to be restated. In the case of any accounting change, users of the financial statements should examine the footnotes closely to understand what the changes mean and if they affect the true value of the company.

Overview: Accounting and Disclosure

No country has comprehensive accounting standards that address the accounting and reporting of transactions in all types of derivatives and cash market instruments. The lack of comprehensive standards means that different accounting treatments are allowed for transactions with comparable economic substance. This makes it difficult for users of financial statements to understand an organization's use of derivatives and the accounting bases upon which the financial statements are drawn. This lack of transparency may lead to erroneous conclusions about a company's financial condition.

The inadequacies of existing accounting practices lie in its roots. Current practices are based on principles developed when the primary focus of accounting was on manufacturing companies that combine inputs (materials, labor, plant and equipment) and transform them into outputs (goods or services) for sale. Accounting for these revenue-generating processes is concerned primarily with accruing costs to be matched with revenues. A key point in this process is revenue realization - the point at which a company is considered to have transformed its inputs into cash or claims to cash. These realization and cost-based measurement concepts are inadequate because they take no account of unrealized gains and losses from movements in market rates between the transaction date and the date at which the financial statements are drawn.

International accounting standards should be accompanied by appropriate disclosure. Disclosure practices have not kept pace with rapidly changing technologies, the integration of the world's

financial markets and the growth of derivatives. They have however become of particular relevance in recent years as regulators have sought to encourage firms to disclose more information about the impact of derivatives and other off-balance sheet instruments on the risks inherent in the institution. Regulators view improved disclosure as complementing their supervisory efforts. If provided with meaningful information, investors, depositors, and creditors can impose strong market discipline on financial institutions to manage their trading and derivatives activities in a prudent fashion and in line with their stated business objectives. Market discipline can also reinforce the objectives of supervision by rewarding those that manage their risks effectively and penalizing those whose risk management is weak or ineffective.

But in framing disclosure requirements, the regulatory community has to be careful about weighing the advantages and disadvantages of each piece of information demanded. The criteria regulators have borne in mind are;

- The disclosed information must be meaningful in the sense of expressing how a particular firm does, in fact, assess and manage risk.
- It must be easily understood and presented in an adequate context or paradigm for relating details to the overall concepts.
- It should preserve proprietary information so that the firm need not reveal specific market opportunities and risks.
- It should not be burdensome in terms of cost- and time.
- It should be comparable and verifiable.
- The approach should be flexible so that it does not stifle the further development of risk management concepts and disclosure practices.

Unlike the IAS guidelines, banks are asked to disclose information about loans by major categories of borrowers, geographic information about impaired loans and past due loans, and summary information about troubled loans that have been restructured during the year. The Committee also asks for qualitative disclosures - it recommends that banks explain their accounting policies and the methods they use in determining specific and general allowances. Such information should include the key assumptions used in determining allowances, such as default rates, how they have considered historical default experience for different categories of loans, current conditions, changes in portfolio composition and trends in delinquencies and recoveries.

Methodology

This study is conducted with the intention to examine the practice of reporting accounting changes by companies that are listed in DSE based on the published annual financial report. Companies that are selected as samples were from the DSE main board list from various industries. The industry classifications were set by the DSE. From the annual report, data on financial year-ends, industry type, notes to the account, earnings per share, total assets, and audit firm will be used to see the disclosure of accounting changes.

Random sampling technique is used in this study and companies are selected randomly based on the random number table. This random sampling technique is widely used by past researchers on the financial accounting reporting (Gosman 1973; Bremser 1975; Leong et al., 1989; Ng 1999). Ng (1998) in his study of accounting issues and disclosure related to the International Accounting Standards (IAS) 2 used random sampling technique to select samples. Ng (1999) again in his

study of disclosure related to cash flow statement of listed companies in Bangladesh used the same technique.

For the purpose of reporting accounting changes, the selected companies' report from the year 1999 to 2008 were scrutinized to observe the accounting changes reporting trends for the period of ten years. Data were obtained from the library of the DSE. Therefore selected companies must have been listed on the main board of the DSE prior to the year 1999. As a whole, there were 37 companies and 370 annual reports examined (Table 1). Sample selection of 14% (37/271 x 100) of the companies' population listed in the DSE on December 31, 1990 is about 13% (Bremser 1975) and 20% (Gosman 1973) in the study sample selection.

Table 1: Selected Number of Companies and Annual Report

No.	**Industry**	**Sample**	**Annual Report Sample 1999 to 2008 (10 years)**
1	Real Estate	8	8 × 10 = 80
2	Plantation	8	8 × 10 = 80
3	Industrial goods	8	8 × 10 = 80
4	Consumer goods	5	5 × 10 = 50
5	Trading/services	2	2 × 10 = 20
6	Mining	2	2 × 10 = 20
7	Finance	2	2 × 10 = 20
8	Construction	2	2 × 10 = 20
	Total	**37**	**370**

Results

Accounting Changes Disclosure

Table 2 shows the accounting changes reported at least once a year by the study sample. Ten companies reported two year and four-year changes along the study period, which is 27.63%. On the other hand, eight companies reported three-year accounting changes (21.62%). Four companies disclosed five-year accounting changes (10.81%) and two reported six-year changes (5.41%). Only one company reported one, seven, and eight year changes (2.70%). Findings show that none of the selected companies did report any changes. This clearly shows that at least once in ten years companies change their accounting policy.

Table 2: Number of Accounting Changes

Number of Accounting changes (years)	**Number of Companies**	**%**
1	1	2.70
2	10	27.03
3	8	21.62
4	10	27.03
5	4	10.81
6	2	5.41
7	1	2.70
8	1	2.70
Total	**37**	**100.00**

Table 3 shows the type of change item reported. The most frequent reported item is the depreciation estimation followed by basis of consolidation, stock, expenses brought forward, retirement benefit, and amortization. Intangible assets, associated companies, depreciation method, and mining exploration expenses only appeared once in the report.
Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. When an IFRS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the IFRS and considering any relevant Implementation Guidance issued by the IASB for the IFRS.

In the absence of a Standard or an Interpretation that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is relevant and reliable. In making the judgement management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements and guidance in IFRSs dealing with similar and related issues; and
(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*.

An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. If an IFRS requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category. An entity shall change an accounting policy only if the change:

(a) is required by an IFRS; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

An entity shall account for a change in accounting policy resulting from the initial application of an IFRS in accordance with the specific transitional provisions, if any, in that IFRS. When an entity changes an accounting policy upon initial application of an IFRS that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively. However, a change in accounting policy shall be applied retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Table 3: Accounting Changes Item Type

Item Type	**Frequency**	**%**
Depreciation Estimation	117	80.7
Consolidation basis	13	9.0
Stock	2	1.4
Expenses brought forward	3	2.1
Retirement benefit	4	2.8
Intangible assets	1	0.7
Amortization	2	1.4
Associated companies	1	0.7
Depreciation method	1	0.7
Mining exploration expenses	1	0.7
Total	**145**	**100**

Based on the results obtained, it can be concluded that there were accounting changes reported in the companies' annual report and the most frequently reported item is the depreciation estimation. This item is reported to change frequently in the notes to the account.

Table 4: Accounting Changes by Item (yearly)

	Item type	2000		2001		2002		2003		2004		2005		2006		2007		2008			
		Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
1	Depreciation	11	78.6	7	58.3	12	80.0	13	65.0	15	88.2	19	90.5	13	86.7	15	78.9	12	100.0	117	80.7
2	Consolidation basis	1	7.1	3	25.0	2	13.3	4	20.0					1	6.7	2	10.5			13	9.0
3	Stock									2	11.8									2	1.4
4	Expenses brought forward	1	7.1					1	5.0			1	4.8							3	2.1
5	Retirement Benefit	1	7.1	2	16.7							1	4.8							4	2.8
6	Others:																				
	a) Intangible assets															1	5.3			1	0.7
	b) Amortisation settlement													1	6.7	1	5.3			2	1.4
	c) Associated companies					1	6.7													1	.07
	d) Depreciation method							1	5.0											1	0.7
	e) Mining exploration expenses							1	5.0											1	0.7
	TOTAL	14	100	12	100	15	100	20	100	17	100	21	100	15	100	19	100	12	100.0	145	100.0

Accounting Changes Reporting Flow Direction

The objective of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The motive and necessities behind accounting change is that the Standard (IAS 8) is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities. Table 4 shows the annual accounting changes according to their items. The year 2005 recorded the highest number of companies reporting accounting changes; the total is 21, while 2001 and 2008 recorded the lowest with only 12 companies. The most frequently reported item is the depreciation where the changes were exceeding 58% every year. Results obtained showed that obvious increment in the depreciation estimation item between 2001 to 2005.

Based on Table 4, changes in the period of goodwill settlement occurred most frequently in 2003, a number of four companies made changes to the consolidation basis item in the period of ten years. 2004 showed two companies made changes to the stock item. Changes in the settlement period of expenses brought forward occurred in 2000, 2003, and 2005 with one company reporting. Changes in retirement reward assessment occurred in 2000 and 2005 with one company made changes to the retirement benefit item and two companies in 2001.

For the rest of the items, changes to the settlement period of intangible assets occurred in 2007 with one company reporting. Changes in the settlement of amortization period occurred in 2006 and 2007, with one company reporting. Changes in the percentage of associated companies occurred in 2002 with one company reporting. In addition, changes in the depreciation method

occurred in 2003 with also, one company reporting. Furthermore, changes in the settlement period for mining exploration expenses occurred in 2003 with one company reporting.

Graph 1: Accounting Change Item by Year

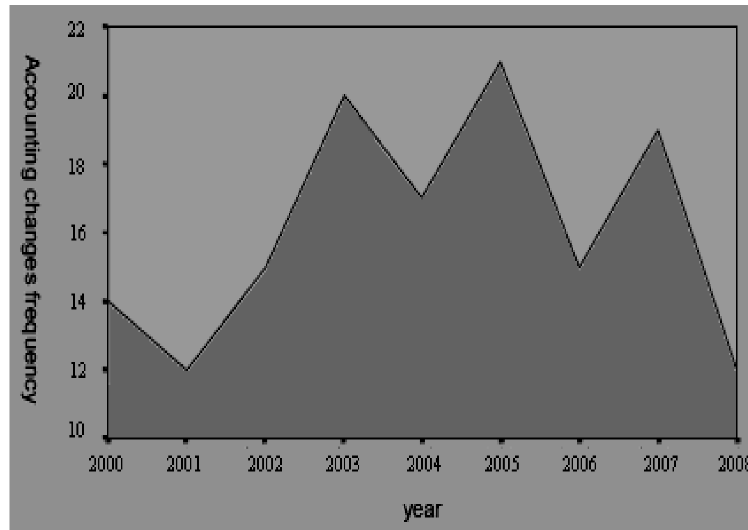

Table 5: Nature and Frequency of the Accounting Changes Item

	Item type / Year	00' %	01' %	02' %	03' %	04' %	05' %	06' %	07' %	08' %
1	Depreciation	78.6	58.3	80.0	65.0	88.2	90.5	86.7	78.9	100
2	Consolidation basis	7.1	25.0	13.3	20.0			6.7	10.5	
3	Stock					11.8				
4	Expenses brought forward	7.1			5.0		4.8			
5	Retirement benefit	7.1	16.7				4.8			
6	Others									
	a) Intangible Assets								5.3	
	b) Amortisation settlement							6.7	5.3	
	c) Associated companies			6.7						
	d) Depreciation method				5.0					
	e) Mining exploration expenses				5.0					
	Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

As shown in Graph 1, the number of changes reported yearly is volatile. Based on Table 5, the study found that the depreciation estimation item is frequently reported in the annual report more than 55% every year.

The results of the study have some similarity with the study done by Frishkoff (1970), where it was found that there was an increase in the number of companies reporting accounting changes for the period of three years from 1967 to 1969. Frishkoff (1970) found that consolidation basis item was the most frequently reported item in 1967 and 1968. However, this study found that there was an increase in accounting changes reporting from 2001 to 2003 and the most frequently reported item during the period of the study was depreciation item. From the findings it can be concluded that the direction of the accounting changes flow were reported in the annual report during the period of the study.

Relationship with firm's characteristics

Any statistical test that uses the chi square distribution can be called chi square test. It is applicable both for large and small samples-depending on the context. The chi-square (I) test is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. Chi-square is a statistical test commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis. Were the deviations (differences between observed and expected) the result of chance, or were they due to other factors. How much deviation can occur before us, the researcher, must conclude that something other than chance is at work, causing the observed to differ from the expected. The chi-square test is always testing what researchers call the null hypothesis**,** which states that there is no significant difference between the expected and observed result.

Based on table 6, this study found out that there is no significant relationship between the increase and decrease of earnings per share and the reporting of accounting changes for the period of ten years with 90% level of confidence reported in the annual report. This shows that an increase or decrease of earnings per share has no significant relationship with companies that reported the accounting changes in the annual report. This finding is inconsistent with the study done by Bremser (1975).

Table 6: Chi Square Test Results on earnings per Share

Year	Mean	Chi-Square	Significant
2000	17.64	0.069	0.792
2001	16.98	0.979	0.322
2002	15.93	1.616	0.204
2003	22.93	0.343	0.558
2004	25.83	0.183	0.669
2005	26.72	0.952	0.329
2006	45.22	0.04	0.842
2007	-13.64	1.17	0.279
2008	-0.9	1.93	0.165

Based on table 7, the study found out that there is no significant relationship between the size of the company and the reporting of the accounting changes in the annual report for the past ten years This finding is inconsistent with the study done by Ng Eng Juan (1991). Ng Eng Juan (1991) found out that companies with larger amount of assets were more obedient in reporting highlights statement compared to companies with smaller amount of assets.

Table 7: Chi Square Test Results on Company's Size

Year	Mean	Chi-Square	Significant
2000	1.75	1.089	0.58
2001	1.84	0.718	0.699
2002	1.89	0.905	0.636
2003	1.97	1.821	0.402
2004	2	0.343	0.842
2005	2.17	2.057	0.358
2006	2.27	2.084	0.353
2007	2.28	1.104	0.576
2008	2.22	1.369	0.504

Based on table 8, this study found out that there is no significant relationship between audit firms and reporting of accounting changes at 90% level of confidence except for the year 2004. Statistical analysis for the year 2004 shows that there is a significant relationship between audit firms and accounting changes reporting at 90% level of confidence. The results for the year 2004 is in line with the findings of Ng Eng Juan (1991), that demonstrate companies being audited by larger public accounting firms were more obedient in reporting of highlights statement than companies that were being audited by smaller accounting firms.

Table 8: Chi square Test Results on Audit Firms.

Year	Mean	Chi-Square	Significant
2000	1.39	0.935	0.334
2001	1.32	0.967	0.326
2002	1.36	1.915	0.166
2003	1.28	0.043	0.836
2004	1.33	8.229	0.004*
2005	1.33	0.514	0.473
2006	1.3	0.157	0.692
2007	1.31	0.007	0.936
2008	1.3	0.11	0.74

** Significant at significant level 10%*

Summary and Conclusion

The results of the study show a volatile flow direction in the reporting of accounting changes. Obvious increment can be observed in the year 2001 until 2003. Depreciation item is the most frequently reported every year. The number of companies reporting is the most in the year 2005 with the total of 21 companies. 2001 recorded the least companies reporting with only 12. Based on the findings, it can be concluded that there is no significant relationship between earnings per share and size of the companies with the accounting changes. Only in 2004, there is a significant relationship between audit firms and accounting changes.

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