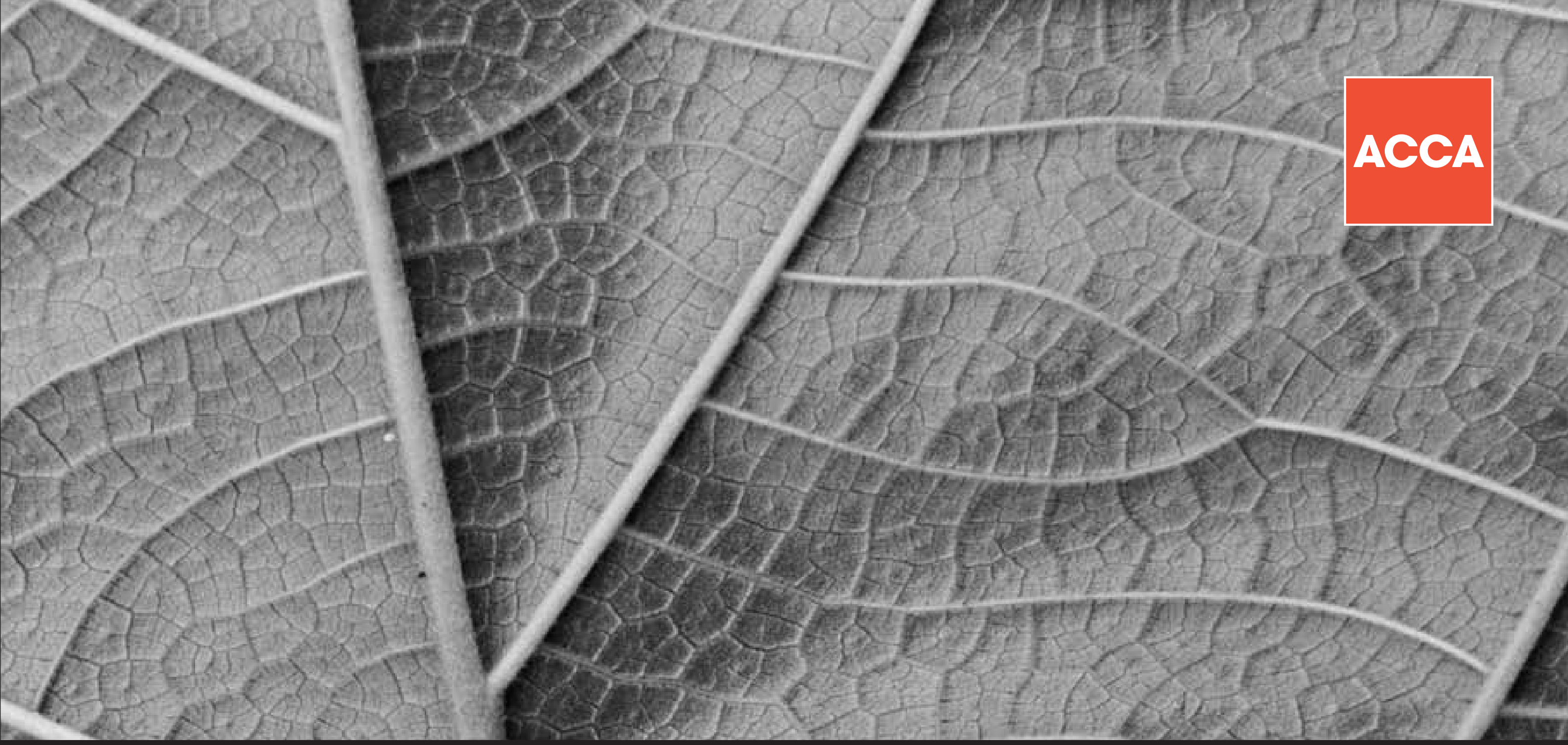
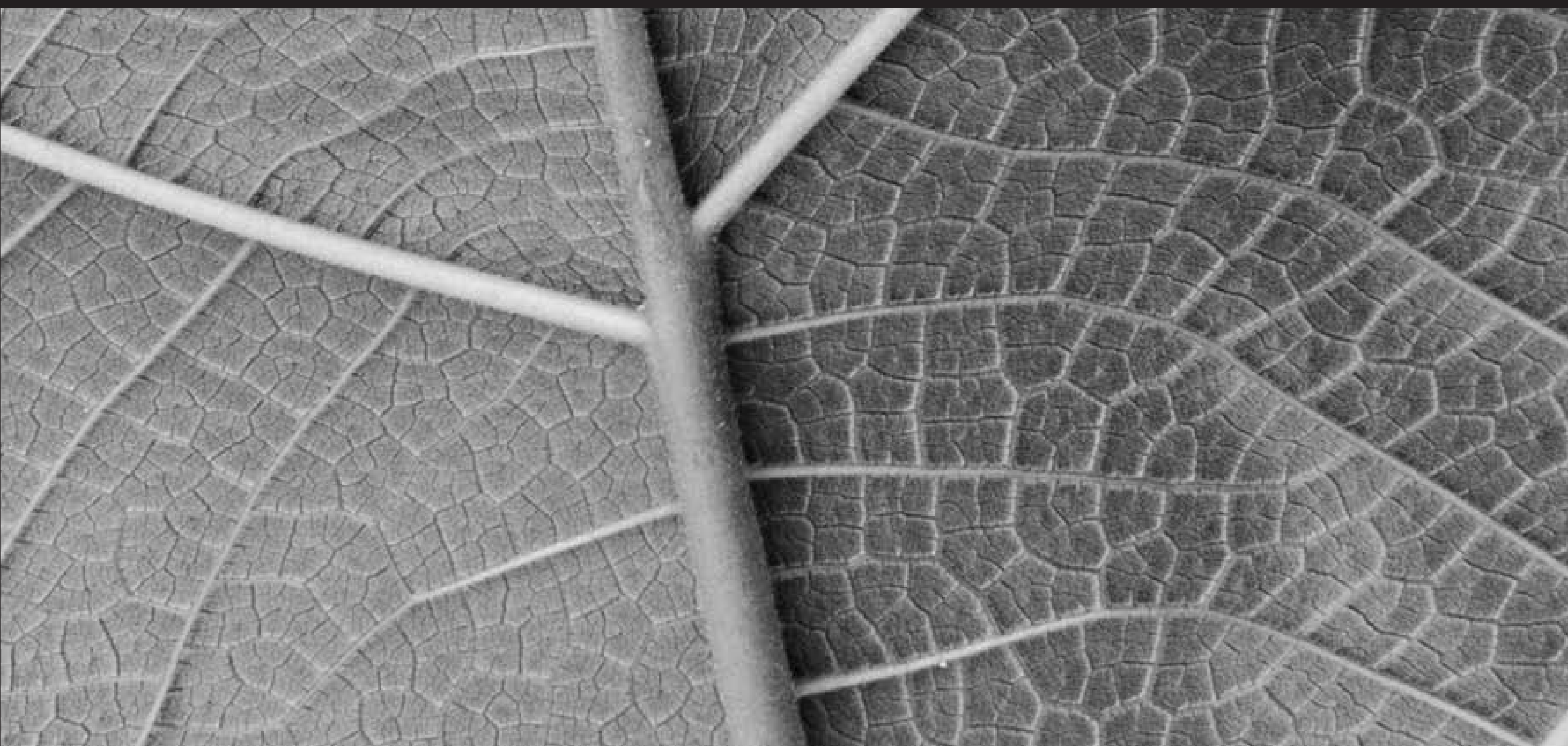


ACCOUNTANTS FOR BUSINESS

Understanding investors: the road to real-time reporting



About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 154,000 members and 432,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 80 offices and centres and more than 8,400 Approved Employers worldwide, who provide high standards of employee learning and development.

ABOUT ACCOUNTANTS FOR BUSINESS

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

www.accaglobal.com/ri

This report is the third of a four-part project examining what investors want from corporate reporting and how organisations are responding to their needs.

It explores trends in the speed of internal and external financial reporting, and assesses the pros and cons of a move towards real-time, or 'near-to-real-time', reporting to investors and other stakeholders.

Contents

Foreword

ACCA has consistently argued that the role and interests of investors need to be better understood and placed more centrally in policymaking processes by legislators and standard setters. The investor's voice is often not heard strongly enough, which is perhaps understandable given the range of organisations and interests that can fall under the heading of 'investors'.

In order to address this need for greater understanding of the investor landscape, ACCA, in collaboration with Longitude Research, has developed a four-stage project examining the changing investor universe since the global financial crisis, and what investors want from corporate reporting. The project examines how pressure to respond to the needs of investors may change the approach taken by companies in reporting their activities and engaging investor groups.

Over the four stages, the project examines:

- recent developments in the investor landscape, trends and emerging issues since the global financial crisis
- the kind of information investors need to make their decisions, how they now like to receive that information (both the format and the communications channel), and their level of trust in what they receive
- the move towards 'real-time' reporting, and how companies are responding to calls to disclose certain information with much more immediacy, rather than at the end of a quarter or year
- how companies are already changing their investor engagement and reporting activities to reflect evolving investor demands, and what this means for the finance function and the chief financial officer.

This report is the third stage of that process. Although it uses the UK and Ireland investor base for its analysis, the trends it identifies have a much wider resonance, internationally.

Helen Brand
ACCA chief executive

Executive summary

ABOUT THE RESEARCH

This report, which was written by Longitude Research on behalf of ACCA, is based on a survey of 300 investors, conducted in March 2013, and a programme of in-depth interviews with leading figures from the investment community.

Half the survey respondents represent institutions with more than US$500m in assets under management. There was a good spread across sectors: 38% represented pension funds, 30% insurance companies, 10% private banks and family offices, and 11% other asset-management firms. A further 9% were investment advisers or analysts, and the remaining 2% corporate treasurers. Respondents were based in the UK (80%) and in Ireland (20%), and analysis of both sets of respondents found that these two groups differ very little in their outlook on the issues covered in this report. More than 50% of respondents were 'C-level' executives.

IN-DEPTH INTERVIEWS

In particular, we would like to thank the following people, who provided in-depth interviews with our research team.

- Tim Barker, head of credit research at Old Mutual Global Investors
- Tony Cates, head of audit at KPMG
- Andrew Davies, a senior partner at Ernst & Young's Financial Accounting Advisory Services
- Julie Harris, business development manager at Pureapps, an Oracle Platinum Partner
- Chris Higson, associate professor of accounting practice, London Business School
- Samantha McConnell, chief investment officer, IFG Pensions, Investments and Advisory Services, Ireland
- David Stewart, chief investment officer, Santander Asset Management UK
- Robert Talbut, chief investment officer, Royal London Asset Management
- Rohit Talwar, a futurist and CEO at Fast Future Research
- Ankita Tyagi, research analyst for the Financial Management and Governance, Risk, and Compliance (GRC) practice at Aberdeen Group
- A partner at a leading UK hedge fund.

BACKGROUND

Finance teams and management professionals within companies now have unprecedented access to information that can help to guide decision making. Trends such as 'big data', and the more widespread adoption of analytics to identify patterns in data, mean that information can be gathered, accessed and analysed at an extremely rapid rate. For boards and management teams, 'real-time' data is now close to becoming a reality.

Yet this picture is very different from the one that confronts external stakeholders, and investors in particular. For them, the reporting cycle remains episodic, and defined by annual reports, quarterly updates and occasional trading statements. Although investors themselves are using market data that may be updated as frequently as every millisecond, external corporate reporting information exists on a completely different timescale.

There is pressure for change, however: key stakeholders, such as investors and regulators, want companies to provide greater transparency and a faster flow of information. This is, in part, a reaction to new technology. For example, the US Securities and Exchange Commission (SEC) recently issued guidelines allowing companies to use social media sites such as *Facebook* and *Twitter* to disseminate company announcements.

This report explores how expectations of the speed of corporate reporting are changing, and asks whether the faster provision of financial information could become a competitive advantage by improving trust and transparency and, ultimately, result in a lower cost of capital.

The report details the gap between the speed at which companies are using information internally, and the pace at which its data is reported externally. It poses the question of how sustainable and desirable this gap is, and whether the corporate reporting process will come under pressure for fundamental reform.

The contrast between companies' increasingly up-to-the-minute operational processes and what is being reported and assured externally, which still takes weeks or even months, must lead to a debate on the future of corporate reporting.

DEFINING REAL TIME

'Real time' is a narrative technique in which the events depicted take place entirely within the span of the depiction, and at the same rate.

Reporting information in real time means disseminating company information in a continuous manner, rather than at set time intervals, as at present.

FINDINGS

This report shows that there is a genuine demand for 'real-time' reporting among investors – who, never let it be forgotten, are the people at whom corporate reporting is principally aimed. While there are various definitions of the term 'real time', it is used here to mean disseminating company information in a continuous manner, rather than at set time intervals, as at present.

The survey of 300 investors described above shows that a move towards real-time reporting would increase investor returns and enhance the level of confidence in corporate reporting. Companies that provide information on an 'as needed' basis would be perceived as having better corporate governance, and would attract investment more easily.

The main findings of the survey are:

- 85% said that real-time data would improve their ability to react quickly
- 78% believed that real-time reporting would enhance investment returns
- 75% would be prepared to pay more for real-time information to be externally assured
- 73% would consider companies that report in real-time to have more robust corporate governance
- 71% said it would increase their understanding of corporate performance

- 70% said that companies reporting in real time would have an advantage in attracting investment
- 65% said it would reduce costs of doing business with such companies
- 51% said it would increase liquidity in financial markets.

There are, however, significant downsides to be balanced against the benefits of such a move. Almost two-thirds of investors surveyed believed real-time reporting would create further financial instability and lead to an increased tendency to short-termism in financial markets. In line with this, most also thought that an increase in market volatility would be likely. There are, therefore, underlying questions as to whether what investors are asking for would be positive for the market as a whole. This report sheds light on the emerging debate.

The areas where investors have said that they would value speed most are in emerging opportunities and profit warnings. On liquidity and general financial information, assurance is regarded as more essential than speed.

The dichotomy revealed by this survey – that investors would find real-time information useful for their own decision making, yet fear an increase in market instability – creates many areas of uncertainty for policymakers and other audiences. Would regulators have the capacity to deal with this? Would auditors be able to move to a system of continuous, rather than periodic assurance? And would the companies themselves find they were disclosing information useful to competitors?

One of the questions raised is whether an increased pace of dissemination would mean loss of accuracy. On the other hand, as one of the experts quoted in the report points out, retailers put out their Christmas sales figures early in the New Year and these are unaudited. Yet this information is regarded as crucial to the perception of how those companies have performed. So to an extent this is already happening.

The report identifies that companies already come under pressure from investors and regulators to speed up their closing process, ie the gap between year-end and publication of results. Those that take longer than the average are increasingly regarded as having inefficient systems. A move to real-time reporting could be a significant extension of this market sentiment.

With investors using market data that may be updated by the millisecond, and everyone in their daily lives being used to getting information on demand, the debate about how long company reporting can continue to be done on such a vastly slower timescale must start now. Market participants need to be ready for potentially far-reaching repercussions – both for the future process of reporting, and the wider investor environment.

1. Fast data for companies

Today, companies are collecting vast quantities of data from a variety of sources, including real-time transactional data and online social media data. This is transforming the business world. They are also employing big data and other related technologies to help empower managers to make more educated and timelier business decisions.

> Real time is the acme, but there is no single agreed definition of 'real time'.

PROLIFERATION OF INTERNET DATA

An article in *Wired* magazine (Lorentz 2013) contains some surprising information about the speed at which new data is being created on the internet. 'Every minute, 48 hours of video are uploaded onto *YouTube*. 204 million e-mail messages are sent, and 600 new websites are generated. 600,000 pieces of content are shared on *Facebook*, and more than 100,000 tweets are sent. And that does not even begin to scratch the surface of data generation, which spans sensors, medical records, corporate databases and more.'

A fast, accessible stream of data allows companies to receive and process information with unprecedented speed. They can now gain knowledge, as well as monitor and address critical issues, in real time. In the past, when a chief executive asked for a report 'now', it merely reflected the urgency of the request. Yet today, when it comes to the flow of information within a business, 'now' is increasingly feasible. Faster data or real-time data technologies are changing the face – or more specifically the pace – of business (Forbes 2013).

HOW FAST IS FAST?

When it comes to the speed of information provision, real time is the acme, but there is no single agreed definition of real time. Another recent survey showed that there are different interpretations of this term. Almost half of respondents (49%) viewed information that is updated on a per-minute basis as being 'real-time' information. A slight majority of respondents (51%) think data can still be considered 'real-time data' if they are updated less frequently – on an hourly or even a daily basis (Aberdeen Group 2012). This report examines the trend towards faster or real-time information. In some cases, genuine real-time information is feasible; in others, only 'close-to-real-time' information is an achievable goal.

THE DRIVE FOR FASTER INFORMATION

Information has always been the lifeblood of management. In simple terms, faster information allows managers to make quicker decisions. In today's globally connected business environment, speed, agility and responsiveness give companies a competitive edge. A report from Oracle (2013), *Big Data Gets Real-time: Oracle Fast Data*, highlights this trend: 'Today, more and more cases within IT are demanding the elimination of latency as part of solving a business problem. Data loses value at a faster rate, and consequently, the value you get from your data diminishes when you don't tap into it soon enough.'

Ankita Tyagi, the author of a recent report on the uses of real-time information in business (Tyagi 2012a), believes that faster information allows companies to respond more nimbly because they can see events as they happen and can quickly tackle problems or take advantage of opportunities. 'If something important takes place in your business and the business has visibility into it as its taking place then executives have an opportunity to move fast and shift resources to address it in a timely manner,' says Ms Tyagi. 'In today's environment, business agility is just as important as a long-term strategy.'

The drive for faster data has undoubtedly intensified in the wake of the financial crisis and now has a more urgent corporate mandate than ever before. The push is coming from the top, according to the Ms Tyagi: 'There is definitely more scrutiny and a greater push from top-level executives. With the economic crisis, they feel as if they cannot just sit back, wait and react. They need to be proactive.'

Speed, agility and responsiveness give companies a competitive edge.

Rohit Talwar, a futurist and CEO at Fast Future Research, echoes this perspective. 'Managers are hungry to get information about what's going on in their business as quickly as possible, especially if it's something mission-threatening', he says. 'If you're monitoring transactions in real time, for example, you'll know if sales are falling off a cliff or if there's an issue with product returns. The sooner you know, the sooner you can fix it.'

Consider sales data as an example. By collecting and analysing data at the point of sale on a daily or even hourly basis, companies are much better able to anticipate trends and react to shifting patterns. This is particularly true in sectors where a high number of small daily transactions occur, as opposed to those industries with bigger transactions or longer-term contracts. 'Retailers pay a lot of attention to real-time sales data', says Tony Cates, head of audit at KPMG. 'I've seen CEOs and COOs who have the daily takings per shop on their iPad. But in a sector like aerospace or defence, I wouldn't expect them to be getting daily, or even monthly, reports. If you're building a nuclear submarine, it's going to take you 10 years so real time is not your priority.'

An accelerating pace of information supply has changed the scope of the finance function's responsibilities – and often given it greater prominence in the corporate hierarchy. Today, senior management expects the finance function to play a larger role in business and operational decision making, as well as in management reporting. This has encouraged investment in systems, processes and infrastructure that enable more rapid aggregation and analysis of data. 'Our research suggests that finance departments are looking for real-time information for cash-flow and price monitoring, financial planning, risk management, back-office functions, accounts payable and receivable, and even payroll', says Ms Tyagi.

Technology is also an important driver of faster or close-to-real-time data. 'From a technology perspective, most information, whether it is financial data or operational metrics, can be manifested in, or near, real time', notes Julie Harris, business development manager at Pureapps, an Oracle Platinum Partner. 'Look at what is happening with social media; these things can be farmed, analysed and turned into useful and informative business information very quickly.'

TOO MUCH DATA?

An abundance of data can, however, be a double-edged sword. Many people worry that this proliferation may lead to information fatigue or 'data smog' and reduce a company's ability to glean useful knowledge from it. KPMG's Mr Cates thinks there might be a danger of overload. 'If you're a senior executive, you have access to much more information about your business now than you did even two years ago', he says, 'but there are still only 24 hours in a day. To hone it down to the key pieces of information, companies need to ask some questions: what information is useful? Who needs to know what? How frequent do updates need to be?'

Andrew Davies, a senior partner at Ernst & Young's Financial Accounting Advisory Services, raises a similar point: 'There will always be data junkies that want to have more and faster information, but just having a lot of data at your fingertips is not enough; you need to make sure you are using it wisely.'

Just having a lot of data at your fingertips is not enough; you need to make sure you are using it wisely.

2. Faster close

Companies are facing demands to complete their financial reporting with more speed and transparency.

As companies garner the benefits of close-to-real-time data on their sales, supplies, operations and financials, so they are coming under pressure to apply a similar acceleration to their external reporting. A recent report by PricewaterhouseCoopers describes how companies are facing demands to complete their financial reporting with more speed and transparency. Companies are reporting results more frequently, they are establishing earlier delivery deadlines following each accounting period, and they are allowing investors and other stakeholders to access financial statements easily and review investment decisions quickly (PwC 2007).

Regulatory bodies are aiming to make information more accessible. In the US, the SEC has reduced the time for filing financial reports. The largest companies must now file quarterly reports within 40 days, and the deadline for their annual reports has declined to 60 days. The SEC has also accelerated its filing deadlines for 10Q and 10K reports (FSN 2009). A similar trend can be seen in the UK.

Investors want to increase the pace and frequency of reporting as well. Moreover, the financial crisis and the ensuing revelations about corporate irregularities have understandably caused investors to scrutinise financial information more rigorously. Many investors believe that there is an excessive time lag between the end of the financial year and the publication of results. In some instances, year-end results are not provided for close to 90 days and, by then, the data is considered too historical to be useful.

'The delay from that "photo day" to the actual publication date when stakeholders can finally see the report is too long', says Samantha McConnell, chief investment officer of IFG. 'The audit can take months, which is a substantial and frustrating delay.'

Tim Barker, head of credit research at Old Mutual Global Investors, also believes the delays are unsatisfactory. 'I think a faster close should be encouraged. At the moment, the market doesn't penalise slow companies, but I would like to see that happen.'

COMPANIES ARE CLOSING THEIR BOOKS FASTER

By shrinking the financial consolidation and reporting cycles, companies are reducing the amount of time for the closing process. Today, the best performing companies are finalising their reports and closing their books within 30 working days; some are achieving it within just 10 days. The speed of the close has little correlation with company size; some of the largest organisations are in fact the quickest to turn around their annual report. It's not surprising, then, that investors get frustrated with the inconsistencies. After all, if a large corporation can produce its report within a month, why can't everyone?

Mr Davies of Ernst & Young thinks that best practice should involve around 10–15 working days on closing the report. This is long enough to allow a detailed assurance process but short enough that the data is fresh and valuable. 'You'll still have meaningful data that is of high enough quality to be audited and will allow you to make good business decisions', he says, 'but you'll stop the finance department from jumping through hoops that are not going to add any value to the management information process.'

But Chris Higson, associate professor of accounting practice at London Business School, thinks that the benefits of faster closing need to be carefully considered. 'Suppose that companies close their books and publish their results one day after the end of the financial year instead of one month after,' he says. 'The questions we need to ask are: Why would that be useful and to who? Is there a social benefit?'

THE BENEFITS OF FAST CLOSING

Companies that achieve fast closing can gain a reputation for transparency and openness. It is part of what some observers call the 'democratisation' of corporate information. 'We tend to believe that if a company can get information out quicker than its peers, then it must mean that its processes and control systems are better,' observes Mr Cates. 'It does enhance a company's reputation.'

'It has been true for a while that being able to get your results together quicker was a sign of decent internal management systems', says a partner at a leading UK hedge fund. 'There is no doubt that companies that can do faster closing are seen to have better governance and are viewed in a better light by certain investors.'

Conversely, investors are suspicious about those companies that cannot keep up with the expected speed of closing. Businesses that lag behind the average closing pace can give the impression that they find it difficult to provide a good aggregated picture. If so, observers may presume that the company's management team is not getting the best information, which can create doubts about the team's ability to make the right decisions. 'Faster closing tends to be a sign that a company has got its act together in the way their information is structured and the way their systems work,' says Mr Talwar. 'The longer firms take, the more it says that either they've got skeletons in the cupboard or that their systems are inefficient.'

Inefficient systems and processes are not the only reason why some companies may struggle with a fast close. Complex global companies with branches in multiple countries, or long-term contract businesses where evaluation can involve exercising judgement, might also experience difficulties with an accelerated information-gathering process. In the long run, however, closing is likely to become faster as companies realise the benefits it brings and establish ways in which they can close fast with a level of information that will satisfy investors and regulators.

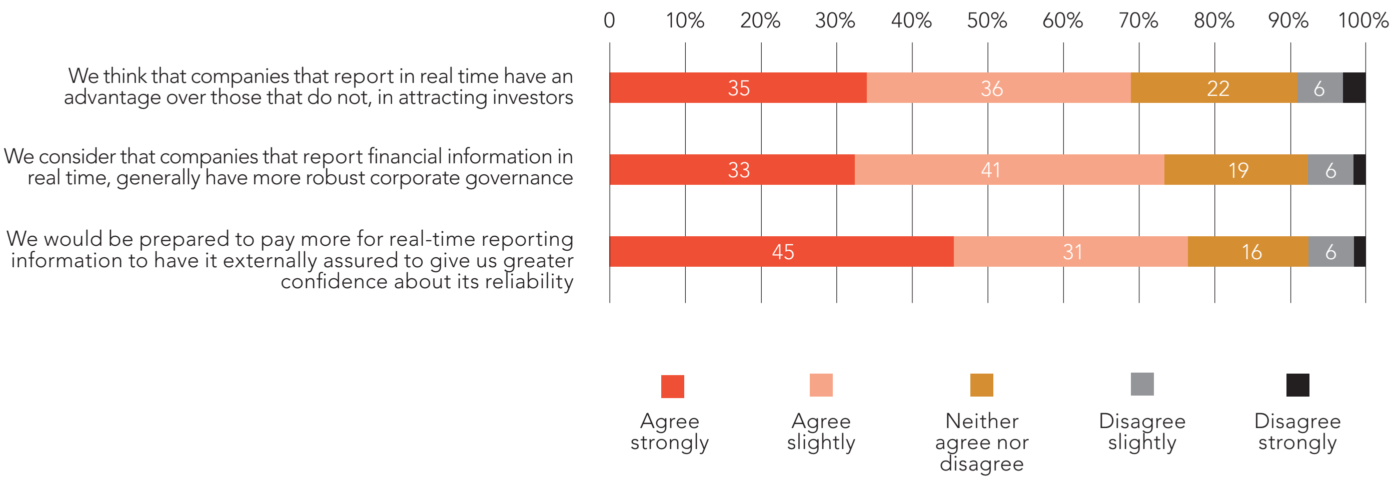
Investors are suspicious about those companies that cannot keep up with the expected speed of closing.

3. Towards real-time reporting?

In an increasingly real-time world, we expect to have the latest news and commentary available instantly and are ever more intolerant of any delay. Similarly, investors who are used to tracking the prices of futures, options and stock prices in real time, are now expecting real-time information from companies. Although definitions of real-time reporting vary, this would, in essence, mean shifting from a process of making such data available only at certain pre-established intervals to one where it is provided on an as-needed basis (Aberdeen Group 2012).

As with faster closing, investors perceive that a shift towards the provision of real-time information would bestow a halo effect on companies. In a recent survey carried out for this series, almost three-quarters of respondents said that they would consider companies that reported financial information in real time as having more robust corporate governance. Likewise, 70% of investors surveyed believed that companies that reported in real time would attract investors more easily than those that did not (see Figure 3.1).

Figure 3.1: Please indicate whether you agree with the following statements.



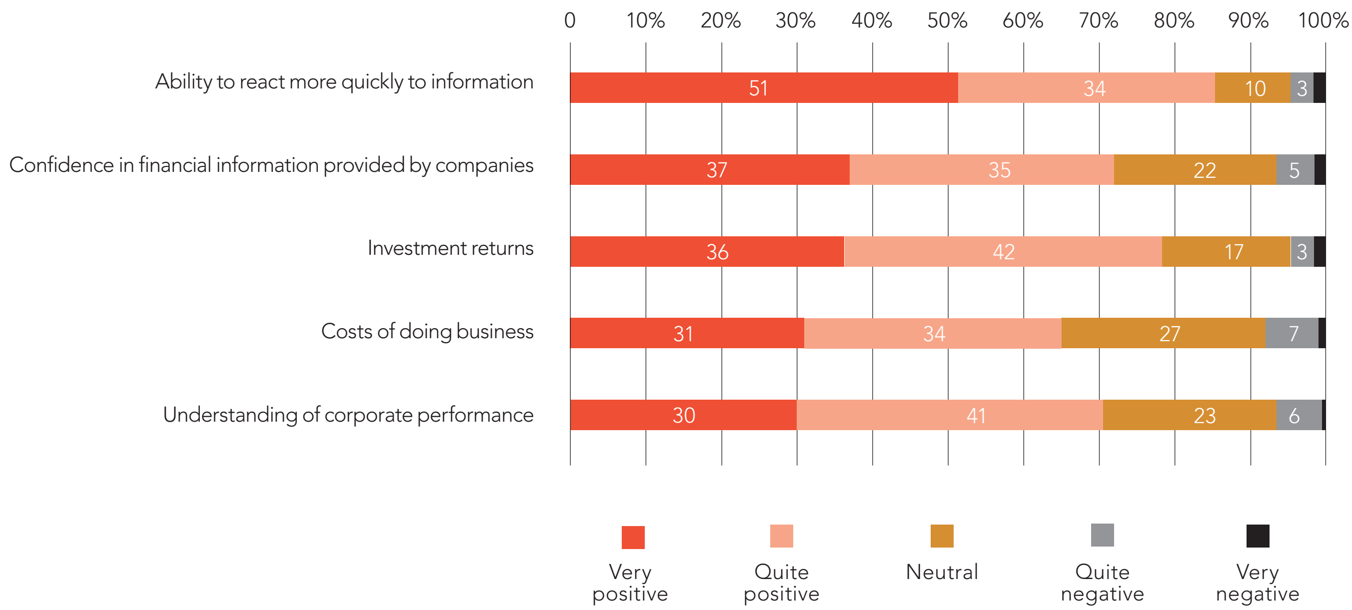
DEMAND FOR REAL-TIME REPORTING

A shift towards real-time reporting would have many benefits, according to investors. Among those surveyed for this report, more than three-quarters stated that it would increase both returns and the level of confidence in company information. In addition, the majority of investors (85%) said that real-time information would improve their ability to react more quickly, while slightly more than half (52%) said that real-time information would increase liquidity (see Figures 3.2 and 3.3).

There is a general tendency for investors to err on the side of requiring more information; particularly during a period of economic uncertainty, extra information may provide an element of reassurance, as well as the potential for an edge over the market. 'Investors never ask for less information', says Mr Cates. 'They always complain about too much extraneous detail in financial statements, but they never tell me to remove any notes. They always want to be able to discard the information themselves.'

Demand for real-time information is likely to vary according to investor focus. 'For longer-term investors like us, the prospect of real-time information offers no benefit at all', says Robert Talbut, chief investment officer of Royal London Asset Management, 'but, if you were to ask momentum investors whose livelihood is based upon high turnover and trading mentalities, they may well see the benefit in more and more reporting, because that provides further opportunities for trading activity and mispricing to occur.'

Figure 3.2: What impact would a move towards real-time reporting have on the following aspects of your role?



POSSIBLE CONCERNS

Although many investors think real-time reporting would improve their ability to make decisions, some have doubts. Many respondents to this survey were concerned that it could create further financial instability and lead to a short-term mentality. The survey indicates that almost two out of three investors believe real-time information would lead to an increased tendency towards short-termism in financial markets, and a slightly smaller figure (62%) believe that it would lead to an increase in volatility (see Figure 3.3).

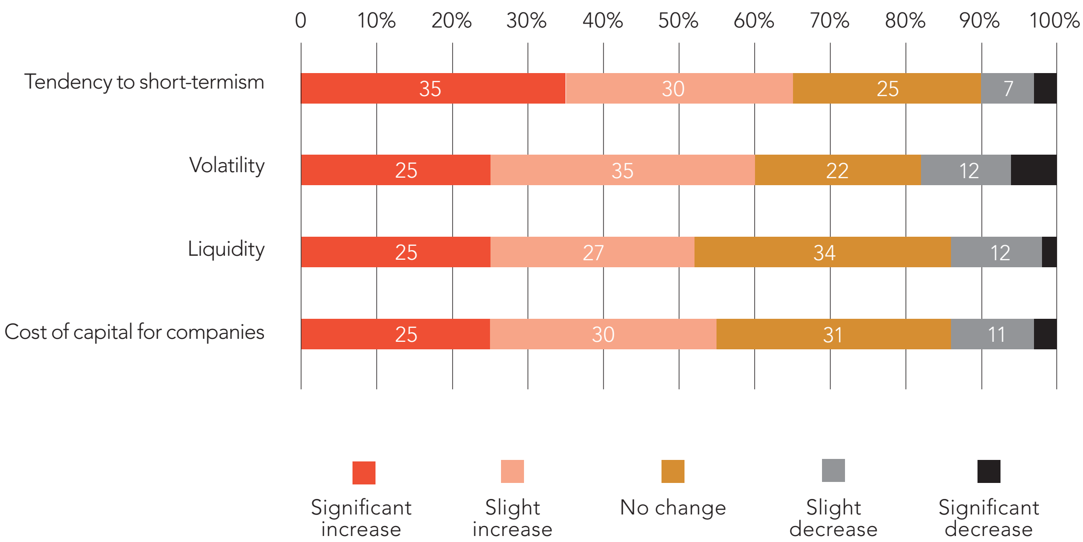
For their part, regulators are likely to remain cautious. Since real-time information comes with additional implied responsibility, regulators may be reluctant to accept it unless they have the tools, resources and changes in working practice to monitor it. 'The buck stops with the regulator,' explains Mr Talwar. 'If they're taking data in real time, and they miss something or something goes wrong, then they get the blame. Unless they have the capacity to deal with it, they won't want it.'

Informal close-to-real-time information provided over social networks such as *Twitter* and *Facebook* may also provide a major challenge for regulators. 'We are going to see more and more informal information delivered in real time via social media', says a partner in a leading UK hedge fund. 'I am talking about announcements ceasing to be announcements, [but made as} informal comments by executives related to the business, for example. And I don't think regulators are at all prepared for this.'

The prospect of increased transparency and provision of real-time information also raises competition issues. A company reporting real-time sales figures to shareholders, for example, could be vulnerable to a competitor who gained access to those figures and took action in response to them. Companies would need to find a balance between the amount of disclosure and the need to maintain 'trade secrets'. 'You don't want to disclose too much but you don't want to disclose too little either, so you want to give people a sense of transparency without showing all your cards,' says Ms Tyagi.

The provision of real-time business information would also command a significant amount of a company's attention. 'Data on a daily basis may not be that helpful,' says KPMG's Mr Cates. 'If you're getting numbers all the time, there's a pressure to keep reading, interpreting and explaining the figures to investors. That's time-consuming and distracting.'

Figure 3.3: What impact do you think real-time reporting would have on the following aspects of financial markets?



FASTER, BUT LESS ACCURATE DATA?

Moreover, there is a question about the reliability of real-time information. By nature, real-time data is raw and delivered without lengthy review. According to IFG's Ms McConnell, it is a question of balance: 'At some point, you have to consider whether the need for fast information is outweighed by the fact that some of the information may be inaccurate.'

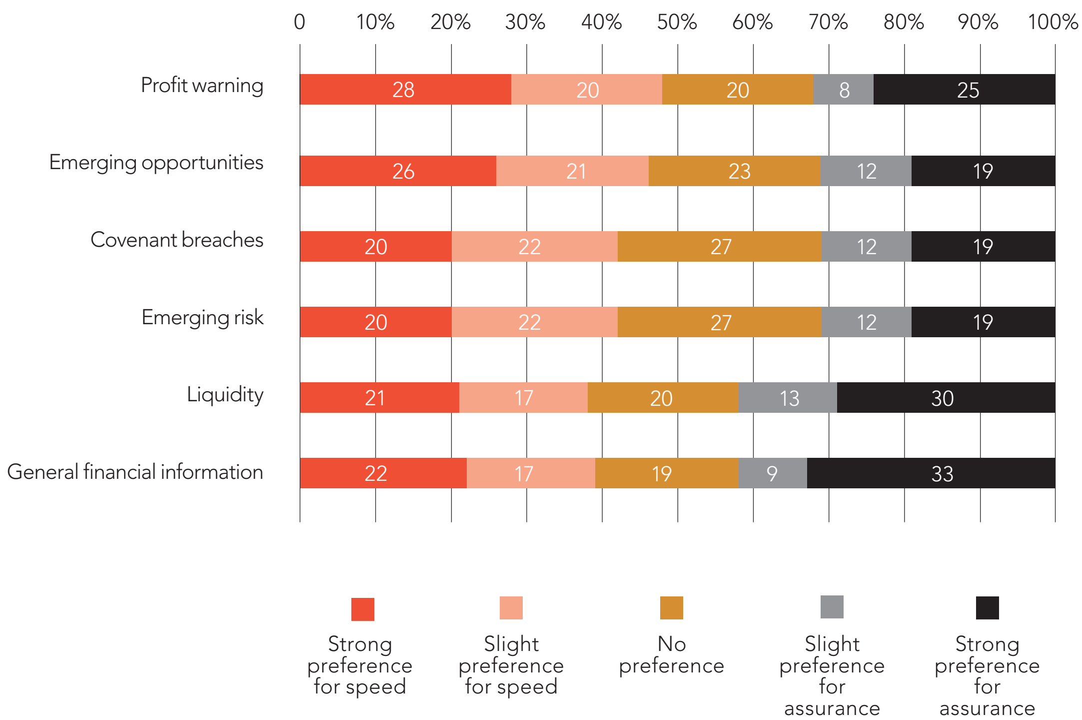
Assurance takes time and slows down the flow of information but gives consumers of the information confidence that figures conform to accounting standards. 'Today, financial reporting requires a lot of judgement'. says Mr Davies. 'As data [delivery] gets faster and faster, there will be less time to go through the necessary steps to make sure it is correct.' Inevitably, faster information will be less accurate. 'Close-to-real-time data will be wrong because it will never be in accordance with accounting standards', adds Mr Davies.

Professor Higson believes that faster reporting will contain less information. 'In general, the faster the information production, the lower the quality, as the information contains less accounting judgment,' he asserts. 'Many users will instead wait for the judgments contained in the annual report.'

Even sales numbers, which are among the easier data to report, require accounting judgement to be considered accurate. 'Even with sales data, you may need to apply quite a bit of judgment around issues such as delivery, and collectability of debtors', notes Professor Higson.

Yet it seems that many investors are willing to accept less accuracy in some circumstances. Mr Cates points out that providing unaudited figures is not a

Figure 3.4: For each of the following types of reporting information from companies, would you prioritise speed or assurance?



problem in other areas. 'The year-end Christmas sales numbers, which the market values, are never audited', he says. 'There's no reason why they couldn't be, and it's fundamental to the share price and therefore the value of the company. But we don't give assurance on that because we've never been asked to.'

Ms McConnell notes that the market always adjusts to new information. 'At some point, you do need assurance that the figures you are getting are correct, but the fact is that the market is quite a leveller and market prices tend to move way ahead of the fundamentals,' she says. 'By the time you've got your assurance, the market is priced on something else. Information gets out. You may not get it from the company itself, but you'll get it from the customers or suppliers.'

ACCA research suggests that the degree to which investors prefer speed over assurance varies depending on the nature of the information. For example, investors are more likely to express a strong preference for assurance over speed when it comes to general financial information and liquidity. By contrast, they tend to prioritise speed when it comes to emerging opportunities and, to a lesser extent, profit warnings (see Figure 3.4).

Many believe that a move towards close-to-real-time reporting would require significant changes to the model of assurance. 'There are a lot of questions here', says Mr Davies. 'How would auditors give an opinion on moving data? For example, would they fix it at a point in time? There could be ways of auditing and giving historical real-time data to get approval, but I think you would have to go through some very radical changes to audit methodology, audit opinions and the infrastructure needed to perform an audit at all.'

4. Conclusion

Technology, competition and the pace of business are changing the way in which companies think about internal management information. A proliferation of structured and unstructured data is fostering a new approach to decision making, in which trends such as big data and analytics are playing a prominent role. The provision of real-time data is now becoming feasible and is helping to give companies a competitive edge.

These trends have, however, been slow to cross over into external corporate reporting. For now, audited reporting remains episodic and follows the traditional quarterly and annual rhythm. Now that real-time information is starting to become more important for management decision making, so questions are beginning to be asked about whether investors can expect a similar acceleration in information provision.

On the face of it, faster information provision and reporting would seem beneficial to many investors. Accessing information more quickly about corporate performance would lead to a more accurate assessment of a firm's prospects, without the time lag that characterises the gap between closing the accounts and publishing a report.

Yet this is an area that is fraught with challenges. At a time when policymakers are extolling the virtues of long-term thinking and seeking to discourage a focus on short-termism, real-time reporting would suggest a move in the other direction. It may lead to greater volatility, and a greater emphasis on investor churn.

Ultimately, a balance needs to be struck, and it seems clear that a trend towards faster closing will be difficult to resist. Timely publication of accurate corporate performance information helps to reassure the market – if a company is able to close in 30 days, rather than 90, then that reflects well on its broader governance and management capabilities. Faster reporting is inevitable – and largely desirable – but investors, regulators and auditors must consider carefully where the boundaries should lie between speed and assurance/accuracy.

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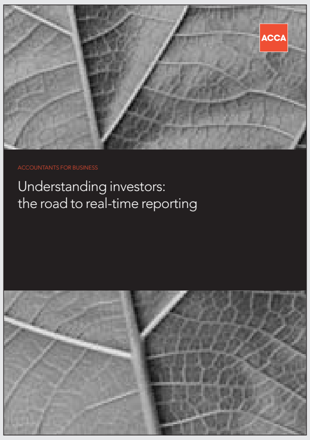
Understanding the investor landscape

ACCA, in collaboration with Longitude Research, has developed a four-stage project examining the changing investor universe, post-global financial crisis, and what investors want from corporate reporting. The project examines how pressure to respond to the needs of investors may change the approach taken by companies in reporting their activities and engaging investor groups.

Recent developments, trends and emerging issues in the investor landscape since the global financial crisis. While it uses the UK and Ireland investor base for its analysis, the trends it identifies have a wide international resonance.

The information investors need to make their decisions, how they now like to receive that information (both the format and the communications channel), and their level of trust in what they receive.



The move towards 'real-time' reporting, and how companies are responding to calls to disclose certain information with much more immediacy, rather than at the end of a quarter or year.

How companies are already changing their investor engagement and reporting activities to reflect evolving investor demands, and what this means for the finance function and the CFO.

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ACCA 29 Lincoln's Inn Fields London WC2A 3EE United Kingdom / +44 (0)20 7059 5000 / www.accaglobal.com