



End of Grade Paper

**[DISCLOSURE RISKS INFORMATION
ON EUROPEAN FIRMS]**

Presented by:

[Manel Gil Monraval]

Tutor:

[José Miguel Tirado Beltrán]

Finance and Accounting Grade

Academic Course 2015/2016

Abstract

This end of grade paper has the objective of measuring, categorizing and analyzing the impact that may suppose risks information Disclosure on non-financial European companies. In order to, this way, reach the eager risk reduction on the investments done on companies that share these features.

For reaching this series of objectives, it has been made firstly a summary of the world's normative, and then a series of critiques to this norms written up by different authors mentioned in the text.

Finally, it has been carried out a risks measuring work of 6 European companies with the objective of appreciating the impact that the risks of the same may present over the value of the company's' shares, using a methodology based on counting sentences and paragraphs.

Index

| | |
|--|--------|
| I. Introduction..... | - 3 - |
| II. Regulation about risks information | - 4 - |
| II.1 Precedents..... | - 4 - |
| II.1.1 ICAEW (1997) | - 6 - |
| II.2 Actual rules | - 7 - |
| II.2.1 SEC (1997) FRR n° 48 | - 7 - |
| II.2.2 IRFS n° 7..... | - 8 - |
| 2.2.3 GAS 5 (German normative) | - 11 - |
| III. Bibliographic revision | - 12 - |
| III.1 Pros of risks divulgation on companies..... | - 12 - |
| III.2 General vision of the investigation lines about risks information..... | - 13 - |
| III.2.1 Studies that analyze the risks divulgation grade of the companies and which are the corporate features that influence risks information in a certain way | - 13 - |
| III.2.2 Studies that analyze the risks information utility..... | - 15 - |
| III.2.3 Works that analyze the regulation about risks information | - 18 - |
| III.2.4 Other lines of investigation on theoretical works about risks divulgation.. | - 19 - |
| IV. DATA | - 20 - |
| IV.1 Description of the data obtaintion | - 20 - |
| IV.2 Risks categorization used | - 20 - |
| IV.3 Methodology..... | - 22 - |
| V. Results..... | - 24 - |
| V.1 Tables..... | - 24 - |
| V.2 Comments of the tables..... | - 25 - |
| V.3 Remarkable aspects of the tables results..... | - 28 - |
| VI. Conclusion | - 29 - |
| VII. References | - 30 - |

I. Introduction

Even if we talk about an economic-financial field or any other kind of field, the risk is, by definition, the potential volatility of any economic tendency, or any other kind, expected for a future. Every rational wealth stimulator pretends to avoid risks for the fear of reducing the future economic total to be achieved, but many methods for reducing the risk consist at the same time on making disappear a possible added profit. Even the logic aim of an investor or a business director is reducing the risks at its most, the aversion to the risk is the predominant attitude on an economy where the savings of millions of people are in charge of the strategic decisions of a few ones. Even though it's true that sometimes the aversion to the risk of those few responsables reduces the benefit obtained on any operation or transaction, and therefore, the save of millions of common investors.

Referring to financial economy, the aim by which exist the investments is for the need of financiation mostly from big companies. Those are the ones that give the option to the common citizen of being able to invest their savings on multiple companies, being subsequently part of them. But for performing this apparently simple action, it's required a lot of knowledge about the financial and operative situation of the companies (or a good financial advice uses to be the usual). But between the hundreds of aspects that every valued business treats on its memory every year, I've decided to focus the attention on the aspects related to divulgation of risks information, because it's one of the main keys where a good investor should focus on for an exhaustive analysis before realizing any kind of investment.

Referring to divulgation of risks information, this is the main weapon for any investor on his decision-making process. The regulation that treats the divulgation of risks information is every time more exigent with those companies exposed on its free sale or purchase of share, because these are the ones that would show clearer the real situation of the company. The European accounting authorities have been obligated to uniformly regulate the companies on this aspect, knowing that living in such a globalized world like the actual one an investor of any country can look for his investment with a bigger hoped benefit on a different country from its own, and that's why in Europe this accounting aspect is regulated of the same way. It's true that there are exceptions, knowing that for example the German rules aren't the same, and even

though there are lots of similarities between both regulations, also stand out some particularities that distinguish one from the other.

The objective of this academic work consists on first analyzing the current and past rules, as well as different opinions and critics from different authors and governmental institutions to the same rules. By the other side, there will be developed some tables on which will be shown the different risks more divulged by the analyzed companies. The objective consists on reducing the risk related to every stock market operation of variable income, considering that every investor is by definition unfavourable to risk, that's why risks information tries to keep the hoped profitability, but reducing the risk.

Referring to the organization structure of this work, on the second section, it will be made after a brief introduction a short resume of the applicable rules to the subject more prominent internationally, these will be the FRR n° 48, IFRS n° 7 and the GAS n° 5. Following, on the third section, it will be realized a bibliographic revision of the works and articles of the most relevant authors from the last year that treat the subject of risks divulgation, analyzing them on 4 different lines of investigation.

Finally, on sections 4 and 5 we will watch closely the information used on the method of risks categorization, there will be obtained from the management reports of a series of companies, from which it will be obtained the necessary information for after categorizing it on some tables. Once they're finished, it will be proceeded to the analysis and comment for obtaining on the sixth section of this work the subsequent conclusions.

II. Regulation about risks information

II.1 Precedents

On this section of the academic work the aim will be go in depth into the different rules that regulate the divulgation of risks information and the different reasons of their origin at its time. About how the lack of information caused complains and

demands from multiple authors and governmental institutions for regulating these divulgation of risks information.

Absence of information, demands and solutions in the shape of normative:

As already exposed, the fact that an investor doesn't know the situation of a company referring to its exposition to risk, complicates a lot the investment and exposes his money to a possible high loss. This was an habitual situation during the 80s, in which companies around the world didn't give importance to this aspects on their memories. Every rational investor should suppose, sense or investigate by his own the exposition to risk that suffered every company. Because of this, in a every time more globalized world and in where the financial markets promote their bond with society, certain authors and governmental institutions decided to act and give a solution to the problem with demands and publications explaining the situation and the need of regulations on the subject of risks divulgation. Basing on (Cabedo y tirado 2007), I will next make reference to those ones more relevant that decided to establish demands and critics to the system of divulgation of risks information practically inexistent until now.

As already exposed, the situation must have been necessarily susceptible to a change, given that the lacks on the system were obvious. And at the middle of the last decade of the past century started to arrive demands of the the principal accounting government organizations, as well as from independent critical authors with the subject like Cabedo y Tirado. The most important were, between others; AICPA, 1994: ICAEW, 1997 (About whom I will after expose the information): CEA, 1992 and 1996, Lunndholm, 1999 and Solomon 2000.

All these have something in common, and were the previously mentioned; all coincide on the problems that supposed the absence of information on financial states of the big companies exposed on the more prominent stock markets of the world. Each one at his way decided to demand this fact and suggest new measures of control just like the obligation towards the companies for these to divulge certain aspects of risks information on their company memories.

II.1.1 ICAEW (1997)

Differently from the other aspects treated at this point, it must be emphasized that this is not by definition a regulation, although it is merely a recommendation from the Institute of Chartered Accountants in England and Wales, meaning, any company is obligated to follow the indications of that institution. The ICAEW, using articles and announcements, tried to promote the divulgation of optative information by the companies, with the purpose of improving the quality of their reports and facilitating the risky investments of the investors. The ICAEW defended that the divulgation of positive information would help the companies to create confidence for the investors; if the companies provide all the information about the company situation, and this way the demand of shares of the same companies and subsequently the valuation of the same shares.

The proposition of the ICAEW was based on a strict procedure, stipulated using a serie of characteristics to be treated by the companies in the subject of risks, which will be following discussed:

Firstly, the document will be submitted to a gestion control according to the advice of the entity in 1997. This initial step is followed by the elaboration of a risks map in which the two variables to analyze are the importance of the analyzed risk as well as the probability of occurrence of the own risk. By this way it is facilitated the information according to its relevance and the risks mediation treated by the company.

Afterwards, emphasizes the importance of revising the state of the risks as the time passes, the ICAEW states that the fast evolution of technology, the changes on specific rules or the alteration on the kinds of interest or exchange can cause instability to the company situation, and subsequently the valuation of its shares.

Screening risks method

The first applicable filter analyzes the range of the revealed information, meaning, the understanding from the investor of that information. The information should be wide to facilitate the decision-making to the users. In other words, also states that the information should provide an added value that facilitates even more the decision-making of the potential investors on the treated company.

But the requirements don't stay there, they go further; emphasizes that the divulged information can't only adhere to the present, or to happened in the past,

although it must prevent future events, even arriving to suppose future dates on where a determined event could affect the normal behavior of the analyzed company. Emphasizes as an example the possible environmental activity of a company, that could trigger on contamination or hygiene problems, as well as workers health.

Referring to the commercial sensibility, the ICAEW emphasizes on dissolving the social stereotype that exists about company information divulgation and its commercial effects, meaning, the companies believe that spreading more information could sully their commercial image, leading this in a reduction of the good image and a sales reduction or different incomes of the company.

At the last point of view treated, it is realized a critic to the quoting norms of the London Exchange, which allows to delete information always when the characteristics have been accomplished, like the fact the information is not a matter of public interest, or not be considered relevant by the company or that the divulgation is harmful to the own emissor.

Referring to other rules, there are different national rules at many countries, each state is free of modifying their laws according to what they consider more necessary, so I will focus on the European normative (IFRS nº 7) applicable by most of the European countries, and I will also develop in particular the rules applicable by the German companies (GAS nº 5), whose government decides that these go further in the subject of divulgation of the risks of their quoting companies in the stock market.

II.2 Actual rules

II.2.1 SEC (1997) FRR nº 48

As the years pass, the rules about risks divulgation had been growing gradually, even though there are different rules, on which cases it could be distinguished a before and an after on the evolution of these fact. One of these was the FRR nº 48 rule send out by Securities of Exchange Comission (SEC) on 1997.

This rule was addressed only to the companies that at this time were quoted on stock market, and its objective consisted on obligate them to present information about the different risks of the market caused by the use of financial by-product instruments

strongly exposed to changes on different parameters that could affect the ranking of the companies, and subsequently to the value of their shares.

The kinds of risks that the rules mentioned are the following:

Interest type of risk: Logically, every financial instrument of variable performance depends on the type of interest at its valuation, given that the valuation depends of the future dividends hoped for this financial asset.

Exchange rate type of risk: At the actual globalized market, the type of exchange rate supposes on most cases the major source of information about risks at the companies, given that every big company that plays on an international environment is exposed to the exchange rate that can affect the value of its assets.

Risk of the price of the goods (Commodity): Actually many companies use their excedents on investing into future or options whose financial assets are valued according to prices of certain goods or raw materials, so this also supposes a risk to be aware of at quoted companies.

Risk of the price of the shares: We can say of this last one that is related to the previous three, given that the others provoke the variation of the price of the shares of a company. Besides, in complicated contexts there are lots of companies that invest on other companies, by which valuations of the other companies can affect at the valuation of the own company owner of the shares of the other.

For each one of these mentioned kinds, the companies must present the information by two ways. The first must be qualitative and merely explicative, but the second must be quantitative, in order for every investor knows enough information for valuing and evaluating the impact that will have any change on one of the market risks on the valuation of the companies from the companies held to the rules.

II.2.2 IRFS nº 7

The normative applicable in the subject of financial risks in Europe is the IRF nº7, which affects every transaction of financial instruments susceptible to any kind of risk and that can affect the situation of the company and subsequently the value of their shares. The IFRS Nº 7, on its article number 31, establishes the obligation of giving useful information for all kinds of users or investors, by this way, can evaluate the

information and detect the exact quantity of risks that the company is exposed to. Even though, there are exceptions that are not stated on this law, although they exist in totally different rules. This is the case of the insurances, financial consolidated states or in combination, benefits on employee plans, pays based on shares or instruments qualified as a net heritage. But the risks to be treated in this normative can be separated on three big groups, which will be right after discussed:

- Credit risk:

This risk is the one related to the possibility of one of the associated parts with a financial instrument may cause a financial loss to the other part if it fails on accomplishing that obligation. By that every company abided to this kind of normative must inform in their financial statement the necessary information for each kind of financial instrument possessed in their financial asset. The three main points to stand out on the information are:

The amount that may more exactly portray the level of maximum exposition of each financial asset, excluding any kind of guarantee or other credit improvement. Meaning, if a company has invested an X quantity on a variable asset that may completely lose its value, the exposition of the same will be the same X.

The description of the hired guarantees for securing the receipt and with that reducing the risk of credit or the uncertainty in that operation (for example, the quantification of the measure in which collateral guarantees cover the potential loss attached to the operation itself).

The perfectly detailed information about the credit quality of the financial assets that are not found with any associated value deterioration.

- Liquidity risk:

Referring to liquidity, the company attached to following the normative will reveal the following information:

- An analysis of the expiration of the not derived financial liabilities that shows the remaining contractual expirations.
- Another analysis of the expirations, in this case, for derived financial liabilities. This will include the remaining contractual expirations, in order to understand the calendar cash flow of the assets.

- A detailed description of the liquidity risk management attached to the previous two points.

- Market risk

Referring to the market risk that a company can be attached to, the IFRS n° 7 states that in must be realized a sensibility analysis for each kind of market risk that the company can be exposed to (the most frequent are the type of interest risk and the type of exchange risk). Showing how it could be affected the result of the exercise and subsequently the net heritage of the entity due to changes relevant risk variables. Should also be reflected the hypothesis and methods used when elaborating the mentioned sensibility analysis, just like the succeeded changes during the period and the reasons of such changes.

Assets category and financial liabilities:

- Financial assets measured to the reasonable value with changes on the results, showing separately
- Financial liabilities measured to the reasonable value with changes on the results, showing separately
- Financial assets measured to the amortized cost
- Financial liabilities measured to the amortized cost
- Financial assets measured to the reasonable value with changes on the other integral result

It should be emphasized that these can be reclassified, always reporting the reclassification date and so a change explanation and of the reclassified import, like the benefit or loss that this change supposes on the annual bills of the company.

Even the non-financial risks didn't found regulated by the IFRS, it's very important to highlight the types and the differences between the different kinds of non-financial risks.

According to origin risk factor, the risks can be divided into two big groups depending on the causes that cause these:

Firstly, the external risks, those originated by unconnected causes to the company behavior, meaning, social or political factors that may alter the demand, the production or the general activity of the company. -these are the most difficult kind of risks to

cover, since they don't have to be waited for, so the companies use to cover this kinds of risks with insurance contracts that safe the habitual company continuity.

By the other side, internal risks exist as well, and in turn are divided into two subgroups perfectly identifiable in function of the related activities with these. First the processes risks (which are related to the future developing activities of the usual company activity), and by the other side the information risks for the decision-making, that as its name indicates they are related with the companies information systems.

2.2.3 GAS 5 (German normative)

Leaving aside the international regulatory normative, it must be mentioned the existence of some countries that decided to take further their normative of risks information divulgation. In these countries, I've considered necessary to stand out the German normative. This is regulated in the GAS N° 5 normative, which I will following briefly describe:

Previously to the explanation, I consider interesting mentioning the motive by which this following normative was born, and that is before the 2000, the risks informations presented lacks, although it was not clear the type of information, and to which point should be revealed by the companies regulated by that normative. Said this, by that the *German Accounting Standards Committe (GASC)* emitted on 2000 the rule *German Accountig Standards N° 5*.

The users of the management reports, specially the ones that took part on the capital market, need relevant information and reliable about the risks that affect to the future evolution of the company. By definition, the information is considered relevant if influences in the economic decisions of the users, helping them to evaluate past, present and above all future events, or if it confirms or corrects the previously done evaluations. Besides the need of informing, it must be emphasized the need of quantifying this information, so the investor possesses enough data to evaluate the actual and future situation of the company, and this way committing a correct rational investment inside the chances given by the stock market volatility.

The most interesting peculiarity that the German normative presents is the fact that it presents a bigger range than the IFRS n° 7, which includes a considerably correct model referring to financial risk, but leaves completely to one side the no-financial or

operative risks that the companies are exposed to, and by this way Germany decided to create its own regulatory normative applicable on their country in order to the range would be bigger and subsequently was too the information divulgation of the companies regulated by this norm.

This way, every German company has the obligation of presenting companies strategies information, about the susceptibility to the workers integrity, just like to other laws that can regulate part of their activity and can modify their flows. By this all investor will possess a bigger amount of information that will facilitate the decision of investing or not in a company or other reducing in a big way the uncertainty associated to the mentioned operation.

- Risks categories:

In the case of the German rules, every company will reveal the risks related to the same. The Norm does not establish any obligatory risks categorization, given that every company will face the specific risks and will design its own risks management system. However, the IFR gives an example of how to categorize risks. The difficulty falls on the fact that some sort of risk is difficult to categorize, so by definition will belong to more than one category. referring to risks quantification, the GAS n° 5 only obliges to quantifying the financial risks, without limiting the method to use for that, putting aside the non-financial risks, treated in a greater extent on other normatives.

III. Bibliographic revision

III.1 Pros of risks divulgation on companies

Until now, the point of view for treating the work, let to know that for the companies everything is a problem referring to risks information divulgation, because it could be presupposed that more knowledge about a company, and concretely their risks, less is wished to invest on it. But the true is that this doesn't work this way at all, for a company, the same legal obligation of presenting information, may suppose a problem or a strength depending on the situation of the same.

For example, it won't suppose a problem for a company forced to comment its situation (being it financial or business) and was precary or with a high level of

uncertainty looking to the future, that for a consolidated company and firm on its activities, just like presenting a sustained development during lots of years overtaking different adverse situations of the economy. The fact that to the first supposes a problem, due to the fact that reveals weaknesses of the same, for the second supposes an advantage because it must inform the investor of an optimus situation, translated into a strength related to the shares demand and its logic revalorization.

What's more, today every company worth its salt as a national or international level on the stock market of their country, can't divulge information basing only on the legal minimum required, so now practically all of them present additional and voluntary information, this way, it's created indirectly a confidence on the investor of the company (as an additional positive information), always translated into a higher rentability of the company shares.

III.2 General vision of the investigation lines about risks information

On this literary revision of the work, we will analyze the principal lines of investigation related to the divulgation of risks information. To be outlined, four big lines of work that will be commented and described next.

III.2.1 Studies that analyze the risks divulgation grade of the companies and which are the corporate features that influence risks information in a certain way.

In this section, the aim is to know and observe how it pretends to be known the divulgation grade of information, as well as the corporate features that influence on its divulgation. The most usual on the risks measuring is to count words or phrases, even though this this not always means that is given more risks information because different companies may not extend the same way to clarify the same point of view about one kind of risk. On this aspect, lots are the authors that previously analyzed the problems and the possible situations to alleviate the absence of quantifiable

information on the different kinds of risks that could be found on the companies memories. Even it's just a way of mentioning the same, it must be outlined that the most important and the ones that most Disclosure on this aspect had were:

Beretta and Bozzolan (2004) developed an index, in which it was measures the quality of the divulged risks information by the different non-financial quoted companies. Their suggestion established an analysis scenario with four different dimensions, but complementary between them at the same time. These were:

- ❖ The content of the divulged information
- ❖ The attributed sign to the hoped impacts
- ❖ The orientation perspective of risks communication
- ❖ The management perspective of risks management

Mohoboot (2005) elaborated an empirical analysis that consisted of analyzing 90 non-financial quoting companies in Japan and chosen randomly, with the purpose of including the Business Risk Model created by the ICAEW (1997), that distinguished the risks into five categories:

- ❖ Financial risk.
- ❖ Corporate risk.
- ❖ Operational risk.
- ❖ Compliance risk.
- ❖ Processing technology and information risk.

Lajili and Zéghal (2005), decided to analyze 300 non-financial companies quoted on the stock market of Toronto with the purpose of evaluating the divulged information that was quantifiable that could be useful the users of the mentioned information. The data obtained in these analysis showed that the (63%) of the companies showed voluntary and obligatory information, the (23%) just informed those obligatory by laws, while the (14%) showed facultative information without being obliged to.

Linsley and Shrives (2006) realized a revision on the empirical analysis realized previously by Mohoboot (2005), since they used the same model created by the ICAEW where was studied the relationship between the quantity on financial risks information and non-financial. Also stated that their analysis of 79 British non-financial

quoting companies on the principal British stock market index, the major part realized a major emphasis on the divulgation of non-monetary information (qualitative) by contrary to the monetary (quantitative).

Cabedo and Tirado (2009) recognised on their first analysis the beneficial effects on the risks information divulgation, and recognised an improvement on the precision of the previsions of the companies results, just like the reduction of the companies capital cost.

These authors were pioneers on risks information accounting, using the same method that I will use on my methodology, since they used for the first time the recounts of the risks information paragraphs. This way, Cabedo and Tirado, stated that more paragraphs redacted spreading risks information, bigger will be the information that the investor will receive about the economic status of the analyzed society, even though explaining the fact that if there was more information, didn't implied that the company was exposed majorly to any kind of risk.

Cabedo and Tirado also wrote about the use of stages that were useful to an alternative method to the mentioned previously. This way there were distinguished two kind of qualitative risks, meaning the two authors by this qualitative form that was less relevant on its divulgation of risks than the quantitative form.

III.2.2 Studies that analyze the risks information utility

Differently from the previous section, that analyzed the divulgation grade, this line of investigation is centred more on the utility, as negative as positive of the risks information divulgation. And about how it can affect a company ranking the fact of divulging the maximum information possible about risks. At this section, leaving to one side the mentioned normative of the ICAEW, it is detailed also the proposition made by the Basilea Comitee (1998), which is focused on a merely financial field analyzed the companies bank accounts, just like their aversion to risk on their financial operations that could undertake any kind of risk, such like loans and bank credits with a high exposition. From lots of authors that have wrote about this matter, I will following quote some of the most important:

Linsmeier (2003), using the help of the formulary 10 K facilitated previously by the (SEC), analyzed the influence of the uncertainty caused on the investors. This way reached to a number of conclusions.

The absence of the FRR 48 normative created more uncertainty between the investors, and the market value of the companies' shares were much more volatile.

By this reason, it was evident that the tabular form of divulging information was more effective.

With the start of the FRR n° 48 and its respective requirements, it was considerably reduced the uncertainty related to the types of interest and exchange, just like the raw materials.

The authors reached the conclusion that this normative facilitated useful information for every rational investor that pretends avoiding the risk.

Woods (2008) in a first article stated that the implantation of the international accounting norms in Europe should have promoted the convergence between the different divulgation models of different companies from the continent, even though later went back basing on a longitudinal data analysis elaborated by the 25 most powerful banks in the world. The conclusion of that analysis, that refuted the first information of Woods are the following:

Wasn't found a strong correlation between the levels of divulgation and the size of the company, something that in the beginning was supposed logical.

Following the applicable normative at the period between 2000 and 2006, the risks information divulgation should have raised considerably, and the different data analyzed at the time showed that the raise on the divulgation was lower than expected.

Finally, even it is considered that the international regulation tends to harmonize the different accounting states of the companies, the real result is that the international differences when it comes to risks information divulgation are still being considerable.

Miihkinen (2012 and 2013). This one analyzed the raise on the quality of the risks information divulgation at the same time that the risks normative were evolving. In Finland, where a work was realized, there was a concrete norm for information divulgation elaborated in 2006 by the *Finnish Accounting Practice Board*. And the empirical studies concluded that the companies of reduced dimension regulated by the SEC and the big companies of the country differed considerably on its elaboration of

reports about risks information divulgation. The principal conclusions that he arrives to on his empirical studies are:

The quality of the information divulged using Finnish regulation was better and larger than the regulated by the European normative IFRS nº 7.

Also concluded that more rentability of the analyzed companies, bigger was the quality of the information given, just like the extension of the same.

The companies informed about the management of possible future risks, providing different methods to avoid such risks.

On 2013, this individual continued with his works in order to analyze the consequences that had for the companies and for the investors the evolution of the norms that obliged to divulge risks information, obtaining the following conclusions:

The facultative divulgation provides less information than the obligatory information.

Considered that only one applicable normative could not be enough in certain aspects so abstract and ambiguous as the risks.

The impact that has on the companies the recommendations of the institutions worked in a better way than the normatives itselfs.

Cabedo and Tirado (2014), critical with certain works about the subject, proposed an analysis of quoted companies on the Madrid stock market between 2007 and 2009, arriving to the following conclusions:

Evidence that the capital cost as the corporate aspects are like the Book to Market Ratio and the indebtedness, even by the contrary, does not exist enough empirical evidence to say that the differences, according to risks information divulgation, are significative between the companies of different size.

It's found a tiny correlation between the capital cost of the analyzed companies and the quantity of information divulged of those. Such relation only is significative when it is taken as a reference the data of the company audit report.

The proportional relation between the capital cost and the risks divulgation it firstly seem negative, results with the positive analysis, given that as more information divulged, bigger is the capital cost of the company.

III.2.3 Works that analyze the regulation about risks information

As we've already seen along the paper, over the history the risks divulgation normative has been evolving gradually. At this section, we will outline some of the most considerable, focusing on the utility and in the impact of those normatives elaborated by different authors.

Cea (1995) holds that the function of utility of the investors determined by the financial risks information will be better to invest in that investment that provides a bigger hoped benefit. He suggested also that the risks information correctly standardized facilitates the comprehension of the investor and helps him to decide his best investment.

Dobler (2005) realized an analysis in a comparative mode between the German normative GAS n° 5 and the European normative IFRS n° 7. Firstly outlined that certain aspects of the normative weren't elaborated by government German institutions, but for broadcasters of private norms, such as the German Institute of Public Accountants or the Norms Committee of German Accounting.

Concluded his work stating that although the existent convergence between the different world normatives, the German is the only regulation of risks information that details in an integral way the information.

Cabedo and Tirado (2007) realized a detailed analysis of the different normative that regulates the divulgation of risks information, concretely the FRR n° 48, IFR n° 7 and GAS n° 5. It was emphasized analyzing the fact that the European normative just made reference to the financial information, getting rid of those information about operative, commercial or business risks.

By the other side, it was concluded that the introduction of risk measures on the financial states of the companies, made better the quality of the divulged information by the companies and reduced the uncertainty of every investor on the investments that he would realize.

III.2.4 Other lines of investigation on theoretical works about risks divulgation

Jorgensen and Kirschenheiter (2003) outline that the aim of the risks information divulgation is to reduce or try to delete completely the volatility of the future cash flows of the quoted companies, and by that decides to analyze the behavior of the directives of these companies, given that their decisions depends mostly of the behavior of these cash flows. On the study it can be appreciated that the directives of the companies manipulate the information divulgation in order to pretty up the image of the company for the investors.

The conclusions of the empirical work realized by Jorgensen and Kirschenheiter stated that the companies that presented facultative information and were not obliged to inform about certain aspects, presented superior values to the habitual (or its real value), given that these may inform about those positive information and hide the negative, generating big fictional expectatives but interesting to every investor that didn't know that information.

Botosan (2004) made the following reflection, "The quality of the divulgation depends on the perception of the user", and declares basing on that reflection that doesn't exist any kind of consensus about the quality of the risks information divulgation, by which proposes a model with the following features: Relevance, understability, clarity, comparability and reliability.

Abraham and Shrikes (2014) developed a literary analysis basing on a longitudinal focus, meaning, determined the quality of the information divulgation of 4 companies of the food production sector.

The results obtained by these authors suggested that the companies' managers reduced the information divulgation as the costs raised and made difficult the companies' normal activity.

IV. DATA

IV.1 Description of the data obtaintion

For analyzing the risks quantification of the following companies, it will be made a count of (phrases, paragraphs), with a following marking of the same. The data obtention will be achieved by the search of 6 European companies, three British and three German, ones regulated by the IFRS nº 7 normative and others by the GAS nº 5 respectively. Once chosen the companies, it will be made a search of paragraphs related with the management reports risk on their memories of the most recent year, in this case 2015. The search of these will imply choosing only the strictly related with a type of risk identified on the following categorization, and at the same time, this will be relocated on the determined location of the risks categorization table.

By one side I consider indispensable to outline the fact that exist lots of companies that decide to increase the demands of the normative and write up the maximum information possible, using it in a way the investor captures the transparency of the company and generates a confidence that ends on the wish of investing and subsequently the raise of the company value. Usually surpass the necessary information the leading companies on their sectors, because these are the ones that present bigger success perspectives and more consolidated, by which for some companies presenting the financial information supposes a problem, for these is an advantage, considering that it makes positive publicity and attractive for any rational investor or well consulted.

IV.2 Risks categorization used

Following i will present the risks qualification in which will be based the academic work, established by Arthur Andersen and used by the ICAEW (1997), that besides not being the only classification method, although exist others like the one from Jorion (1997), to my understanding it turns out to be the more complete and suitable for an academic work with these features.

The model establishes 6 big risk categories: financial risk, business risk, strength risk, processing information and technological risk, integrity risk and strategic risk. It will be next realized a brief description of the 6 categories and will be mentioned the subtypes that we'll find on each of the categories.

Financial risk: this kind of risk is the one that may determine the future cash flows of the company. We can distinguish in these the following subgroups:

- Type of interest risk
- Type of exchange risk
- Commodity risk
- Liquidity risk
- Credit risk
- Other financial risks

Business risk: it's the one that concerns the competitiveness of the company. Analyzes competitive and/or comparative advantages referring to the competitor companies of its same sector, with the purpose of creating and added value to the company. The types of risk of this group are the following:

- Clients satisfaction risk
- Product development risk
- Efficiency and performance risk
- Sourcing risk
- Losses of the stock value risk
- Failure of the product or service risk
- Environmental risk
- Brand risk
- Other business risks

Empowerment risk (leaving it as it is): Are all those factors of risk that affect the intern strength of the company, concerning to communication, direction or management of the same. The possible risks to outline in this ambit are:

- Leadership and management risk
- Outsourcing risk
- Incentives risk
- Standstill risk
- Communication risk
- Other types of strength risk

Risk of processing information and technological: This risk starts when the technological processes used by the companies, in the matter of information processing, turn out to be inappropriate.

Integrity risk: It's that derived from non-ethical actions, complete or fraudulent of employees or company directives, which cause bad reputation to the company and difficulties its funds obtention. To outline the following:

- Fraud risk
- Illegal acts risk
- Other integrity risks

Strategic risk: Related to the strategic decisions of the companies, such as introducing new lines of business or increasing the services given by the same. In this category exist the following risks:

- Business portfolio risk
- Competition risk
- Planification risk
- Life cycle risk
- Regulatory risk
- Country risk
- Other strategic risks

IV.3 Methodology

The principal objective is the measuring, valuation and quantification of the risks information divulgation that may present a quoted company on any stock market. As already said in this academic paper, the correct information divulgation about risks on

the companies is vitally important for every stock market works properly and honestly. The paper has also the objective of showing, quantifying and valuing the emphasis that some companies decide to make when providing such information, showing faithfully the financial image of the company, just like the different aspects of its business.

For achieving that purpose, using the already mentioned categorization designed by Arthur Andersen, I've decided to classify each mentioned risk by the companies on the different risk categories that the model presents. The steps to follow for completing the provided tables on the next section of the academic paper are the following:

Choosing three German companies and three British, given that every country has a different normative. For that, I've decided to enter into the stock market indexes of every country with the aim of finding strong companies and consolidated on the stock market, and that's where I chose them, deleting the strictly financial companies, due to the fact that the specific normative for the banks differs from the general normative for every kind of company treated on this academic paper.

Once chosen, the next step was downloading the annual accounts of the companies, concretely the memory of these, with the aim of finding there the wished risks information.

Holding the six memories of the companies, I decided to look up on the management reports of the same the sections in which the risk supposed the main idea. There i found many problems because not all the companies (and for sure if they don't belong to the same country) follow the same model or scheme at the time of writing their memory. But finally i found all the information needed to complete the table.

With the identified information, the next step was going paragraph by paragraph classifying where it belonged according to the categorization exposed previously, also counting the sentences of each one of these to realize two similar tables.

Finally I equaled the corresponding paragraphs to every risk subcategory, and this way I found the total of the risks information divulgation that presented every company, watching the differences between ones and the others, seeing how depending on the sector in which operates the company, I decided to realize a bigger emphasis on financial aspects or of the business.

Leaving to one side the main aspect that the European regulation IFRS doesn't keep in mind the non-financial risks, by which the companies cannot consider the option of not divulging information about these last ones.

V. Results

V.1 Tables

In order to understand the table, firstly I will proceed to explain its variables and its meaning. The first column corresponds to the different kinds in which a risk can be categorized. On the first row they're found the different companies subject to analysis. The numbers correspond to the sum of every sentence or paragraph (according to one table or another) found on the management report of each company's memory.

By the other hand, it's necessary to repeat the mention to the difference between both normatives. The European normative only obliges to the companies to reveal the information about financial risk, while the German goes further, and this obviously is seen on the following table.

Risks categorization using sentences

| Frases | Empresas Riesgos | Empresas Británicas | | | Empresas Alemanas | | |
|---|---------------------|---------------------|----------|----------------|-------------------|------------------|-----------|
| | | A.B. Foods | Vodafone | Burberry Group | Siemens A.G. | Deutsche Telekom | BMW Group |
| Riesgo Financiero | | 81 | 42 | 37 | 98 | 36 | 63 |
| Tipo de interés | | 12 | 13 | 5 | 38 | 3 | 9 |
| Tipo de cambio | | 31 | 17 | 8 | 22 | 3 | 28 |
| Commodity | | 13 | 1 | | | | |
| De liquidez | | 7 | 7 | 6 | 8 | 12 | 12 |
| De crédito | | 18 | 4 | 13 | 30 | 7 | 7 |
| Otros | | | | 5 | | 11 | 7 |
| Riesgo de negocio | | 0 | 0 | 0 | 0 | 80 | 26 |
| De satisfacción de clientes | | | | | | 7 | |
| De desarrollo de productos | | | | | | 10 | |
| De eficiencia y rendimiento | | | | | | 24 | 14 |
| De sourcing | | | | | | | |
| De pérdidas de valor del stock | | | | | | | |
| De fracaso de producto o servicio | | | | | | | 12 |
| Medioambiental | | | | | | 20 | |
| De marca | | | | | | 9 | |
| Otros | | | | | | 10 | |
| Riesgo de fortaleza | | 0 | 0 | 0 | 0 | 15 | 10 |
| De liderazgo y gestión | | | | | | | |
| De outsourcing | | | | | | 6 | |
| De incentivos | | | | | | | |
| De estancamiento | | | | | | | 6 |
| De comunicación | | | | | | | 4 |
| Otros | | | | | | 9 | |
| Riesgo de Procesamiento de información y tecnológico | | | | | | 10 | 43 |
| Riesgo de integridad | | 0 | 0 | 0 | 0 | 80 | 16 |
| De fraude | | | | | | 40 | |
| De actos ilegales | | | | | | 38 | 16 |
| Otros | | | | | | 2 | |
| Riesgo Estratégico | | 0 | 0 | 0 | 0 | 19 | 23 |
| De cartera de negocios | | | | | | | 23 |
| De la competencia | | | | | | | |
| De planificación | | | | | | 3 | |
| De ciclo de vida | | | | | | 5 | |
| Regulatorio | | | | | | | |
| País | | | | | | | |
| Otros | | | | | | 11 | |

Risks categorization using paragraphs

| Párrafos | Empresas Riesgos | Empresas Británicas | | | Empresas Alemanas | | |
|---|---------------------|---------------------|----------|----------------|-------------------|------------------|-----------|
| | | A.B. Foods | Vodafone | Burberry Group | Siemens A.G. | Deutsche Telekom | BMW Group |
| Riesgo Financiero | | 40 | 20 | 17 | 31 | 11 | 29 |
| Tipo de interés | | 8 | 6 | 3 | 11 | 1 | 4 |
| Tipo de cambio | | 16 | 7 | 5 | 8 | 1 | 15 |
| Commodity | | 5 | 1 | | | | |
| De liquidez | | 4 | 3 | 3 | 3 | 3 | 3 |
| De crédito | | 7 | 3 | 3 | 9 | 2 | 2 |
| Otros | | | | 3 | | 4 | 5 |
| Riesgo de negocio | | 0 | 0 | 0 | 0 | 20 | 10 |
| De satisfacción de clientes | | | | | | 2 | |
| De desarrollo de productos | | | | | | 3 | |
| De eficiencia y rendimiento | | | | | | 7 | 5 |
| De sourcing | | | | | | | |
| De pérdidas de valor del stock | | | | | | | 5 |
| De fracaso de producto o servicio | | | | | | | |
| Medioambiental | | | | | | 4 | |
| De marca | | | | | | 2 | |
| Otros | | | | | | 2 | |
| Riesgo de fortaleza | | 0 | 0 | 0 | 0 | 5 | 3 |
| De liderazgo y gestión | | | | | | | |
| De outsourcing | | | | | | 4 | |
| De incentivos | | | | | | | |
| De estancamiento | | | | | | | 2 |
| De comunicación | | | | | | | 1 |
| Otros | | | | | | 1 | |
| Riesgo de Procesamiento de información y tecnológico | | | | | | 3 | 13 |
| Riesgo de integridad | | 0 | 0 | 0 | 0 | 15 | 5 |
| De fraude | | | | | | 6 | |
| De actos ilegales | | | | | | 8 | 5 |
| Otros | | | | | | 1 | |
| Riesgo Estratégico | | 0 | 0 | 0 | 0 | 5 | 8 |
| De cartera de negocios | | | | | | | 8 |
| De la competencia | | | | | | | |
| De planificación | | | | | | 1 | |
| De ciclo de vida | | | | | | 1 | |
| Regulatorio | | | | | | | |
| País | | | | | | | |
| Otros | | | | | | 3 | |

V.2 Comments of the tables

Now we start to comment the obtained results, focusing on the different aspects of the companies individually for having a better understanding of what information divulgation supposes and why it's given the importance that it receives.

British companies:

- A.B. Foods: As we can see on this table there can only be commented the financial risks. Between these stands out from the rest the type of exchange, by that we can suppose presupposing a high international activity of the company, even this is something logical given that the companies are chosen from the principal British and German stock market indexes. I also consider indispensable to outline the Commodity Risk, a less usual risk, the one that the company decides to emphasize because it's relatively important in relation to

the others, and this is due to being food producer, the commodities related with food can make the company vulnerable highly altering its production costs.

- Vodafone: in order to find it more effective, I've decided to realize a comparison between both companies of the same sector, telecommunications. It's obvious that when being regulated by the European normative the information is lower, given that it only talks about financial risks, but at the same time, it's also true that the company increases more this information than for example the German case. Between the most prominent risks they're found the ones of type of risk and type of exchange, by which it can presuppose a high quantity of financial investments of the company. by the other side, the liquidity and credit risks are determined to the clients non-payments, which can devalue the company benefits. This, in opposition to the previous, details on several occasions quantified information, for a better understanding of the reader and potential investor of the company.
- Burberry Group: This is probably the company that less risks information facilitates on their management report, even this data doesn't imply that could be found less exposed to any kind of risk. On a company dedicated to cloth confection and commercialization, it may in a first moment broast that credit risks are relatively low, given that the payments are generally produced cash down, but we see on table 1 that the company decides to give importance to that risk. The risk that stands out is again the type of change one, due to the company susceptibility on changes on the Forex market, meaning, what supposes selling for X a garment at a determined time, can suppose passed some time a lower deposit being sold by the same price.

German companies:

- Siemens AG: This company is a bit peculiar, until reaches the point where it could be almost said that goes against the law, given that I haven't found non-financial risks information on the company memory. The GAS N° 5 normative obliges these to reveal non-financial information but these doesn't detail it on its management report.

Referring to financial risks information, in it opposition the one that more information reveals from the 6 analyzed companies. Firstly, a company exposed to the German external market, reveals details and quantifiable information about the exposition to market risk, either as a type of exchange on the Forex

market as the own German type of interest. Apart from these, the risk that the company decides to outline on their reports is the credit risk, better detailed than the liquidity one, which decides to give less importance.

- Deutsche telekom: This one presents the larger memory of all the analyzed in the paper, even paradoxically is not the one that more risks information reveals. Even so, in the group of risks that majorly stands out in the Business Risk. The company considers important to inform the potential investor about the business information, differently from others that decide to focus on financial information. Referring to business risk, Deutsche telekom decides to realize a bigger emphasis on efficiency and performance, given that it's found in a sector where innovation has been crucial and it's hoped that it will we on the following years, by which the costs reduction is very important on the company. Besides, the prices low motivated by regulations of the governments oblige even more to accent this risk. At the same time, also outlines the environmental commitment that take part on their activity. A group of risks that other companies go unnoticed is the integrity one. Due to the sector where the company operates, in lots of occasions there are made mistakes that harms the client and this demand compensations for that, that in an individual way are not estimated important, but the Deutsche telekom quantification on its management report shows that in a global way it's presented an important economic total amount and to have in mind. As previously said, this company makes an effort on quantifying economic values, realized a sensibility analysis of exposition to types of interest, for this way, the investor knows the best way possible the future volatility caused by any of these points of the company.
- BMW Group: This last one presents the longer and more detailed information about risks divulgation. The ones detailed widely by the company are the most logical considering that is an automotive sector company, by which it's decided not to show emphasis on the financial risks and focusing more on the operative. This are the following: referring to financial risk, stands out the risk to the change on the Forex market. BMW is a brand produced and sold practically in all the world, by which many are the currencies in which there are paid the costs of the vehicles, and this makes vulnerable the company because in raising euro context, every vehicle not at the eurozone will be forced to get more expensive, or reducing part of the price due to devaluation of some currency. Besides, Siemens decides to present that information of a perfectly

quantified way, in a way that can be better understood for the reader, with the aim of these reader to make a good use of it and better decides on his investment. Referring to business risk it's shown more information related to the efficiency, yield and environmental predisposition of the company. These are both strictly related aspects, each one depends on the other, and in a context where in this aspect automotive sector is found on the target, BMW presents enough information as to be the investor the one that decides of relying and investing on the company. Also outlines the risk to the potential loss of the company's stock value, given that sometimes the difficulty on some model sale could be important on the company expenses. Finally, I consider indispensable to outline the processing information and technological risk. Innovation is indispensable to keep being a top brand on the automotive sector, and this something that BMW stands out, because every worker possesses information that could harm the company in this aspect.

V.3 Remarkable aspects of the tables results

As a kind of general explanation of the commentary, firstly outline that the fact that there is a bigger sum of risks on a company doesn't imply that this is exposed to a bigger number of risks, or a bigger global risk, only that the mentioned company can decide to explain widely that section of the memory depending on the sector where it operates or the investor information demand, just like the information that considers positive to reveal.

Also requires an explanation the choosing of the paragraphs or sentences chosen, for example, I've deleted information that I've not considered relevant even it was found on the memory of the company. In several occasions it's talked about information without excessively concreting, and the proposal of this paper will consist on summarizing the important data and knowing how to separate them from the irrelevant.

By the other side, to outline that facing the difficulty in several occasions on the classification of certain information into one group or another, I've decided to determine

the qualification of the risk depending on the definition of each one and not on the function of what for me seemed more obvious.

I also consider indispensable to stand out again the difference between both normatives treated on the methodology used. The European normative decides not to oblige the companies to divulge information about non-financial risks, by which the German companies name these risks in a so ridiculous way that didn't required a mention on the commentary. The three analyzed companies refute the recommendations of every accounting organization of divulging facultative information and decide to divulge that information that they are obliged to.

Unlikely, the German normative goes further in the matter of risks information divulgation, and for avoiding what happens in lots of European companies, decides to oblige to their quoted companies to write down non-financial or operative information on their management reports. On the results, it's seen clearly this phenomenon, that increases the divulged information by the companies and so helps every rational investor to analyze that information for better choosing the investment that better adapts him depending on the hoped benefit and above all the risk if the investment itself.

VI. Conclusion

The principal aim to analyze, as we've already seen on the paper, risks information divulgation, is to sum it all up the reduction of the uncertainty of the stock market investments. As is already known, every investment whose yield is variable supposes a risk; the estimations are very useful but not at all reliable, although it can be never known if the benefit or yield of an investment until it ends.

Over the years, there have been lots the ones that contributed to the improvement on such important aspect of the annual accounts of the quoted companies on the stock market. In the paper is realized a chronological summary of those more important normatives and that more meant in matters of risks information divulgation.

Regarding the methodology, it must be outlined the complexity of categorization of certain aspects, given that the method used is the one elaborated by Arthur Andersen and later used by the ICAEW in 1997. At this categorization we will sometimes find ambiguity between risks, meaning, a sentence could belong to more than one group or subgroup of risks of that categorization, so right in the classification of the same I had to decide the location of certain risks according to the definition established by the author of the categorization method, and not in what common sense or my subjective opinion considered more obvious.

Looking at the obtained results on the previously realized tables, I can conclude that the European companies are found delayed referring to the matter of risks divulgation, given that these do not detail any information about non-financial risks, and it's been clearly demonstrated that these can destabilize the same way, or even higher, a company than financial risks, concerning the global situation of the company and subsequently the future dividends and the valuation of the company.

By the other side, it must be outlined that the huge number of improvements on this aspect helps reducing the uncertainty of certain aspects of the companies' situations, but for example, all this information is worthless when the companies from for example a country like Spain is facing a strong economic and financial crisis that makes unstable as the situations of the most part of the companies as the investors demand due to liquidity reduction of the same.

VII. References

Abraham, S.; Shrives, P. (2014): Improving the relevance of risk factor disclosure in corporate annual reports, *The British Accounting Review*, Vol. 16, (mar), pp. 91 – 107

AICPA (1973b): *Objectives of Financial Statements (Trueblood report)*, New York. American Institute of Certified Public Accountants.

Beretta, S.; Bozzolan, S. (2004): A framework for the analysis of firm riskcommunication. *The International Journal of Accounting*, N° 39, pp. 265 –288

Botosan, Ch.A. (2004): Discussion of a framework for the analysis of firm risk communication. *The International Journal of Accounting*, Vol. 39, pp. 289 - 295.

- Cabedo, J.D.; Tirado, J.M. (2007): La regulación contable sobre divulgación de riesgos en los estados financieros. *Partida Doble*, N° 184, pp. 30 – 45
- Cabedo, J.D.; Tirado, J.M. (2009): Divulgación de información sobre riesgos: unapropuesta para su medición, *Revista Innovar*, Vol. 19, N° 34, pp. 121 – 134
- Cabedo, J.D.; Tirado, J.M. (2014): Risk disclosure and cost of equity. The Spanish case. *Contaduría y Administración*, (October-december), Vol. 59, N° 4, pp. 105 – 135
- Cea, J.L. (1992): *In search of a better and more complete accounting information about the income risk*, XV Congress of the European Accounting Association, Madrid (Spain).
- Cea, J.L. (1995): La información contable sobre el riesgo empresarial. Una necesidad insatisfecha. *Boletín AECA* N° 38, pp. 34 – 23
- Cea, J.L. (1996): *La búsqueda de la racionalidad económico-financiera. Imperativo prioritario para la investigación contable*. ICAC, Madrid.
- Dobler, M. (2005): National and International Developments in Risk Reporting: May the German Accounting Standard 5 Lead the Way Internationally? *German Law Journal*, Vol. 6 N° 8, pp. 1191 – 1200
- German Accounting Standards Committee (2000): *GAS N° 5. Risk reporting*. GASC. Berlin.
- ICAEW (1997): *Financial Reporting of Risk: Proposals for a Statement of Business Risk*. London: Institute of Chartered Accountants in England and Wales.
- International Accounting Standard Board, IASB (2005): *International Financial Reporting (IFRS): Financial Instruments: Disclosures*, IFRS N° 7.
- Jorgensen, B.N.; Kirschenheiter, M.T. (2003): Discretionary Risk Disclosures, *The Accounting Review*, Vol. 78, N° 2 (April), pp. 449 – 469
- Jorion, P. (1997): *Value at Risk: The New Benchmark for controlling market risk*, University of California, Irvine, CA.
- Lajili, K.; Zéghal D. (2005): A content analysis of risk management disclosure in Canadian annual reports, *Canadian Journal of Administrative Sciences*, Vol. 22 N° 2, pp. 125 – 142
- Linsley, P.M.; Shrives, P.J. (2006): Risk reporting: A study of risk disclosures in the annual reports of UK companies. *British Accounting Review*, Vol. 38, pp. 387 – 404
- Linsmeier, T.; Pearson, N. (1997): Quantitative disclosures of market risk in the SEC release, *Accounting Horizons*, Vol. 11, pp. 107 – 135
- Lundholm, R.J. (1999): Reporting on the past: A new approach to improving accounting today, *Accounting Horizons*, (December), pp. 315 – 322

Miihkinen, A. (2012): What drives quality of firm risk disclosure? The impact of a national disclosure standard and reporting incentives under IFRS. *The International Journal of Accounting*, Vol. 47, N° 4, pp. 437 – 468

Miihkinen, A. (2013): *Essay on Corporate Risk and Transition Disclosures in the IFRS Era*. Aalto University Publication, Doctoral Dissertations 35/2013; Department of Accounting.

Miihkinen, A. (2013): The usefulness of firm risk disclosures under different firm riskiness, investor-interest, and market conditions: New evidence from Finland. *Advances in Accounting*, Vol. 29, N° 2, pp. 312 – 331

Mohobbot, A. (2005): Corporate risk reporting practices in annual reports of Japanese companies. *Japanese Journal of Accounting*, Vol. 16, N° 1, pp.113 – 133

Securities and Exchange Commission, SEC (1997): *Disclosure of accounting policies for derivative financial instruments and derivative commodity instruments and disclosure of quantitative and qualitative information about market risk inherent in derivative financial instruments, other financial instruments, and derivative commodity instruments*. Release 33-7386, FRR 48, Washington, DC: SEC.

Solomon, J.F.; Solomon, A.; Norton, S.D. y Joseph, N.L. (2000): A conceptual framework for corporate risk disclosure emerging from the agenda for corporate governance reform, *British Accounting Review*, Vol. 32, N° 4, pp. 447 – 478

Woods, M.; Dowd, K.; Humphrey, Ch. (2008a): Market Risk Reporting by the World's Banks: Evidence on the diversity of reporting practice and the implications for international accounting harmonization. *Spanish Accounting Review*, Vol. 11, N° 2, pp. 9 – 42

Woods, M.; Dowd, K.; Humphrey, Ch. (2008b): The value of risk reporting: a critical analysis of value-at-risk disclosures in the banking sector. *International Journal of Financial Services Management*, Vol. 3, N° 1, pp.45 – 64