

Quadrant II - Notes

Course Code: COD113

Module Name: Interim Reporting

Meaning of Interim Reporting:

An Interim Report is a financial statement reported by a firm for a period less than one year. They are used to convey the financial performance of the company on a semiannually, quarterly or even monthly basis. Although regulators prescribe an annual reporting of data, it helps in establishing a better and transparent communication with the investors by providing an updated information between annual reporting periods. They are normally reviewed by a company's internal auditors rather than going for a complete statutory audit which would be impractical and time-consuming considering the frequency with which these reports are published.

Periodic reporting at half yearly, quarterly and sometimes even monthly intervals, provides users with more current information for use in assessing the performance of a business enterprise. Such periodic reporting between the dates of annual financial statements is known as **interim reporting**.

Objectives of Interim Reporting:

- (1) To estimate annual earnings.
- (2) To make projection.
- (3) To identify turning points.
- (4) To evaluate the management performance.
- (5) To supplement the annual report.

Periodic reporting provides users with more current information for assessing the performance of an enterprise. Investors and analysts all over world favour such interim reporting since it provides timely information which is of price sensitive nature.

Advantages of Interim Reporting

1. Interim Reports helps in establishing a better connect with the investors.
2. Interim Reports is very helpful for big conglomerates that are running multiple lines of business helping them in tracking if their short-term initiatives are in line with the long-term strategy.
3. Material misstatement (Error and frauds) in a financial statement can be detected and prevented at an early stage compared to an annual report.
4. It helps in the implementation of a comprehensive internal control procedure which further makes accounting policies robust.
5. Declaration of interim dividend is possible when financial statements are reported for small periods incentivizing the shareholders to hold on to their investments.

Challenges of Interim Reporting:

1. Problems of inventory
2. Inaccurate decision making
3. Extent of disclosure problem
4. Overemphasis on short-term results