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## Operational elements of Narrative Disclosure Information (NDI) in a geographical context

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### Abstract

Research on the quality of narrative information of annual financial reports has long been dominated by a lack of tools that permit an objective analysis of qualitative disclosure. This study is focused on accounting disclosure research and proposes a comprehensive index that uses Key Performance Indicators to enhance understanding of the quality of narrative information during the period of 2002–2007, using a sample of European (EU) and USA (US) firms operating in that context. We use previous research of Garefalakis et al. (Corp Ownersh Control 13(4):317–334, 2016) to underscore the relation between the Management Commentary Index and the Weighted Management Commentary Index with several explanatory variables that put emphasis on firms' attributes regarding their volumes in total assets, their book values, as well as the use of corporate governance indicators, etc. in a regional level. Our results show that the US firms with the mandatory requirements do not provide a greater amount of disclosure information in their reporting than their counterparts in Europe (i.e. firms located in Western and Northern Europe). The proposed approach seeks to enhance understanding of the quality of companies' narrative information disclosure and reveals a critical path to analyze the link between corporate governance and firms' performance.

**Keywords** Narrative disclosure · Financial reporting quality · Geographical IFRS analysis

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