



Narrative disclosure guidelines for CARs: an operational-based tool

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Abstract

Management Commentary Index (Ma.Co.I) is a composite measuring index developed for the detailed evaluation of narrative disclosure quality, as this has been delineated by the *Financial Accounting Standards Board—FASB* and the *International Accounting Standards Board—IASB* in 2010 in the “An Improved Conceptual Framework for Financial Reporting” publication. The Ma.Co.I comprises of 70 Key performance Indicators (KPIs) and these KPIs are classified in five categories. A total of 129 Corporate Annual reports (CARs) of major, stock market listed companies in Canada, the US and Europe (including Switzerland, France, Germany, Belgium, Netherlands, Norway, Denmark, Sweden and the UK) were classified as either pre-IFRS (P-IFRS) for the period spanning from 2000 to 2004 or after-IFRS (A-IFRS) for the period from 2005 to 2007. The primordial aim of this study is the exploration of whether the mandatory narrative guidelines set in Canada and the USA yield increased the disclosure quality of narrative section in CARs, in contrast to Europe firms that comply with non-mandatory guidelines. The secondary aim of this study is to examine a pioneering, new qualitative measurement tool used in testing for CARs quality, what we referred to as *G&T-AIQAD*. The present study’s conclusions indicate that this new measurement tool is an efficient and reliable method for exploring CARs quality.

Keywords Narrative information · CARs · Ma.Co.I · Disclosure quality · G&T-AIQAD · KPIs

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