THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Department of Accounting

"The Timeliness of Private Company Financial Reporting"

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Abstract

Private companies depend on long and short term debt financing, the providers of which rely on financial statements to assess the status of their claims, whose value may be affected by reporting timeliness. The private company reporting environment is substantially more heterogeneous than that for quoted firms. As well as having a higher degree of influence over reporting timeliness, directors determine the level of information publicly disclosed in their accounts and whether those accounts are audited. With specific regard to these factors, this paper provides new evidence on the timeliness with which UK private companies publish their annual financial statements. We examine the influence of firm-level governance characteristics, together with a firm's propensity to file beyond the statutory deadline, thereby incurring automatic financial penalties, and rendering the directors liable to criminal prosecution. In addition, we investigate the impact of a major regulatory change aimed at improving financial reporting timeliness. After controlling for firm-specific characteristics, we find that the quantity (discretionary disclosure) and quality (audited or not) of the published information are significant determinants of its timeliness. The presence on the board of a qualified accountant, board gender diversity, ownership dispersion and board size are found to have an important influence on reporting timeliness and the likelihood of a firm filing beyond the statutory deadline. The evidence also indicates that the regulatory change was highly effective in reducing filing times.