

Do large Australian companies emphasise non - GAAP financial measures over statutory net profit (GAAP) in annual reports?

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Abstract

Large companies' frequent focus on non-GAAP financial measures ('proforma' earnings), rather than statutory net profit or GAAP measures, raises concerns about the potential for misinformed financial decision-making. Despite recommendations by ASIC and Finsia, in Australia there is no consistency in the calculation of non-GAAP financial measures or in their reconciliation to statutory net profit. Our study of the disclosures and the reconciliation to GAAP earnings by the largest 50 Australian listed non-mining companies finds considerable variations in reporting practices from highly transparent reconciliations to what appears to be considerable secrecy.

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