

Why Do Firms Opt for Alternative-Format Financial Statements? Some
Evidence from France

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ABSTRACT

Historically, the format of financial statements has varied from one country to another. Recently, due to the attractiveness of their capital markets, the strength of their accounting professions and the influence of their institutional investors, Anglo-American countries have seen the impact of their accounting practices on other nations increase steadily, even influencing the actual format of financial statements. Given that French accounting regulations allow a certain degree of choice in consolidated balance sheet format ('by nature' or 'by term') and income statement format ('by nature' or 'by function'), this study examines a sample of 199 large French listed firms in an attempt to understand why some of these firms do not use the traditional French formats ('by nature' for the balance sheet and 'bynature' for the income statement), instead preferring Anglo-American practices ('by term' format for the balance sheet and 'by function' format for the income statement). We first analyze the balance sheet and income statement formats separately using a logit model, then combine the two and enrich the research design with a generalized ordered logit model and a multinomial logit regression. Our results confirm that the major driving factor behind the adoption of one or two alternative formats is the firm's degree of internationalization, not only financial (auditor type, foreign listing and the decision to apply alternative accounting standards) but also commercial (company size and the internationalization of sales).

Key words: Disclosure - Determinants — Financial Statements — Alternative format — France - Logit - Generalized ordered logit - Multinomial.logit.