

INVESTIGATING THE DETERMINANTS OF XBRL DISCLOSURE (RESEARCH PROPOSAL)

Nicola Castellano, Bruno Maria Franceschetti
Department of Economics and Law – University of Macerata
{nicola.castellano; bruno.franceschetti}@unimc.it

Research Purpose

To investigate XBRL disclosure in Italy after the introduction of the taxonomy including the notes to financial statements in order to assess the overall disclosure quantity and quality of Italian XBRL notes-filers.

General research questions:

- How disclosure is developing after the introduction of mandatory XBRL taxonomy?
- Does the disclosure standardization argued by literature as consequence of XBRL introduction effectively occur?
- Which are the variables that may explain differences in the disclosure behavior of companies in an XBRL context?

Research Motivations

Corporate disclosure is one of the most important topics in accounting studies, and since the 70's the literature has been abundant and progressively growing.

Several theoretical frameworks may alternatively explain the variability in quantity and quality of disclosure: agency theory, proprietary cost theory, signaling theory (just to name a few).

A set of variables is generally considered to be in relation with disclosure: size, ownership concentration, listing status, multi-listing, level of debt, audit quality...
...even if several contradicting results are documented.

The introduction of XBRL is expected to produce the following impacts:

- Reduction of information asymmetries among larger and smaller issuers (Yoon et al., 2011);
- Improvements in quality and transparency of information (Debreceeny et al., 2005; Pinsker and Li, 2008);
- Decreasing costs of compliance with reporting regulations and data-quality assurance services (Weber, 2003);
- Normalization of the quantity of information provided by companies, as consequence of the development of a disclosure format (Vasarhelyi et al., 2012).

Research Questions

Rq1 Did the introduction of XBRL cause an improvement in the quantity (and quality) of financial disclosure?

Rq2 Can the argued normalization of disclosure be documented in the years after the introduction of XBRL?

Rq3 How does the explanatory power of traditional determinants of disclosure change during and after the introduction of XBRL disclosure? (Are the traditional determinants of disclosure still to be considered as significant?)

Rq3.a The higher the company size, the higher the extent of disclosure

Rq3.b The higher the % ownership concentration, the lower the extent of disclosure.

Rq3.c The higher the profitability, the higher the extent of disclosure.

Rq3.d The higher the level of debt, the higher the extent of disclosure.

Rq3.e The higher the audit quality, the higher the extent of disclosure.

Sampling & Data Collection

The research will be carried out on a sample of non-listed (and non-financial) Italian companies.

In Italy the first release of taxonomy including the Notes to financial statements was introduced in November 2014 (in December 2015 a second release has been introduced).

XBRL Pre-adoption period: **2013**; adoption **2014**; post-adoption period **2015**



Manual data-collection



Automatic data-collection

Description of variables

Dependent Variable		
DI	Disclosure Index	Sum of disclosure items required by Italian law and accounting standards
Independent Explanatory Variables		
TURN	Size	Yearly turnover
OWNC	Ownership Concentration (differentiation)	Avg individual stock quote % stock quotes held by investment funds % stock quotes held by controlling companies
CAP	Level of capitalization	$\text{Equity}_{(y)} / \text{Total Assets}_{(y)}$
ROI	Profitability	$\text{EBIT}_{(y)} / \text{Total Assets}_{(y)}$
AUDQ	Audit Quality	0 = Individual auditor 1 = Audit committee 2 = Audit company 3 = «Big 4» audit company

Hypothesis testing

Pre-Adoption: $DI = \beta_0 + \beta_1 SIZE + \beta_2 OWNC + \beta_3 CAP + \beta_4 ROI + \beta_5 AUDQ$

Adoption: $DI = \beta_0 + \beta_1 SIZE + \beta_2 OWNC + \beta_3 CAP + \beta_4 ROI + \beta_5 AUDQ$

Post-Adoption: $DI = \beta_0 + \beta_1 SIZE + \beta_2 OWNC + \beta_3 CAP + \beta_4 ROI + \beta_5 AUDQ$

Theoretical and practical implications

The comparison of the results in the three investigated periods will provide insights about whether and how the explanatory power of traditional determinants of disclosure change, before, during and after the introduction of XBRL taxonomy of disclosure.

The results could be interesting for regulators, auditors and financial statements users .