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Do Corporations' Annual Reports Address Shareholders as Proprietors? Evidence from Saudi Arabia

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ABSTRACT

This study empirically investigates whether shareholders of corporations that are publicly held and traded in Saudi Arabia's capital market are engaged as the owners of the corporations in which they have invested their wealth? We conducted a content analysis of the annual reports and financial statements of 62 such corporations to discern the tone of the top management and board of directors. The study finds that the board of directors and top management both situate shareholders as owners. Financial statements and annual reports are prepared in line with the proprietary view of the firm. Nevertheless, there is a need to improve corporate reporting in Saudi Arabia in terms of company risks and related mechanisms. Because analysis was limited to 62 companies and no inferences were made regarding the texts, the findings must be generalized with caution. Saudi Arabia's corporate reporting might be improved by addressing the risks companies face and related approaches to risk management. This study may be replicated for Saudi corporate reports in the years following the IFRS adoption with an eye for comparing the results of the two periods to further examine the nuances of corporate communications with shareholders.

INTRODUCTION

Conceptualizing corporations as a model for conducting business has been a perplexing task for accounting in general and for accounting theorists in particular (Al-Adeem, 2010; Al-Adeem, 2017a; Al-Adeem & Fogarty, 2010; Merino, 1993; Previts & Merino, 1998). Since the establishment of early publicly traded corporations in the 1600s—for example, the South Sea Company formed in 1711 and liquidated in 1720 [1] (*see,* Previts & Merino,

1998, p. 24)—the accounting profession has been confronted with the need to strengthen investor confidence. Along these lines, the accounting profession strives to provide a model for income determination and measurement as well as for reporting a corporation's activities and performance to external parties (Al-Adeem, 2017a), while, at once, accounting for the divorce between ownership and management (Berle & Means, 1932).

Even today, the concept of a corporation is challenged and debated in the accounting field (*e.g.*, Biondi, 2019; Neimark & Tinker, 1987; Weinstein, 2013; Williamson, 1981). Unfortunately, contemporary theorization of a corporation has remained stagnant since it first departed a century ago (*e.g.*, Davis, 1897; Kornhauser, 1989; Suojanen, 1954), signifying the need to revisit the topic from the perspectives of accounting and corporate reporting (Al-Adeem, 2017a). Theories of the firm employed in accounting mainly include agency theory (Watts & Zimmerman, 1986) or law traditions, that is, the legal persona of an entity (Suojanen, 1954). Here, it is important to note that the law views a corporation as a contract (*e.g.*, Easterbrook & Fischel, 1991, p. 1–40; Eisenberg, 1998; Hoyden et al., 2011; Kornhauser, 1989). Agency theory clarifies the relationship between principal and agent, when the principal shareholders involve the agent management to perform on their behalf and make decisions for the agent (Jensen and Meckling 1976). In this case, management safeguards the shareholders which they are considered the owners of the business.

An abstract view of a firm in accounting lends itself as a component of the structure of accounting theory. Some work on accounting (*e.g.*, Belkaoui, 2004) refers to this component as a "theoretical concept." Belkaoui (2004, p. 210–213) lists three such abstracted views: proprietary theory, entity theory, and fund theory. Chatfield (1977, p. 217–231) expands this list, outlining residual equity theory, commander theory, and enterprise theory. "Decision usefulness" is a perspective yet to be adopted to determine the addressee of corporate communication and the prioritization of needs that ought to be addressed (*see* Davidson & Trueblood, 1961). In its *Statement of Basic Accounting Theory*, the American Accounting Association (1966) recognizes the provision of information for decision-making as an objective of accounting. Evaluating accounting theory in the *Statement on Accounting Theory and Theory Acceptance*, the Committee on Concepts and Standards for Externals Financial Reports (1977) deems decision usefulness, in addition to descriptive and prescriptive theories, to be an accounting theorization approach that potentially yields a legible theory of financial accounting and corporate reporting. Williams and Ravenscroft (2015) call for the re-evaluation of decision usefulness and highlight the need to assess

whether accounting can perform such a function. Irrespective of accounting being able to perform such a task and effectively serve its users, corporate management is obligated to report wealth invested in the corporation to its capital suppliers.

According to paragraph 243 of Saudi Arabia's *Financial Accounting Concepts* (2011), equity holders own the net assets of an accounting entity, that is, assets minus assumed liabilities. In other words, the shareholders own an accounting entity. During this era of corporate reporting guided by the so-called "local *Financial Accounting Standards*," [2] Saudi Arabia's corporate reporting has been based on proprietary theory. Thus, financial statements must be prepared from the proprietaries' perspective and, thereafter, directed and communicated to them. However, a question that warrants empirical investigation is whether a corporation's management and governing body, who are deemed the custodians of owners' assets and shareholder interest, consider shareholders as proprietaries.

Thus, in the age when corporations are mandated to prepare financial statements from an investor perspective, this study empirically investigates if shareholders of corporations that are publicly held and traded in Saudi's capital market are engaged as the owners of the corporations in which they have invested their wealth. To meet this objective, financial statements and annual reports that reflect the tone of the top management and board of directors are suitable data sources. Managers may demonstrate the tendency of opportunism in their corporate reporting and disclosure (Melloni *et al.*, 2016; Merkl-Davies & Brennan, 2007). Nevertheless, the tone of a top manager is subject to interpretation (King, 2013, p. 25). According to Chung and Pennebaker (2007, p. 343), "language is the currency of most human social processes; we use words to convey our emotions and thoughts to tell stories and to understand the world."

Accordingly, this study examines the communication tone of top management and explores whether it conveys and discloses information in a manner that fulfills its stewardship role. In addition, this study aims to answer the following question within the corporate governance framework: to what extent do boards of directors communicate their efforts to shareholders with the objectives of disciplining management and safeguarding shareholder wealth?

The remainder of this paper is organized as follows: Section 2 reviews accounting literature on theoretical concepts with an eye for proprietary and entity theories. Section 3 conducts a content analysis on the collected data to determine if Saudi corporations communicate with shareholders as owners of the corporations. Section 4 presents and discusses the results.

Section 5 concludes the study, acknowledges its limitations, and suggests directions for future research.

LITERATURE REVIEW

For a long time, accounting and related literature, including finance, economics, and law, have debated the concept of a "corporation." Scholars have proposed several accounting views regarding to whom the corporation should address its financial reports. For our purposes, the two key theories mentioned above—proprietary and entity—are helpful to survey here. The fact that Roberts (1955) limits his study to these two views emphasizes their significance for theorizing the concept of a "corporation" from an accounting perspective. First, the proprietary theory of a firm views shareholders as owners. Meanwhile, under the entity theory, owners are considered fund suppliers; their position is no different, from the perspective of a firm, than that of a debt holder.

VIEWS OF THE FIRM

Theoretical concepts, or views of a firm (Chatfield, 1977, p. 217–231), are a key aspect of accounting theory (*see* Belkaoui, 2004) and include proprietary, entity, enterprise, residual equity, commander, and fund theories (Belkaoui, 2004; Chatfield, 1977). However, when proposing accounting theory, only one theoretical concept can be applied to the theory's body or structure.

An adopted theoretical concept suggests the manner in which a corporation must be viewed. According to the proprietary theory, or the proprietary view, shareholders own the net assets of a corporation. Thus, parties other than stockholders—such as debtholders—who finance corporations with resources are generally not conceptually treated as owners for the purposes of preparing the financial statements. Accordingly, the accounting equation is written as follows:

$$\text{Assets} = \text{Liability} + \text{Equity}. \quad (1)$$

Debtholders, on the other hand, are considered fund providers who have seniority at the time of liquidation. As such, the proprietary view of a firm allows for the following equation

$$\text{Equity} = \text{Assets} - \text{Liability}. \quad (2)$$

Equation (2) is an implication of practice. At the time of liquidation, debtholders have, by law[3], seniority over stockholders in recovering the funds they contributed to the corporation. Shareholders acquire the residual

net assets, which are estimated after corporate debt has been redeemed. The other form, that is,

$$\text{Liability} = \text{Assets} - \text{Equity}, \tag{3}$$

derived from Equation (1), is inaccurate based on the law (AlShabani, 2014, p. 14). In legal terms, "automotive stay" is granted only to debtholders. Accordingly, shareholders are not paid before a corporation's debt has been redeemed. In addition, it is not true that residual corporate assets belong to debtholders.

Another example of theoretical concepts is the view of a corporation as an entity. As per entity theory, fund suppliers are treated no different than equity providers. While shareholders earn dividends on the capital invested in the corporation, debtholders receive interest on the money they lent (*see* Belkaoui, 2004; Chatfield, 1977, p. 217–231; Previts & Merino, 1998; Suojanen, 1954; Wolk *et al.*, 2004). To this effect, both parties acquire rent by allowing the corporation to use their wealth. In line with the entity view, the accounting equation becomes

$$\text{Assets} = \text{Equity}. \tag{4}$$

Such a view has been deemed an improvement to accounting theory (Suojanen, 1954, p. 391) and a more pragmatic approach (Biondi, 2011, 2012). It captures certain "featuring characteristics of enterprise groups as they work and are managed" (Biondi, 2012, p. 12). Further, it "moves the accounting basis…towards financial and economic flows which are expected to be more useful and reliable to grasp the inner congeries of enterprise groups over time" (Biondi, 2012, p. 9). The entity view of a corporation can be attributed to Professor Williams A. Paton (Merino, 1993; Previts & Merino, 1998).

While the entity view is more—or is, at least, to some extent—reflective of corporate reality (*e.g.*, Biondi, 2005, 2011, 2012), early accounting theorists call for and encourage the adoption of the proprietary view in corporate reporting. While early accounting theorists such as Sprague and Hatfield were aware of Paton's views (Merino, 1993), they were less programmatic than Paton. Their undermining of the *private property right of ownership claim* prevented them from calling for the adoption of entity theory in American accounting thought (Merino, 1993, p. 177, emphasis added). Equalizing shareholders as capital providers with debt holders as loan providers poses a threat to shareholders' *private property rights* in their corporations. In her conclusion, Merino (1993: 178) asserts that:

> *"...proprietary theorists consciously chose to ignore the "fictional corporate person", extending the use of the term proprietor to include stockholders…by focusing on*

> *calculation of "profits available for distribution", they provided a model that reconciled absentee ownership with the entrepreneurial function by making it appear that stockholders (owners) could control investment and re-investment decisions".*

The American public fought and won grueling wars against Great Britain to earn their *private property rights*. Accounting is not meant to cause members of such a society to forfeit their rights when creating corporations. Forming corporations should not be at the cost of giving up something as precious as the right to own.

A careful examination of writings by early accounting theorists reveals their understanding of the relevance and accuracy of entity theory in reflecting the reality of present-day corporations (Biondi, 2011, 2012; Merino, 1993). The wisdom of early accounting theorists, however, made them cautious of the constitutionality of each theoretical concept's effect on a segment of society intended to be served by accounting. Such wisdom has further guided them to prefer proprietary over entity theory. This may rationalize the prevalence of propriety theory in the conceptual frameworks for financial accounting developed by the Financial Accounting Standards Board (FASB) and the Saudi Organization for Certified Public Accountants (SOCPA). Prior to the official convergence to IFRS on January 1, 2017, SOCPA's *Financial Accounting Standards* were used to mandate accounting entities in Saudi Arabia. In 2010, the FASB issued the *Statement of Financial Accounting Concepts* (*SFAC*) No. 8 as a substitute for *SFAC* Nos. 1 and 2. *SFAC* No. 8 adopts the entity view instead of the conventional view previously employed in *SFAC* Nos. 1 and 2 (Previts & Flesher, 2015, p. 64).

MANAGEMENT TONE INDICATING LATENT TRAITS

Although shareholders technically own the corporation in which they are invested, they are weak compared with the corporation's management (Roe, 1994). While required by law (*e.g.*, Easterbrook & Fischel, 1991, p. 90–109), the assumed fiduciary duties of managers toward shareholders may merely be a legend. Put differently, the relationship between a corporation's shareholders and executive managers may not be as cooperative as it should be, resulting in a misalignment of interests between both parties (Jensen & Meckling, 1976). To be sure, managers are more powerful than other parties involved in running a corporation, including the board of directors (Al-Adeem, 2015; Adams & Ferreira, 2009; Fogarty, 2003). The effectiveness of an audit committee as a mechanism for corporate governance remains questionable (Adelopo, 2012). Preliminary evidence from Saudi Arabia suggests that the perception toward a board of directors is that it may not be effective in monitoring executive management (Al-Adeem & Al-Sogair,

2019) Thus, opposing the position of management in the process of preparing financial statements may not be optimal for auditors (Al-Adeem, 2015). Along these lines, the maximization of firm value in the interest of shareholders is a myth (Stout, 2012[4]; Stevelman, 2013; Weinstein, 2013).

Literature about the "tone at the top" in corporations highlights certain words as making positive and negative impressions (Melloni *et al.,* 2016; Merkl-Davies & Brennan, 2007; Merkl Davies *et al.,* 2011; Stratulat, 2019). Accordingly, "tone at the top" has garnered interest because it shapes the culture of an organization (*see* Amernic *et al.,* 2010; Castellano & Lightle, 2005; Committee of Sponsoring Organizations of the Treadway Commission [COSO], 1999), including its audit culture (Castellano & Lightle, 2005). Accounting regulations, such as the Sarbanes-Oxley Act Section 404, have been implemented to strengthen the "tone at the top" among management (Cunningham, 2005). To be sure, management's use of appropriate terms and tones is one method for reducing fraudulent acts—inappropriate and exaggerated words may signal fraud and manipulation (Amernic *et al.,* 2010; Castellano & Lightle, 2005). Along these lines, Cunningham (2005: 6) states that "[i]t is the shared set of values that an organization has emanating from the most senior executives. It can be reinforced with written codes and other policies and documents, but, more importantly, it reflects the 'actions' of these executives."

One way to explain corporate information disclosure is with the concept of "impression management" (Wang, 2016). Messages conveyed by managers and the boards of directors to shareholders can be informative. A company's annual reports and financial statements are considered the most truthful sources of information about a company's financial health and future (Lord, 2002, cited in Zeller *et al.,* 2012, p. 1).

Moreover, corporate reporting is deemed a mechanism to reduce asymmetric of information between the management and shareholders (Buchholz *et al.* 2018). Relative flexibility in preparing corporate reports (Liu & Nguyen, 2020) in comparison to the preparation of mandated and prep-prescribed financial statements offers executive managers a privilege to select the content of the presented data in such reports (Boudt & Thewissen, 2019).

Excluding paragraph 243 of *Financial Accounting Concepts* (2011) professional pronouncement has been issued in Saudi Arabia regarding the view of the firm as an enterprise owned by capital providers for whom corporate reporting ought to be prepared. Empirical evidence documents variations in corporate disclosures and reporting by listed companies in Saudi Arabia (Alrazeen, 2007). The period prior to 2017 is worth examining

to determine if shareholder communication was based on the *Financial Accounting Standards* issued by a local professional body that conceptually adopted proprietary theory.

RESEARCH METHOD

Content analysis of data collection

"No [research] method can 'get inside the head' of key actors making a decision" (Carduff & Fogarty, 2014, p. 200). Content analysis is a systematic approach to examining gratified meaning in textual data (Mohr, 1998, p. 364). Thus, it is a suitable alternative to the search for reasoning. Franzosi (2008, p. xxi) asserts that "…content analysis was born as a quantitative technique." It was used in the 1930s and 1940s to count frequencies (de Sola Pool, 1959, cited in Franzosi, 2008, p. xxi).

The approach has been widely employed in accounting research (*e.g.*, Merkl Davies *et al.*, 2011; Terinte, 2016; Tsunogaya, 2016) and to analyze corporate annual reports (Carduff, 2010; Carduff & Fogarty, 2014).

The primary objective of conducting a content analysis on the data collected in this study is to identify patterns in corporate reporting and whether the language in the reports is aimed at communicating a company's condition to its shareholders. A content analysis is a suitable approach to meet this objective partially because it is "a method of studying and analyzing communication in a systematic, objective, and quantitative manner for the purpose of measuring variables" (Kerlinger, 1986, cited in Prasad, 2008, p. 2). Such "a research technique [is helpful] for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use" (Krippendorff, 1980, p. 18). It is a reliable research technique that systematically summarizes a large volume of words by means of coding (Stemler, 2001). Moreover, a content analysis is a "safe methodology because the coding scheme can be corrected if flaws are detected as the study proceeds" (Tallerico, 1991, cited in Duriau *et al.*, 2007, p. 7; Woodrum, 1984, cited in Duriau *et al.*, 2007, p. 7).

SAMPLING AND DATA

This study applied the following random sampling criteria to select companies for the purpose of the examination. First, the company had to have been publicly listed for at least five years. Second, the company should have belonged to a sector that includes seven or more companies. Third, the company's reports through to the end of 2014 should be available. Fourth, during this period, the company's shares must have been traded

in Saudi Arabia's capital market and its financial statements prepared according to Saudi standards. Finally, the Saudi government should not directly or indirectly own a proportion of the company's shares. This is because the government offers subsidies to companies in which it owns shares. Of the 168 companies listed on the Saudi Stock Exchange (Tadawul), this study examines the annual reports of 62 listed companies in line with these criteria.

To address the research question posed above, the content of the sampled annual reports was examined and coded under six categories:

- general information in the report by the board of directors investor relations
- attention phrases in the report for shareholders
- the company's business, functions, activities, and objectives
- language used in the report
- general tone of the report

CODING PROCEDURE

Each category is presented with various suitable answers. The annual reports were dichotomously coded as (1) or (0) in the coding sheet, where (1) indicates that the statement appears in the report and (0) indicates that it does not. All reports coded as (1) were summed up to determine the results and percentages for each question.

The coding sheet contains two types of questions: non-exclusive and exclusive. This classification is based on whether the annual report expresses one or more of the above characteristics—if so, the statement of interest was coded as (1). Questions for which more than one statement was detected during the content analysis were labeled "non- exclusive" questions. In other words, for such questions, "attention phrases for shareholders" could have several possible responses to the variable coded as (1). What follows are examples of statements in the annual report that were coded as (1) under the category "attention phrases for shareholders": maximize their profit, keep their money, disclosure and transparency, shareholders appreciation, returns to shareholders, shareholder trust, and benefit to the shareholders.

Non-exclusive questions allow for more than one answer to the same question when coding the content of annual reports. For example, responses to the question related to investor relations could vary from significant, non-significant, sufficient, insufficient, and link unavailable. For non-exclusive questions, significant and sufficient answers were coded as (1),

while all remaining answers were coded as (0). In contrast, exclusive questions permit only one answer. For instance, reports addressed to shareholders in the coding sheet can have three possible responses: yes, no, or unclear. “Yes” was coded as (1) and “no” and “unclear” were coded as (0).

RESULTS

For the non-exclusive questions, this study computed a percentage for the options listed under the same factor. For example, “spokesman of a company” may include the board of directors, chairperson of the board, chief executive officer, managing director, or others listed in an annual report. The percentage was calculated by dividing the board of directors option by all other options for the same question.

Tables 1 and 2 summarize the words and responses collected from the reports and the rate of their mentions in the total sample. These values are intended to estimate the significance of each response in the total sample. For example, the responses to the question for investor relations include significant, non-significant, sufficient, insufficient, and link unavailable.

Table 1 presents the results for the non-exclusive questions. In the total sample, the board of directors expresses appreciation toward shareholders in about 79% of the examined reports and discusses obtaining shareholder trust in 48.8% of them. For the other responses, shareholder appreciation and shareholder trust account for 28% and 17.1%.

Notably, no company declares serving shareholders in their annual report. Further, mentions of equity increase, communication with shareholder mechanism, and maximization of shareholder interests range from 1.6% to 40.3%—consistently less than 50% of the total sample.

Compared with financial terms such as loans, profits, losses, claims, company accomplishments, fines, and irregularities, the rate of mentions for zakat and tax is the highest at 20.2%; these terms appear 307 times in the examined reports.

Among the main operations stated in the report, mentions of board meetings and bonus distributions among the board of directors are the highest at 100% and 98.4%. By contrast, the role of audit and executive committees, which are responses listed for the same question, are the lowest at 13.2% and 13%.

Care and attention in the language used for the examined reports represent the highest proportion, at 85%. Further, while confidence

represents 58.1% of the sample, care and attention account for 44.9% and are observed in 118 instances in the examined reports. Terms reflecting the latter factors include exaggeration, mystery, carelessness, hesitation, high confidence, and evasive behaviors.

The general tones of the reports are clear (88.7%), positive (80.6%), and neutral (72.6%). The responses for this variable are clear, unclear, serious,

Table 1
Analysis results for responses to non-exclusive questions

Factor	*Options*	*Summation of (1)s*	*Percentage of total sample*	*Percentage of other options listed under same factor*
General information in report by board of directors				
Source of report	Tadawul	61	98.4%	98.4%
	Website	0	0%	0%
	Website unavailable	1	1.6%	1.6%
	Others	0	0%	0%
	Total	62		
Spokesman of company	Board of directors	45	72.58%	60%
	Chairman of board	23	37.10%	30.7%
	Chief executive officer	5	8.06%	6.7%
	Managing director	1	1.61%	1.3%
	Others	1	1.61%	1.3%
	Total	75		
Investors Relations	Significant	30	48.4%	32.3%
	Non-significant	1	1.6%	1.1%
	Sufficient	4	6.5%	4.3%
	Insufficient	27	43.5%	29%
	Link unavailable	31	50%	33.3%
	Total	93		
Attention phrases for shareholders	Care of the interests of shareholders	9	14.5%	5.1%
	Keep their money	1	1.6%	0.6%
	Maximize their profits	5	8.1%	2.9%
	Serving the shareholders	0	0%	0%
	Maintain shareholders' equity	7	11.3%	4 %
	Satisfy the desire of shareholders	4	6.5%	2.3%
	Disclosure and transparency	25	40.3%	14.3%

praise, neutral, critical, negative, and positive. These terms appear 193 times in the annual reports, that is, clear, positive, and neutral tones account for 28.5%, 25.9%, and 23.3% of the sample, respectively.

Table 2 presents the results for exclusive questions, for which only one answer was acceptable per question and was coded as (1). Of the total

Table 2
Analysis Results for Exclusive Questions

Factor	*Options available under each factor*	*Summation of (1)s*	*Percentage of total sample*
General information in report by board of directors			
Report is addressed to shareholders	Yes	59	95.2%
	No	0	0%
	Unclear	3	4.8%
	Total	62	
Company's business, functions, activities, and objectives			
Company information and foundation	Detailed	17	27.4%
	Brief	16	25.8%
	Not mentioned	29	46.8%
	Total	62	
Clarification of information and foundation	Clear	32	51.6%
	Unclear	1	1.6%
	Not mentioned	29	46.8%
	Total	62	
Core business and activities	Detailed	39	62.9%
	Brief	22	35.5%
	Not mentioned	1	1.6%
	Total	62	
Clarification of company business	Clear	54	87.1%
	Unclear	7	11.3%
	Not mentioned	1	1.6%
	Total	62	
Company goals	Specified	6	9.7%
	Brief	54	87.1%
	Not mentioned	2	3.2%
	Total	62	
Financial performance	Detailed	56	90.3%
	Brief	6	9.7%
	Not mentioned	0	0%
	Total	62	
Risk and related management approaches	Detailed	17	27.4%
	Brief	13	21.0%
	Not mentioned	31	50%
	Other	1	1.6%
	Total	62	

sample of annual reports, 95.2% positively address shareholders—the intended addresses are unclear in the remaining 4.8%. While 48.4% declare that their risks are managed, 50% do not reveal their risk management approaches. Moreover, 1.6% of the companies in the sample do not mention risk in their reports.

CONCLUSIONS

The study examined corporate annual reports to explore the general tone used by managers and boards of directors when communicating with shareholders. More specifically, the analysis investigates whether the management and boards of corporations listed on Saudi Arabia's stock exchange address their shareholders as owners. If so, then corporate reporting in Saudi Arabia prior to the 2017 IFRS adoption aligns with the proprietary theory prescribed in *Financial Accounting Concepts*.

A content analysis of 62 annual reports suggests that a majority of the reports address their shareholders as owners. In a high rate of the examined reports (95.2%), the board of directors addresses the shareholders and the top management situates shareholders as owners. Accordingly, it can be concluded that, in Saudi Arabia, financial statements and annual reports are prepared in line with the proprietary view of the firm. In addition, this study finds that the reports frequently use careful and attentive language to engage shareholders. Finally, half of the examined corporations do not explain how they manage risks, which should be a cause for concern among shareholders. Thus, there is a need to improve Saudi Arabia's corporate reporting to address the risks companies face and related approaches to risk management.

Despite the detailed insights provided by the present findings, this study is not free from limitations. The analysis is limited to 62 companies and, thus, the findings should be generalized with caution, since no inferences have been made regarding the texts. This presents a threat to the reliability of the content analysis. Along these lines, future research may investigate by taking a larger sample. On another note, this study may be replicated for Saudi corporate reports in the years following the IFRS adoption with an eye for comparing the results of the two periods to further examine the nuances of corporate communications with shareholders.

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Notes

1. The collapse of the South Sea Company is well-known in accounting literature as "the South Sea Bubble" (*see* Previts & Merino, 1998, p. 24) and is considered the first stock market bubble. See also Ralph M. Dillon's article "The South Seas Company – The Forgotten ETF."
2. For a critical review of the *Financial Accounting Standards* previously issued by the Saudi Organization for Certified Public Accountants (SOCPA) and Ministry of Commerce (currently the Ministry of Commerce and Investment), see Alhumaid (2009), Almogiawil (2003), and Al- Adeem (2017b). These studies detail the influence of standards proposed and issued by the Financial Accounting Standards Board (FASB).
3. For the case of Saudi Arabia, see items 1, 2, and 3 of Article 208 of The Saudi Company Law, (Retrieved on October 3, 2019, from https://mci.gov.sa/en/Regulations/Pages/details.aspx?lawId=07140004-6a05-48e3-bb04- a8250094bb85).
4. An issue of *Accounting, economics, and law: A convivium* is dedicated to a review of the book.

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