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Report*Watch*

# KFRMs

## Key Financial Reporting Missteps



# Missteps

- Mistakes
- Mismanagement
- Misinformation
- Miscommunication
- Misdirection
- Misrepresentation
- Misinterpretation

# KFRMs

Those “mises” stand among the reporting missteps.

A large quantity of them, or sometimes just a few big ones, may turn a report into a... misreport.

The following list points out 20 of the more/most encountered missteps, especially in financial reporting.

# Reporting misstep

- M1

Producing an annual report longer than 200 pages. With an estimated reading time of 15 minutes to one hour (and even shorter online), how many people will read it all?

But, with today's information requirements, a 50-page book is certainly too short.

# Reporting misstep

- M2

Having the report downloadable in full only.

Not making the annual report available in html format –and adapting accessibility and readability features accordingly.

# Reporting misstep

- M3

Copying a 10-K or 20-F, pasting it on paper or on a website, and naming it “annual report”.

It is a legal one, for sure, but it is just an uncommunicative piece of paper (or screen).

# Reporting misstep

- M4

Focusing too much on last year results.

A major raison d'être for annual reports is to put figures in a medium-term perspective.

# Reporting missteps

- M5

Highlighting earnings and burying dividend further in the report/on the website.

- M6

Featuring none or just one or two ratios.

# Reporting missteps

- M7

Not defining key performance indicators accurately –or not making them quantifiable.

- M8

Not comparing past goals and their fulfillment.

# Reporting misstep

- M9

Not charting the course.

Charts and graphs help to grasp medium-term performance and better grasp growth, ratios, segments, etc.

# Reporting missteps

- M10

Not setting next year and medium-term targets.

- M11

Showing the equity ratio, but leaving leverage calculation up to the reader.

# Reporting missteps

- M12

Not including a statement of changes in equity.

- M13

Reporting about “one single” segment.

Is there any company with one only?

Read the marketing classics’ books for more information.

# Reporting missteps

- M14

Stressing organic growth, but not setting forth the organic growth rate... or...

- M15

... Boasting about acquisitions, but not showing external growth impact (e.g. goodwill amortization, impairment...).

# Reporting misstep

- M16

Restating too much, too often, and without specific explanations.

# Reporting misstep

- M17

Using exceptionals or extraordinary items...

to draw the attention away from less performing core operating figures

# Reporting misstep

- M18

Explaining about nonrecurring charges is fine.

But be sure not to make them... recurrent.

# Reporting missteps

- M19

Overstating fourth quarter figures –which may be regarded as holiday season book-cooking.

- M20

Exhibiting credit ratings.

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