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ANALYSIS OF THE TIMELINESS OF FINANCIAL STATEMENTS SUBMITTED BY COMPANIES OF THE SPANISH CONTINUOUS MARKET

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Abstract: *This study examines the timeliness of the financial information of the companies that form part of the Spanish continuous market and the factors that influence this. The sample comprises 105 companies that formed part of the Spanish continuous market at the end of 2004, and the period of study runs from the first half-year of 2002 to the second half-year of 2008, considering only the half-yearly and annual information. The results obtained with the panel data model demonstrate that the company size and the pressure exerted on particular sectors, have a direct effect on the timeliness of the financial information, and a smaller number of days for the information submission is observed. However, the variable audit report seems to be the main cause of delay.*

Keywords: *financial information, timeliness, panel data.*

JEL Codes: *G1, G2*

1. INTRODUCTION

The term "timeliness" refers to a quality of (1) being available at a suitable time, or (2) being well-timed (Gregory and Van Horn, 1963: 576). For information to be relevant for an investor, it must be timely: information that is delayed, out-of-date, or has been superseded, has no value in this context (Benston, 1969: 520).

The first recognition of the importance of promptness was in 1955 by the American Accounting Association (AAA). It was observed that promptness in reporting is an essential element for adequate dissemination (AAA, 1955). Many researchers and professional bodies followed the AAA in recognising the role of promptness in the theory of corporate financial reporting (e.g. Accounting Principles Board, 1970; Courtis, 1976; Givoly and Palmon, 1982; Carslaw and Kaplan, 1991). Further, the *Accounting Principles Board* of the AICPA (American Institute of

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Certified Public Accountants), 1970: 10) considered promptness to be one of the characteristics necessary for financial information to be useful.

The *Accounting Principles Board* argued (AICPA, 1970: 37-38) that timely financial information must be communicated as early as possible, in anticipation of being used by decision-makers, to avoid unnecessary delays in decision-making. It is in the public interest that financial information should be as objective, as true and as timely as possible (Bows and Wyatt, 1973: 552).

If this information is not available promptly, investors may be encouraged to investigate alternative sources of information. Delayed dissemination may give opportunities to unscrupulous investors to acquire preliminary information privately, at some significant cost, and then exploit this private information for their own benefit, and in prejudice of other "less informed" investors (Bamber *et al.*, 1993: 1), although the value judgments implied in this analysis can be debated

However, information that is published too soon, but without being relevant, is no better than erroneous information, since both can cause the consequent investment decisions taken to lack foundation. Promptness must be reconciled with relevance (Burton, 1972: 28).

Relevance is one of the qualitative characteristics that financial information must have. The *International Accounting Standards Board (IASB, 1989)* states that *"information possesses the quality of relevance when it exerts influence on the economic decisions of those who use it, and helps them to evaluate past, present and future events, or else to confirm or correct evaluations previously made*". Relevance in relation to the needs of users has two dimensions - prediction and confirmation (AECA, 1999).

It is also necessary to reconcile timeliness with reliability. *"Reliability refers to the capacity of a piece of information to express with the maximum rigour the basic characteristics and conditions of the facts reflected; together with its relevance, this quality seeks to ensure the usefulness of financial information"* (AECA, 1999). Information is reliable when it is free from material error and bias (IASB, 1989). In this context, one of the principal reasons for the later publication of the annual accounts of public companies is the accepted need for these accounts to be audited before being published. Thus, the interval of time in the publication of financial reports and the time-lag due to auditing are intertwined variables and are used interchangeably in the literature on financial reporting. As a result, in many cases timeliness has been studied together with delays in auditing actually experienced (Hossain and Taylor, 1998).

Thus timeliness can be considered one of the restrictions on the relevance and reliability of information. Delay in the supply of financial information causes the total or partial loss of relevance. Sometimes, however, in order to supply the information on time, it must be presented before all the aspects of particular transactions or other events are known, and this can reduce its reliability. It is necessary to find a suitable balance between relevance and reliability from the disclosure of timely information (IASB, 1989; AECA, 1999).

Timeliness or promptness is related to: (1) the period of time that elapses from the end of the accounting period reported until the date when the users receive the financial statements or accounts; and (2) the efforts made by the directors to shorten this period (Garsombke, 1981: 207).Hence, in this study, timeliness is related to the period of submission - that is, to the time elapsed between the close of the period and the date of publication of the financial information on the website of the CNMV.

In this study, the aim is to identify the factors that can influence the degree of punctuality of companies when submitting information; the context of the study is one that has not been studied previously, Spain. In our country, telematic means are typically employed for the submission of financial information to the CNMV. The utilisation of this method of submission facilitates the availability of the information and users' access to it; therefore it has been possible to study not only the timeliness of the annual information but also that of the half-yearly reporting.

With respect to the explanatory factors that influence timeliness, in the previous literature researchers have reached several important conclusions. The intention in this study is to verify whether the scope of these conclusions is applicable to the case of Spain, and whether any differentiating element can be identified in this new scenario that may represent a contribution of interest for the literature.

To this end, variables have been included in this study whose significance [1] has been tested in a number of previous studies (size, sector and disclosure of bad news.[2]). In addition, since it was observed during the compilation of the data necessary for testing the above-mentioned hypotheses that the periods of half-yearly submission were systematically fewer than the annual periods [3], the need was appreciated of utilising in the model a control variable capable of reflecting this anomaly.

In summary, the object of the study is to verify the validity of the classic hypotheses in the context of the telematic submission used in Spain. It is also the first study of this type to be undertaken in our country.

The structure of this paper is as follows. Part 2 describes the process for the submission of company financial information in Spain, with comments on the case of certain other countries. In Part 3 is a review of prior research on timeliness and audit delay; and Part 4 presents the hypotheses that are tested in the present study. Part 5 presents the methodology and the variables utilized; in Part 6 the results, including descriptive statistics and pool regressions for the sample, are presented; and in Part 7, the conclusions.

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[1] See Figure 1.

[2] There are previous studies in which the significance of the variable "disclosure of bad news" has not been demonstrated.

[3] See Figure 2.

2. THE PROCESS OF SUBMISSION OF THE FINANCIAL INFORMATION TO THE CNMV

The regulatory authorities of several countries have developed Internet-accessible public file repositories which users can access to obtain the financial information that listed companies are obliged to provide. An electronic file repository can be defined as any system that provides a mechanism for users to download files for later use (Prichard and Rohaani, 2004).

The common feature of these systems is that companies use a telematic procedure to send the regulatory authorities their financial information; on acceptance, the authority includes this information on its website so that any user may access it. The principal objective of the regulatory authorities in establishing Internet-accessible public file repositories is to increase the transparency and accessibility of the financial markets, and to improve the utility, relevance, reliability, reasonability and promptness of financial and economic information.

Two representative examples of accessible public file repositories are the EDGAR and SEDAR systems in the USA and Canada, respectively. In 1993, the US SEC (Securities and Exchange Commission) adopted the EDGAR (Electronic Data Gathering and Reporting) system, and in 1997 the CSA (Canadian Securities Administrators) in Canada implemented the SEDAR (System for Electronic Document Analysis and Retrieval) system.

Both systems for the telematic submission of information allow company financial reports and accounts to be compiled electronically, thus accelerating the reception, acceptance and dissemination of this information. Thus the user can access the information more easily. The significant point to make here is that the use of telematic means for the disclosure of financial information could modify the factors that explain the observed timeliness of this information.

In Spain, the procedure for telematic submission of accounts to the CNMV commenced in the year 1998. In that year, the Agreement was signed approving the utilisation of the CIFRADOC/CNMV system of electronic signature. Before the emergence of the CIFRADOC system, the financial information was presented on forms prepared by the CNMV, as stipulated in the Order of the Ministry of Economy and Treasury of 1991. Subsequently, through the issue of a Circular in 1994, the CNMV introduced the possibility of presenting this information in electronic format, on a voluntary basis, by those entities who wished to do so. The problem with both these earlier forms of presenting the information was that the information reported was not included in the database of the CNMV; hence it was neither accessible nor immediately available for the interested parties. The introduction of the telematic submission system eliminated this problem.

Thus, in the year 1998, the establishment of the system was agreed, although at first it was only utilised for the exchange of information, of financial and non-financial character, between the CNMV and supervised, administered and public companies in general. It was in the year 2002, and as a result of the Circular 2/2002, of 27

November, when the utilisation of the CIFRADOC/CNMV system was established as the only accepted means for submission of the periodic public information regulated by the previously cited Order. The entry into force of the Circular on 1 July 2003 represented the adoption of the telematic means for the presentation of information to the regulatory body, the CNMV, by all the entities that issue securities admitted for dealing on securities exchanges. The utilisation of this system requires the user to register, followed by the exchange of keys for the coding and decoding of the documents, and it is the CNMV that provides the computer software necessary for the transmission.

Further, in order to guarantee that the submission is made correctly, the system is based on a series of principles that are presented below:

- Authenticity: the system identifies the sender and the receiver of the documentation, and the dates and times of emission and reception.
- Confirmation of receipt: this prevents the rejection of the documentation sent, and ensures that the sender can prove, if necessary, that it has been received.
- Confidentiality: no party other than the sender and receiver can access the document.
- Integrity: there is an assurance that any modification of the content of the documents during the transmission will be detected by the receiver.
- Conservation: the documents sent will be stored on file in the CNMV, preventing any loss or interference.
- Availability: there is an assurance that the document will be accessible to the authorised users who have some interest in it.

The submission and filing of accounting information by the companies quoted on the CNMV is carried out in accordance with the terms established by the *Order of the Ministerio de Economia y Hacienda of 18 January 1991.* This Ministerial Order stipulates the content and the terms of the quarterly and half-yearly reports that must be made public by all entities issuing securities admitted to dealing in official secondary markets.

The half-yearly information should refer to the period running from the start of the accounting period to the last day of each natural six month period, and is required to be submitted not later than the 1st of March and the 1st of September of each year, or in the event of either of these days not being a working day, on the immediately following working day. Thus, the information of the second half-year is the annual information, since it covers the period from the beginning of the accounting period up to the completion of the second half-year, which coincides with the end of the accounting year. In turn, the quarterly information refers to the period running from the start of the accounting period and the last day of the first and third natural three month periods, and must be submitted not later than the 16th of May and the 16th of November of each year, or if either day is not a working day, then on the immediately following working day.

The difference in the terms is due to the contents, which include the quarterly and half-yearly information. The CNMV establishes the information of quarterly and half-yearly character that companies should present at the end of each period. The quarterly information is simply a summary of the profit and loss account (net amount of turnover, pre-tax profits, profit for the period from continuing activities, profit for the period, profit for the period attributable to the main operating company, issued capital, ...); while the half-yearly information consists of the individual and consolidated accounts, in addition to other significant data such as the distribution by activity of the net turnover; the issues, repayments or cancellations of loans; operations with associated parties, etc.; this latter information is more complete and detailed.

Non-compliance with this duty to file information stipulated in the Order gives rise to the imposition of sanctions. In those cases in which the failure to file the information referred to in the Order or a general non-compliance with the provisions of the Order may adversely affect the normal course of operations in respect of a particular security, the CNMV will be entitled to seek agreement to suspend dealings in that security.

Subsequently, in 2007, the Royal Decree 1362/2007, of 19 October, was enacted. This develops the Law 24/1988, of 28 July, of the Securities Market, in relation to the requirements of transparency in respect of the information on the issuers whose securities are admitted for dealing on an official secondary market or on some other regulated market of the European Union. This Royal Decree stipulates that the term for publishing and disseminating the annual financial report will be a maximum of four months from the end of the financial year, and a company will not be able to delay publication beyond the date on which the AGM of shareholders is convened. With respect to the half-yearly accounts, relating to the first six months of the financial year, the term for publishing and disseminating this information will be a maximum of two months from the end of the half-year.

As a novelty it is stated that the issuers with shares admitted for dealing on an official secondary market or on another regulated market domiciled in the European Union will make public and disseminated a second half-yearly financial report relating to the twelve months of the financial year. However, this will not be obligatory when the annual financial report has been published in the two months following the end of the accounting period.

In this study, the dispositions referring to the annual financial report enter into force for those annual accounts whose accounting period commences on 1 January 2007 and later. Those relating to half-yearly financial reports enter into force for the periods that commence on 1 January 2008 and later.

3. BACKGROUND

There is an extensive and varied literature on the “timeliness” of obligatory financial information; and the main objective of all these studies is to identify the factors that cause or explain the delays observed in the supply of this information. In some of the studies, which are cited below, delays in the auditing of accounts are analysed because this factor can affect the timeliness in the disclosure of company accounting information [Ashton, Willingham and Elliott, 1987: 275].

In later studies it has been demonstrated empirically that the time devoted to the procedures of auditing is the factor that has most influence on the timeliness of the financial statements [Owusu-Ansah, 2000]. Leventis, Weetman and Caramanis [2005: 45] state that the timely publication of corporate financial information depends on the time taken by the auditor to carry out the auditing.

Table 12 lists all the variables that have been found significant in a selection of previous studies on timeliness and delay in auditing. Also shown is the sign which specifies the existence of a positive or negative relationship.

Table 12 *Significant variables in previous studies on timeliness and delay in the auditing*

Variable	Author/s
(-) Company size	Dyer and McHugh [1975], Givoly and Palmon [1982], Ashton et al. [1989], Carslaw and Kaplan [1991], Ng and Tai [1994], Abdulla [1996], Owusu-Ansah [2000]
(+) Month when the accounting period closes	Dyer and McHugh [1975], Ng and Tai [1994], Owusu-Ansah [2000]
(-) Month when the accounting period closes	Ahmad and Kamarudin [2003]
(-) Profitability[4]	Courtis [1976], Abdulla [1996], Owusu-Ansah [2000]
(-) Age of the company	Courtis [1976], Owusu-Ansah [2000]
(-) Nº of pages of the annual report	Courtis [1976]
(-) Quality of the internal controls	Ashton et al. [1987]
(-) Complexity of the operations	Ashton et al. [1987]
(+) Income for the accounting period	Ashton et al. [1987]
(+) Sector (non-financial/financial)	Ashton et al. [1987], Ashton et al. [1989], Carslaw and Kaplan [1991], Bamber et al. [1993], Ahmad and Kamarudin [2003], Boritz and Liu [2006].
(-) Whether or not the company is quoted	Ashton et al. [1987]
(-) Date when the auditing commences	Ashton et al. [1987]
(+) Loss[5]	Ashton et al. [1987], Ashton et al.[1989], Carslaw and Kaplan [1991], Bamber et al. [1993], Ahmad and Kamarudin [2003].
(-) Reservations or caveats	Ashton et al.[1989]
(+) Reservations	Ahmad and Kamarudin [2003]

[4] In these studies, a fall in the profitability with respect to previous periods has been considered as an indicator of bad news.

[5] In these studies losses are considered to exist when the sign of the profit is negative. In this study we have also employed this indicator to mean a loss has been reported.

Variable	Author/s
(+) Extraordinary items	Ashton et al. [1989], Carslaw and Kaplan [1991], Ng and Tai [1994], Leventis et al. [2005]
(+) Contingencies	Ashton et al. [1989]
(-) Auditor	Ashton et al.[1989], Ahmad and Kamarudin [2003], Leventis et al. [2005]
(+) Auditor	Ng and Tai [1996]
(-) Ownership of the company	Carslaw and Kaplan [1991]
(+) Proportion of debt	Carslaw and Kaplan [1991], Ahmad and Kamarudin [2003]
(-) Percentage change in profit per share	Ng and Tai [1994]
(+) Degree of diversification	Ng and Tai [1994]
(-) Dividends distributed	Abdulla [1996]
(+) Number of observations in audit report	Leventis et al. [2005]
(-) Fees of the auditor per hour	Leventis et al. [2005]
(+) Uncertainty in the audit report	Leventis et al. [2005]

Source: Authors' own compilation.

Author	Year	Sample	Variables	Conclusions
Dyer and Mc Hugh	1975	Sidney	Company size, Year-end closing date, Relative profitability	The time employed in the auditing caused loss of timeliness.
Courtis	1976	New Zealand	Corporate size Age (number of annual general meetings held by the entity as a public company) Number of shareholders Pagination: length of the annual report.	The time employed in the auditing caused loss of timeliness.
Gilling	1977	New Zealand	Activities and attributes of the auditor	Leading auditing firms do the work more rapidly for companies of greater size Reporting delays were more related to industry patterns and traditions than to the companies attributes studied.
Givoly and Palmon	1982	New York	Company size Quality of internal controls Complexity of its operation	
			Total revenue for current year Industry classification	Total revenues, operational complexity (sign +).

Author	Year	Sample	Variables	Conclusions
Ashton *et al.*	1987	USA	Public/non-public status of the company Month of financial year end Overall quality of internal controls Complexity of its operation Financial complexity Electronic data processing complexity Reporting complexity Mix of audit work Number of years company has been client Sign of net income Current year net income or loss/ total assets Type of audit opinion	Public/non public classification, overall quality of internal control, relative mix of audit work (sign-).
Ashton *et al.*	1989	Toronto	Company size Industry Month of year-end Sign of net income Type of audit opinion Extraordinary items Contingencies Audit firm	Industry and extraordinary items were significant for 6 of the8 years studied .
Carslaw and Kaplan	1991	New Zealand	Company size, Industry, Income (LOSS), Extraordinary Item, Audit Opinion, Auditor, Company Year - End, Company Ownership Debt Proportion	Audit delay is related: Inversely to the size Directly with the losses
Ng and Tai	1994	Hong Kong	Company size Change in EPS Month of financial year end Industry Extraordinary items Size of incumbent auditor	Audit delay is related: Inversely to the size Directly with the degree of diversification

Author	Year	Sample	Variables	Conclusions
			Type of audit opinion Degree of diversification Change of auditor Principal subsidiaries/joint ventures	
Abdullah	1996	Bahraini	Industry Debt - equity ratio Firm´s profitability Company size Distributed dividend	Timeliness is related: Negatively with: firm´s profitability, size and distributed dividend.
Owusu-Ansah	2000	Zimbabwe	Extraordinary and/or contingent items Month of financial year end Complexity of a company´s operations Company size Profitability Gearing Company age	Timeliness is related: Negatively with: firm´s profitability, and size.
Ahmad and Kamarudin	2003	Malaysia	Company size Industry Sign of income Extraordinary item Audit opinion Auditor Company year-end Debt proportion	Audit delay is related: Positively with: sign of income, audit opinion and debt proportion Negatively with: industry, auditor and company year-end.
Leventis *et al.*	2005	Athens	Type of auditor Number of remarks Audit fee per hour Extraordinary items Company size Ownership concentration Profitability Gearing Number of subsidiaries Industry Uncertainty in the audit report	Audit report delay is related: Positively with: extraordinary items, number of remarks and uncertainty in the audit report. Negatively with: type of auditor, audit fee per hour.

Author	Year	Sample	Variables	Conclusions
			Other auditor Auditor change	

In this study we have tested the classic hypotheses: size, sector (regulatory pressures) and disclosure of bad news, in the Spanish context of telematic submission of accounts. The influence of these variables, whose significance has been demonstrated in previous studies, has been investigated because our objective is to determine if they continue to be explanatory of delays in the context of telematic submission. In addition, since the periods of half-yearly submission observed are shorter than the annual period, a control variable has been included, linked to the principal differentiating characteristic of this information, which is nothing less than the proximity of its publication to the availability of the audit report.

With respect to the relationship between the company size and the timeliness of the financial information, most previous studies have concluded that large companies will submit their accounts sooner than the rest of the companies, although they offer different reasons for this [Dyer and McHugh in Australia, 1975; Davies and Whittred in Australia, 1980; Givoly and Palmon, in the U.S., 1982; Chambers and Penman in the U.S., 1984; Carslaw and Kaplan in New Zealand, 1991; Ng and Tai in Hong Kong, 1994; Abdulla in Bahrain, 1996; Owusu-Ansah in Zimbabwe, 2000; Boonlert-U-Thai, Patz and Saudagaran in Thailand, 2002; and Boritz and Liu in Canada, 2006]. There is only one study, that of Courtis in New Zealand [1976], in which no relationship was found between these two variables.

In relation to the sector, it has been demonstrated in the literature that companies not classified to the financial sector tend to submit their financial information later than the companies of this sector [Ashton, Willingham and Elliott in the U.S., 1987; Ashton, Graul and Newton in Canada, 1989; Carslaw and Kaplan in New Zealand, 1991; and Ahmad and Kamarudin in Malaysia, 2003**]**.

The variable "bad news" has also been found to be significant in some studies on timeliness: a negative relationship has been found between the disclosure of bad news and the timeliness of the financial information [Givoly and Palmon, 1982; Whittred and Zimmer, 1984; Chambers and Penman, 1984; Carslaw and Kaplan, 1991; and Owusu-Ansah, 2000]. In contrast, other authors [Dyer and Mc Hugh, 1975; Courtis 1976; Garsombke 1981; and Boritz and Liu, 2006], did not find any significant relationship.

4. HYPOTHESES

In accordance with what has previously been stated, three hypotheses have been tested.

4.1 Size of the company

The size of the company can have an influence on the timely submission of the financial information in various different ways; for example, size can influence the agency costs that companies bear, in the time invested in the process of auditing, in the costs of producing and publishing the information, ... However, in this study and its particular context, in which the system of submission has evolved further than the systems applicable in other older studies, the relationship between timeliness and size could have lost the significance reported in the previous literature.

In the voluntary disclosure of information, the agency costs may be less [Pirchegger and Wagenhofer, 1999]; this could also be the case with the more timely information.

Singhvi and Desai (1971: 131) argued that the directors of the larger companies have a greater propensity to take into account the potential benefits of disseminating information more fully and more promptly; such benefits would include greater facility in the issue of shares and in the financing of the company in general. These arguments suggest that there is a direct relationship between the size of a firm and its timeliness in the dissemination of its accounts, giving rise to the testable hypothesis that larger firms disseminate such information more promptly.

Garsombke (1981: 207) also argued that a relationship exists between the size of a company and timeliness in filing accounts. If the factors (size, countries in which it is quoted, ratio of performance and profit margins) that give rise to a high index of dissemination have the same effect on the timeliness, then it would be expected that the larger firms should be more prompt.

Company size is the most significant variable that has been found in the majority of the studies carried out on delays in reporting. Corteau and Zeghal, (1999: 77) made an international comparison of the timeliness of annual reports, and found that the delays diminished with the size of the firm in countries including Australia, United Kingdom and Italy.

The larger companies are also more complex, therefore they have a more pressing need to disseminate complex information to allow current and prospective investors to take more efficient investment decisions (Marston and Polei, 2004: 293).

The precise time when the financial information is submitted and filed depends on the completion of the audit report. Company size is one of the variables that influences the time needed to produce the audit report. Audit delay causes information delay as well as loss of timeliness for the information.

Dyer and McHugh, (1975: 213), argued that the directors of the largest companies have incentives to reduce the delays in both auditing and reporting, since their companies are more closely monitored by investors, trades unions and regulatory bodies. These external pressures oblige them to report more promptly than smaller companies. Thus the studies analysed previously have demonstrated that, in order to reduce uncertainty in respect of the company results (because this can depress its share price), a larger firm tends to complete its auditing work as soon as possible, to be able to issue its annual report as soon as possible. If the audit report is completed on time, then the company can be on time in releasing its accounts.

On the other hand, larger firms have more extensive and complex accounts to be audited; therefore, it could be thought that the auditors of these companies need more time and that this is more likely to cause delay in releasing the accounts. However, the larger auditor firms who serve the large companies employ more staff, which should reduce the time needed for auditing. There are economies of scale in auditing a larger company (Garsombke, 1981: 207). Therefore, the information of large companies may be reported more promptly.

It is thus possible to offer reasons why company size could be either positively or negatively associated with audit delay and with the loss of timeliness of the financial information. Based upon the results of previous studies, however, a negative association between audit delay and company size is expected. Several factors may account for this relationship. For example, larger companies may have stronger internal controls, which in turn should reduce the propensity for errors to occur in the accounts, and should enable auditors to rely more extensively on controls and to perform more interim work. Also, larger companies may be able to exert greater pressures on the auditor to start and complete the audit in a timely fashion (Carslaw and Kaplan, 1991: 23). To summarise these arguments, the larger companies will tend to provide more timely financial information.

With a telematic system of submission, an important object of study in this research, the relationship existing between company size and timeliness of the information may be modified. In telematic submission, size may cease to be a variable of interest, because another series of factors come into play, such as the degree of use made of new information and communication technologies; factors like this may influence the timing of the submission independently of company size.

All these aspects are tested in the following hypothesis:

H1: There is a positive relationship between the size of the company and the timeliness of the information submitted.

The size of the company has been measured by the logarithm of the capitalised value[6] of each company at the end of each half-year.

4.2 Sector under regulatory pressures

The sector to which a company is classified can be the cause of its submission being more or less timely. In this study the sector variable differentiates between 2 types of sector; on the one hand those that are subject only to accounting regulations imposed by the outside regulatory body and, on the other, those that are subject to internal regulations specific to the sector, as well as external regulations.

Internal regulation to which certain sectors are subjected can have an influence on the timely submission of the financial information. Thus the companies classified to these sectors may submit their information before companies that are classified to sectors in which companies are not regulated internally.

[6] We employ logarithms for avoid the problems derived from the asymmetry in the distribution of this variable.

Particular theories such as the theory of political costs or the signal theory claim to explain the way in which these pressures may affect how the companies subjected to these regulations act. The theory of political costs suggests that the industrial affiliation of a firm can affect its political vulnerability (Giner, 1997: 52; Craven and Marston, 1999: 323). Signal theory also indicates differences in information dissemination between particular sectors (Oyelere *et al*., 2003: 43); this may also occur with the timeliness in the publication of company accounts.

In this research the disclosure of obligatory financial information is analyzed; therefore, it would be expected that the political costs may be reduced and the information may be disclosed more promptly. Companies that are under regulatory pressures are likely to present their financial information more promptly than those companies not subject to pressures of this type.

The companies typically under such pressures are those that belong to sectors that are especially supervised or protected. The social and institutional pressures on particular sectors lead companies in these sectors to file their financial information before those in other sectors that are not under pressure. In Spain, the financial and energy sectors are under strong institutional pressures from regulatory authorities such as the Bank of Spain for the financial sector, and *the Comisión Nacional de la Energía Eléctrica* for the energy sector.

The financial sector is regulated by Circular 4/1991 of the Bank of Spain, whereby certain terms are set for the submission of the Balance Sheet and the Profit and Loss Account to the Bank of Spain; these terms are tighter than those stipulated by the CNMV. According to this Circular, the information has monthly or quarterly periodicity depending on the type of information. The Balance Sheet has monthly periodicity and the maximum term for its presentation is the 20th day of the next month. The Profit and Loss Account has quarterly periodicity and the maximum term for its presentation is the 20th day of the next month. Subsequent to this, the Circular 4/2004, of 22 December, for credit entities, on standards for public and reserved financial information and models of financial statements, stipulates the terms for the submission of the financial information, but no alterations were made in the periods fixed for the Balance Sheet and the Profit and Loss Account. However, in Circular 6/2008, of 26 November, from the Bank of Spain, for entities of credit, which modifies the above-mentioned Circular 4/2004, of 22 December, modifications are made to the stipulated terms for submission, depending on the type of credit entity. Thus, the ICO, the banks and the savings banks, including the *Confederación Española de Cajas de Ahorros* and the subsidiaries of foreign-owned credit entities whose parent company is not domiciled in a State that is a member of the European Economic Space, will have to submit their Balance Sheet monthly, the Profit and Loss Account and the statement of income and recognized. expenses quarterly, and the consolidated statement of changes in total equity and the cash-flow statement annually; credit cooperatives will have to submit all the financial statements quarterly, except for the consolidated statement of total changes in equity and the cash-flow statement, which they will have to submit annually; and specialised credit institutions/companies will have to submit all the statements annually. In addition, the statements mentioned in the previous parts must be submitted to the Bank of Spain, by the 20th day of the month following that to which they refer, at the latest.

The *Comisión Nacional de la Energía Eléctrica* supervises the energy sector, in accordance with the Law 54/1997, of 27 November, of the Electricity Sector. In that law it is stipulated that the companies belonging to the energy sector must provide the Administration with the information that may be required of them, and in particular the information related to the company accounts. The *Comisión Nacional de la Energía Eléctrica* does not impose fixed terms although it does establish the obligation that the companies of the sector should have the financial information prepared and ready, should it be required at any time. Similarly Circular 4/1998, of 10 November, of the *Comisión Nacional del Sistema Eléctrico*, on the collection of economic, financial and accounting information (in force up to 17 September 2009) specifies the information that must be submitted to the *Comisión Nacional del Sistema Eléctrico*, the models and the terms for submission. This stipulates that the Balance Sheet, broken down by activities, and the Profit and Loss Account, also broken down by activities, must be submitted quarterly, together with other financial statements that are not the object of study in this thesis. The information previously mentioned must refer to the period running from the first of January to the last day of the quarter ended before the submission of this information. The information corresponding to the first and third quarters must be submitted within 45 natural days following the last day of the quarter to which it refers. The information corresponding to the second and fourth quarters must be submitted within 60 natural days following the last day of the quarter to which it refers.

Therefore, the second hypothesis is formulated as:

H2: There is a positive relationship between the companies that are under more regulatory pressures and the timeliness of the financial information.

The variable 'Regulatory pressures' has been measured as a dummy variable: 1 for the companies classified to sectors that are subject to regulatory pressures; 0 for the companies not subject to such pressures.

4.3 Bad news

The disclosure of bad news has been one of the variables that has normally been included in studies of this type, although sometimes no significant relationship has been found. However, there are studies in the literature in which an inverse relationship has been found between the disclosure of bad news and the timeliness of submission; in some studies authors have presented arguments that may lead one to think the opposite. In this context, Skinner (1994: 39) argued that bad news needs to be disclosed as soon as possible with a view to minimising damage to the reputation of the managers of the company in question.

On the other hand, as demonstrated in some of the previous studies, the discovery of bad news in the accounts may lead to this information being disclosed later, as a tactic to avoid negative reactions on the part of investors. Bad news can also have an influence on the process of auditing, causing it to be prolonged more than necessary and giving rise to the later disclosure of the audited accounts.

Ashton, Willingham and Elliott, [1987: 284] found that those public companies that disclosed a net loss had longer delays in their auditing. In a later study, Ashton, Graul and Newton [1989: 666], the delay in the auditing was greater for the companies that disclosed losses (bad news) than for those companies that disclosed positive net income.

According to Carslaw and Kaplan, (1991: 24), the companies reporting a loss for the period were expected to have a longer audit delay. The expected role of a reporting loss, i.e. bad news, in audit delay is suggested for several reasons. First, where a loss occurs, companies may wish to delay bad news. A company with a loss may request the auditor to schedule the start of the audit later than usual. Second, an auditor may proceed more cautiously during the audit process in response to a company loss if the auditor believes the company's loss increases the likelihood of financial failure or management fraud. In their study, losses are reported as the negative sign of the current income.

The delay of bad news could be explained in terms of the "stakeholder theory" (Haw, Qi and Wu, 2000). The stakeholder theory suggests that, in the absence of an opportunity to hide bad news because of mandatory disclosure requirements, managers have the incentive to delay its release (Watts and Zimmerman, 1990).

Dye and Sridhar (1995) state that companies with successful results (good news) will report more promptly than those with failing operations, or that have sustained losses (bad news). This behaviour can be explained by the arguments of Haw, Qi and Wu [2000: 113], whose opinion was that good news should be issued earlier because it undergoes less scrutiny and passes through the auditing process quickly.

Gigler and Hemmer (2001) argued that the more or less timely disclosure of the news, whether good or bad, depends on the conservatism of the company and its accounting methods.

In the light of these arguments, the last hypothesis, expressed in a positive form, is as follows:

H3: There is a positive relationship between the absence of "bad news" about the company and the timeliness of the financial information.

To measure the presence of bad news, the sign presented by the profit before taxes has been analyzed; a dummy variable is obtained: 1 if the sign is negative; 0 if the sign is positive.

4.4 Audit report

Although both the annual and first half-yearly accounts are prepared and formally closed before being submitted, there is an important characteristic that differentiates the annual from the half-yearly information. Whereas the accounts for the first half-year can be sent as soon as they have been prepared, at the end of the second half-year, the information to be provided is sent to the CNMV at almost the same time as the audit report of the company is sent. This close proximity in time between the submission of the annual information and the presentation of the audit report may lead to a delay, for two different reasons: 1) during this period, a company will tend to devote more time and attention to the production of the information, since the managers of the company will be particularly careful to minimize the risk of the auditors attaching any reservation to the audit report; 2) once the accounts have been completed and closed, the company will then want to present them as quickly as possible so that the process of auditing may be almost finished and the information that is disclosed should be as reliable as possible. With this variable, the object is to analyse the impact that the pressure of auditing exerts on the timeliness of submission.

This variable does not depend on characteristics attributable to each company itself of the population under study; rather, it takes one value or another depending on the period in question. Hence, to differentiate from the rest of the variables, the audit report is included as a control variable; according to Tuckman [1978], a control variable can be defined as one that the researcher controls, with the object of eliminating or neutralizing its effects on the dependent variable.

Thus, the time taken for the completion of the audit report causes companies to submit their accounts later, since both the process in itself and the incidents that may occur as a result (reservations, discussions between client and auditor, conflicts, material errors, etc...) mean that submission may be delayed.

In effect, the requirement that the financial statements must be audited by external auditors can prevent the disclosure from being timely. Timeliness in the disclosure of the financial information thus becomes as much a matter for the executive who formulates the accounts, as a question of the time that the auditor takes in the work of auditing them [Ng and Tai, 1994: 44].

5. METHODOLOGY

5.1 Sample and Variables

The population taken for this study comprises a sample of 105 companies that were quoted on the Spanish continuous market at the end of 2004. The study has been carried out from the second half of 2002 to the second half of 2008 (14 periods). The information analyzed consists of the half-yearly accounts - both the first and second half-yearly information (the latter also being the annual information). The quarterly information has not been included in this study because this information is not comparable in respect of contents with the half-yearly or annual information.

The following variables have been included in the empirical study:

Dependent variable:

Period of submission: number of days that elapse between the close of the period and the date of publication on the website of the CNMV. The source from which this information has been extracted is the database of the Commission.

Independent Variables:

Regulatory pressures: a dummy variable that differentiates the companies according to whether or not the company is classified to a sector that is subject to internal regulation. To obtain this information the particular characteristics of each of the sectors have been studied to ascertain if the sector is subject to any specific regulation.

Bad news: a dummy variable that reflects the sign of the Profit before taxes item in the accounts. The source analyzed to obtain this data is the periodical public information available in the database of the CNMV - specifically the profit and loss account of the companies.

Size: a quantitative variable that has been expressed as the logarithm of the value of the stock market capitalisation of each company in each period. The sources from which this information has been extracted are the website of the Bolsa de Madrid for the annual information, and the financial press [7] for the half-yearly information.

Audit Report: a dummy-type control variable that takes one value or another depending on the period, differentiating between half-yearly and annual types of information, with the object of ascertaining if the pressure of auditing the annual accounts influences the timeliness.

5.2 Specification of the model

The technique of panel data has been utilised for the analysis of the data. Panel or longitudinal data are sets of data that combine time series with cross-sections. The sets of panel data are more oriented towards cross-section analysis - they are "wide" but, in general, short. The typical panel is one where there are many units of cross-section, and only a few periods, as occurs in this research.

With the technique of panel data, the variations between the different agents in space, and the changes that have occurred over the course of time can be observed. Panel data allow the heterogeneity that is not observable, but that exists between the companies, to be monitored. With this technique all the individuals of the sample are homogeneous, since the differences existing between them are eliminated. In addition, this methodology eliminates the observations that have incomplete data for one or more of the periods under study, which allows more reliable results to be obtained.

In short, the panel data technique has been selected for this study because it is the most appropriate, taking into account the inherent characteristics of the data analysed (most are qualitative, and there are few periods).

The equation of our model is the following:

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[7] The newspapers “Cinco días” and “El País”.

$$\textit{Period of submission} = \alpha + \beta_1 * \textit{Regulatory pressures} + \beta_2 * \textit{Audit report} + \beta_3 * \textit{Bad news} + \beta_4 * \textit{Size} + \varepsilon$$

6. RESULTS AND DISCUSSION

6.1 Descriptive Statistics

Table 13 contains descriptive statistics of the results found for each of the periods analysed.

In the second column is the number of days on average that the companies take to submit their information in each period. The third column gives the percentage of companies that submit their financial information outside the stipulated term, which is 62 days for the information of the first half-year, and 59 days for the annual information. In the fourth column is the mean delay in days; in other words, the mean length of time that elapses from the date when the term for submission ends, until the date of the actual submission. In the last column is the number of companies that have submitted accounts in each period. This last column demonstrates the impact produced by the introduction of telematic submission; the number of companies that have their financial information available in the database of the CNMV increases, from the date when the CIFRADOC system was established as the only system for submission.

The mean term ranges from 35 to 44 days for the first half-year accounts, while for the annual accounts the mean term ranges from 54 to 58 days. It can be observed in this column that the mean term for the submission of the annual accounts shows a tendency to diminish from 2002 up to 2005; a similar trend can be seen with the percentage of companies that submit outside the term, and with the mean delay, in days. It is also notable that the mean delay in days has been diminishing for the half-yearly information, from the first half-year of 2003 to the first half-year of 2006, the same as occurs for the annual information from 2002 to 2006. For the following 2 years, 2007 and 2008, longer mean delays are recorded in submission of the information for the first half-year; similarly for the submission of the annual information for the year 2008, the mean delay is 18 days.

Table 13 *Descriptive statistics of the dependent variable by periods*

Period	Mean term	% of companies outside term	Mean delay in days	N[8]
2002 1st Halfyear	35.2	15.6	2	32
2002	56.3	37.6	5.4	101

[8] This column does not represent the total population, due to the existence of companies that close their accounts on a date different from 31 December; these have not been included in the statistics. These companies were not included because the terms stipulated by the *Ministerial Order of 18 January 1991* are identical for all the companies based on the assumption that all of them close their accounts on 31 December. Therefore, the inclusion of those companies that close their books on different dates would skew the results, towards appreciably higher values.

Period	Mean term	% of companies outside term	Mean delay in days	N[8]
2003 1st Halfyear	42.9	19	4.5	105
2003	54.9	26.7	2.5	105
2004 1st Halfyear	38.1	12.5	1	104
2004	54.3	25	1.1	104
2005 1st Halfyear	38.8	16	1	100
2005	54.8	24	1	100
2006 1st Halfyear	39.0	12.2	1	98
2006	55.8	27.8	1	97
2007 1st Halfyear	38.9	16.9	8.7	89
2007	57.9	46.6	4.8	88
2008 1st Halfyear	44.5	17.6	13.1	85
2008	58.3	12.3	18.6	81

Source: Authors' own elaboration

6.2 Pool Regression Results

Table 14 shows the regression of the panel data with the significant variables. For the 14 periods studied, the significant variables are the regulatory pressures, audit report, and company size. The variables regulatory pressures: and size are significant to 1% with the negative sign expected. The audit report variable is also significant to 1% and has a positive sign.

The R^2 is 0.3270, which indicates that the model is capable of explaining 32.7% of the variability in the number of days for the submission (period of submission) of the companies studied. The adjusted R^2 indicates that 32.48% of the variation of the dependent variable of our model is explained by variations in the independent variables.

The R^2 values compare favourably with those reported in the studies of Ashton, Graul and Newton [1989] in which the adjusted R^2 ranged between 8.8% and 12.3%; Carslaw and Kaplan [1991] in which the adjusted R^2 values were 14.3% and 17%; Ng and Tai [1994] with adjusted R^2 values of 13% and 14.4%; Hossain and Taylor [1998] with an adjusted R^2 of 30.6%; Owusu - Ansah [2000] with adjusted R^2 values of 8% and 16.6%; and Leventis, Weetman and Caramanis [2005] with an adjusted R^2 of 24.3%.

Table 14 *The regression of the panel data with the significant variables*

Variable[9]	Coefficient	Std. Error	t-Statistic	Prob.
C	81.51956	4.726880	17.24596	0.0000
Regulatory pressures	**-4.455996**	**0.950688**	**-4.687128**	**0.0000**
Bad news	-0.261643	1.084785	-0.241193	0.8094
Audit report	**15.98792**	**0.777434**	**20.56499**	**0.0000**

[9] Dependent variable: Period of submission. Method: Panel Data. Sample: 1st Half-year 2002 to 2nd Half-year 2008. Number of cross sections: 105. Total observations, panel data: 1246.

Size	-4.525479	0.521772	-8.673283	0.0000
R-squared	0.327041	Mean dependent var		48.21027
Adjusted R-squared	0.324872	S.D. dependent var		16.62265
S.E. of regression	13.65819	Sum squared resid		231503.9
F-statistic	150.7737	Durbin-Watson stat		1.389936
Prob(F-statistic)	0.000000			

7. CONCLUSIONS

The regulatory pressures and the size are directly associated with the timeliness of the financial information, whereas the auditing pressure to which the annual information is subjected is inversely associated with timeliness.

The results obtained are evidence that companies of larger size are more prompt in their submissions because they are better able to bear the costs involved and can provide incentives to the auditors to reduce the time taken in auditing. The number of days that a company will take to file its accounts will vary inversely to the size of the company.

The companies of the energy and financial sectors are more prompt in their filing than the companies classified to other sectors. The companies in these two sectors are subjected to political, social and institutional pressures, making them more vulnerable; and the controls to which they are subjected oblige them to comply with stricter standards and reporting terms than others.

The proximity in time between the disclosure of the annual information and the presentation of the audit report to the CNMV increases the number of days that companies take to file their financial information, since companies wait until the auditing process is finalized or is close to being finalized, with the object that the information supplied should be as reliable as possible.

The other variable analyzed, bad news, does not significantly affect the punctuality in the submission of the financial information. Thus, this study is consistent with studies previously cited that have not found a significant relationship between timeliness and disclosure of bad news: [Dyer and Mc Hugh [1975]; Courtis [1976]; Garsombke [1981]; Boritz and Liu [2006]].

From the results obtained, it can be concluded that, despite the introduction of the telematic medium as a new channel of communication and submission between companies and the regulatory body, in this case, the CNMV, classic variables like company size and activity sector that have been found significant in previous studies continue to be capable of explaining this phenomenon in the Spanish context of telematic submission of obligatory financial statements. However, the use of the telematic system may possibly have reduced the submission periods, but this result cannot be confirmed, since it is impossible to make a comparison between the situation before and after the introduction of the CIFRADOC system, due to the lack of relevant information on the website of the CNMV, for dates preceding the entry into operation of this system.

The conclusions obtained lead us to think that the reduction of time in the submission of financial information tends to be motivated by external pressures from the regulatory authorities that impose shorter terms than the CNMV and can make companies comply.

In this respect, the need arises to study this topic in greater depth since, in a dynamic society like the present in which changes take place in gigantic steps, regulations more in tune with the times are needed, where the terms for submitting financial information are reduced.

In short, companies should keep to the legally stipulated terms for submission; unless they do so, delays may occur in the publication of important information, and this in turn may demonstrate a need to reduce the terms for submission even further and/or shortening the time allowed for auditing processes.

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