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Application of Jenkins' Model in Saudi Corporate

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Abstract:

This paper is an application of Jenkins' model in Saudi corporate. SAPTCO, and Budget Saudi companies are selected from transportation sector to apply Jenkins' model on their reports. The application focuses on the ten elements of Jenkins model in details. The investigated sample suggests that even though Saudi corporate reporting provides lots of information in the board of director report, it still lacks to some elements of Jenkins model which is not required by the Saudi corporate regulations. Standard setters are encouraged to develop a comprehensive model of business reporting by benefit from developed countries' experiences; involving users in the standard-setting process. Companies should study users need to recognize and evaluate ways to improve business reporting. Intensive researches in Saudi corporate reporting are key to keeping pace with evolving needs for information. As a consequence of Saudi 2030 vision, Saudi corporate reporting is heading toward business reporting.

Keywords: Corporate reporting, Business reporting, Jenkins model, SAPTCO, Budget Saudi.

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Introduction

Given the relevance of financial reporting in providing suitable information to its users to make rational decisions, public corporations in most countries of the world are required to submit quarterly and annual financial reports and figures to inform potential investors of the risks and opportunities associated with them. Thus, users of accounting information have a keen interest in the quality of financial reporting disclosure which must be accurate and transparency to help them in decision-making. Some organizations have begun to issue reports about social and environmental information in form of Corporate Social Responsibility (CSR) reports, which aim to identify clients, shareholders, employees and investment funds on the company's social and environmental issues at the local, national and global levels.

The remaining of the paper is organized as follows. The following section reviews corporate reporting. Section 3 discusses the important of corporate reporting. Section 4 presents the transition to business reporting and what business reporting is. Then describe Jenkins' model. Section 6 is the application of Jenkins' model in a Saudi setting. The last section after concluding, acknowledge the criticisms and propositions.

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Corporate reporting:

Corporate reporting has many definitions and components, but its two important indicators are communication and accountability. Through corporate reporting, Companies re-evaluate its financial position and financial performance and communicate it to stakeholders. According to the recommendations of the Association for Investment Management Research and the Jenkins Committee, FASB issued an exposure draft of a proposed standard, "Reporting Disaggregated Information About a Business Enterprise." Based on that, companies have to report information according to the management approach (Lott, 1996). In this approach, internal reporting and reporting internal financial information should be aligning with segment reporting which means that internal financial reporting system and management responsibility are the base of an enterprise's segments (Lott, 1996). The management approach is based on internal information; thus, FASB considers it as an improvement over the industry segment approach (Lott, 1996). First, internal information should supply information about the risks and opportunities management observes which influence management's decisions about the future aims of the company and help users in predicting future cash flows (Lott, 1996). Second, internal information is possible to be suitable with information in the annual report which based on the company's perspective that management uses to make decisions (Lott, 1996). Third, reporting information that generated for internal purposes versus information established just for external

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reporting, have to minimize the information produced solely for external reporting which decrease the incremental cost to the firm and make quarterly segment reporting possible (Lott, 1996). And fourth, internal reporting information ought to enhance the quality of segment information (Lott, 1996). Lott (1996, p.43) says that all companies are required to report revenues of similar products or service groups, to report revenues that they earn in different geographical areas, and to report assets they own or acquire in different geographical areas as long as it is possible. On the other hand, he acknowledges that not all information contained in the internal financial reporting will be included in the financial statements, the company can report only "the profit or loss of the segment, total segment assets, total segment liabilities and certain details of those three items." Thus, each segment will be reported as the amount resulting from or derived from the internal financial reporting system. Reporting the company real position to outside investors and business gives it a credibility and urges those investors and businessmen to invest their money in them.

Corporate reporting is a wide concept that includes Financial Reporting, Social Reporting, Environmental Reporting and Human Resource Reporting etc. It discloses the overall picture of the activities of a corporate enterprise (Devi, 2013). The following are some of the dimensions of corporate reporting: Integrated reporting, Financial reporting, Corporate governance, Executive remuneration, Corporate responsibility, Narrative reporting, Environmental reporting and Social reporting (Devi, 2013).

In a conference held in 2002, Charles D. Niemeier, chief accountant in the Security and Exchange Commission's Division of Enforcement, stressed the importance of financial disclosures. He said that to avoid troubles happening in your company, you must disclose related and clear financial data as starting by one thing (concealment) leads to another, he added "Investors want to know operating results of a company — is it trending up or down?" He also asserted that "audit committees can be helpful, and that the management letter provides protection" (Financial Reporting: Focus on the IASB, 2002, p.95). The financial disclosures are intended for securities holders and other interested parties. Companies release their annual reports that place financial information in the hands of the public that can make investment choices based on these annual reports. However, most of the general public can't interpret these annual reports by themselves, so they resort to financial analysts. Bradish (1965) says that many investment decisions are taken based on the results and interpretations of financial analysts. Thus, disclosure that might misguide a financial analyst could mislead thousands of other people in our economy (Bradish,1965). However, accounting literature suggests that only the expansion of the scope for the consideration of fundamental disclosures through direct identification of the

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needs of users of financial information was contemplated, and the idea was that the authors should consider financial analysts (Bradish,1965).

Finally, corporate reporting doesn't deal only with financial information. There are fields such as social and environmental issues that companies have to release in their annual publications (Haller et al, 2017). Haller et al (2017) say that over the past two decades, there has been a growing interest in "non-financial information" in corporate disclosures. He adds that there are various types of stakeholders, including investors who emphasize the importance of this type of corporate information.

Why corporate reporting matters

The corporate reporting is very important to any corporation. One of the main benefits of corporate reporting is that it contributes a lot in the process of decision making. Reporting high- quality information is critical to effective decision-making by investors and other stakeholders (Jenkins,1994). Companies provide information through various authorized and voluntary means. Corporate information disclosure is not only vital to the performance of efficient capital markets but also provides a wider audience of investors, such as governments, employees and other stakeholders, with useful information to assess oversight, economic and policy decisions (Jenkins,1994). Davidson and Trueblood (1961) state that information is very necessary to determine the decisions needed to be taken. The availability of corporate reporting gives both the management and the stakeholders a vision about what measures should be taken and what decisions should be agreed upon. Davidson and Trueblood (1961) add that there are two types of decisions which are routine decisions and special decisions.

The second point of importance for corporate reporting is that it is a tool for assessment (Davidson and Trueblood, 1961). Reliable and relevant information allows capital providers to assess, monitor, and then use potential capital opportunities (Davidson and Trueblood,1961).

Corporate reporting provides different benefits, such as giving organizations a more comprehensive view of information relevant to their strategy, business model and the ability to create and maintain value in the short, medium and long term (Sorrentino and Smarra, 2015).

In conclusion, strong disclosure attracts principal and creates confidence in the capital markets. In contrast, weak disclosure and non-clear practices may lead to unethical behavior and loss of market probity not solely for the company and its shareholders but also for the economy as a whole.

The transition to business reporting and what business reporting is

The term "business model" has been used in accountancy literature since the end of the 1990s, especially with the spread of internet and its enormous adoption of e-commerce. However, in 1994, the Jenkins Committee has introduced the term business model into the financial accounting and reporting literature (Nielsen and Roslender, 2015). Page (2014) states that this term "business model" is very ambiguous and it is wide open for many interpretations. Novak (2014) puts a distinction between "business model" and strategy as he sees business model as " a static notion, reflecting the conceptualization of the company's underlying core business logic." Novak overview of "business model resembles that of Demil (2010) who says that "business model" has two different usages. The first usage is considered a static approach and it stresses the importance of the word "model" as any model should have coherence between its components. The second usage of the concept represents a transformational approach. In this approach, the business model is used as a tool for change and for concentration on innovation. Sorrentino and Smarra (2015) elaborate that "business model" has been generally used to denote three phenomena. These phenomena are: business and IT usage in organizations, strategic issues such as value creation, competitive advantage and firm performance, and information and technology management.

In fact, there are recent discussions about the term business model and its possibility to improve the information content of financial statements and enhance shareholder value. Actually, Business model driven disclosures have the chance to inform investors, analysts and creditors, as well customers, employees, government and society. All users will have real interest in knowing how a company works to sustain itself in the long-term by sustaining effective value creation and delivery to customers via providing attractive value suggestions (Nielsen and Roslender, 2015).

For a longer-term period, Jenkins committee collected information on the trends that constituted the business and considered the effects of those trends on users' information needs (Nusbaum and Weiss,1993; Munter and Robinson,1999). After two years of research, the Jenkins Committee made recommendations that aimed to change in four scopes (Nusbaum and Weiss,1993; Munter and Robinson,1999):

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Table 1: Committee' recommendations for change

Recommendations	**Scope**
1- improving the types of information in business reporting.	Standard-sitters are encouraged to " developing a comprehensive business reporting model that would include a wide range of information in addition to financial statements to assist users in assessing investment risk." Also, enhance the realization of costs and benefits of business reporting.
2-Improving financial data.	Companies should report segment information in their external financial statements on a similar basis as that used in internal reporting to senior management and to the board, and improve disclosure.
3-improving the participation of auditors in business reports.	The committee studied auditor involvement in information not included in the financial statements and recommended that: ✓ Flexible Auditors Association: Auditors should be flexible with business reports and should be based on an agreement between the company and the business information users it reports. ✓ Auditor involvement with all information. ✓ Research on analytical commentary in auditors' reports. ✓ Other matters related to auditor association with business reporting.
4-facilitating change.	The Committee acknowledged that the USA current reporting environment may not be docile to change. It presented the following six recommendations to facilitate this process: • Involving users in the standard-setting process. • Working with international standard-setters. • Developing more effective deterrents to unwarranted litigation. • Voluntary experimentation. • Standard-setters' vision of the future. • Regulators' reconsideration of disclosures.

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Business reporting according to Jenkins committee report (1994) is "the information a company provides to help users with capital-allocation decisions about a company. It includes a number of different elements, with financial statements as one of those elements." Thus, business reporting considers a meaningful way to communicate company's information from managements which often is the best source to users. So, users need different information such the economic, industries, companies, and securities data to make informed decision (Jenkins committee report, 1994).

Jenkins' model

Jenkins is well known inside the financial accounting community as he was a leading accountant in the United States (Journal of Accountancy, 1997). He was chairman of the Financial Accounting Standards Board during a period in which it addressed controversial issues (Journal of Accountancy, 1997). He also topped the American Institute of CPA's Special Committee on Financing Reporting which released its 1994 report, "Improving Business Reporting—A Customer Focus" (Journal of Accountancy, 1997). He was also an administrative partner in the accounting and auditing practices at Andersen, where he was responsible for the company's practice before the Securities and Exchange Commission (Journal of Accountancy, 1997).

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In 1991, the American institute of CPA formed a special committee on financial reporting that was named after its head (Jenkins Committee) (Nusbaum and Weiss1994). The purpose of this committee was to give recommendation in regard of the nature and scope of information that the management release and the auditor's reporting on the different elements of that information (Nusbaum and Weiss1994; Munter and Robinson,1999). According to Jenkins committee report, "the committee is not a standard-setting body", it works as a part of the AICPA to provide recommendations to enhance the value of business information and the public's trust in it.

After two years of work, the committee issued a report on financial accounting entitled " Improving Business Reporting—A Customer Focus". Some of the committee recommendations were extremely important draw much attention of all personnel related to business reporting (Nusbaum and Weiss1994; Munter and Robinson,1999). The committee conducted extensive interviews with investors and creditors, both of them are related much to financial information (NOLL and WEYGANDT, 1997). The committee found that financial information that may be considered as good by investors encourages them more to make investments and credit decisions. On the other hand, the committee found that the financial statement issued by most companies is not meeting the information needs of investors (NOLL and WEYGANDT, 1997).

The committee created a model of business reporting to illustrate its recommendation which would make business reports more relevant and useful by providing a wide range of information to users to achieve their needs (Nusbaum and Weiss1994).

Jenkins Model according to Jenkins committee report (1994) consists of ten elements within five broad categories, they are:

1- Financial and non- financial data:

- Financial statements and related disclosures: these statements should have flexible reporting features. It consists of periods to be reported, restatement, and summary information; types of financial statements; measurement; display; classification, disclosure, disaggregated Information, interim reporting.

- High-level operating data and performance measurements that management uses to manage the business: this data vary according to the company and industry. Mostly, this data is non- financial one and it is important to understand the financial statements of the company and to predict the company's financial position in the future.

2- **Managements analysis of the financial and nonfinancial data**:

- Reason for changes in the financial, operating and performance related data and the identity and past effects of key trends: This element deals with the major changes in amounts in financial statements and non-financial statistics and discusses the reasons for

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these changes. For the annual report, management analysis of data should focus for the last year at least. The reasons for change in these financial, operating and performance-related data are attributed to many reasons of which market acceptance, changes in ratios, innovation, profitability and liquidity.

3- Forward-looking information

- Opportunities and risks, including those resulting from key trends: those material trends (opportunities and risks) cause reported financial information not to be necessarily indicative of future core earnings, net income, cash flows, or of future financial conditions. The disclosures about illiquidity should cover the company's ability to meet its expected and unexpected needs and obligations through controlling its cash flow. To do so, any company needs to identify and describe the sources of its cash flow, to identify the factors that may lead its liquidity up of down.

- Managements plans, including critical success factors: it is the identity and importance of factors or conditions that management believes must be present to meet the broad objectives and business strategy of the company.

- Comparison of actual business performance to previously disclosed opportunities, risks and managements plans.

4- Information about management and shareholders

- Directors, management, compensation, major shareholders and transactions and relationships among related parties: it revolves around the identity and background of directors and executive management, the types and amount of compensations for the company's executives, the company major owners and relationships between the

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company's main owners. There are a couple of crucial elements in this regard which are nature of disagreements between directors, independent auditors and bankers and the information about compensation plans of the company.

5- Background about the company

- Broad objectives and strategies: the management main objectives for the company. it also entails management' core strategies aiming to fulfilling the intended objectives.

- Scope and description of business and properties: it includes

    - ❖ management's description of the field of industry it works in.
    - ❖ description of the major incidents that happened in this business field in the last 5 years such as mergers and acquisitions.
    - ❖ Description of services that the company provides.
    - ❖ Description of methods of delivery for its products and services.

- Impact of industry structure on the company: the information that the company provides in relation to the changes in its technology infrastructure and also changes in the regulations and laws that affect the market in which the company works in.

The report says that non-financial information is so important as it gives an overall view of the processes, the coming events and the effect of such events on the company and on its financial stability (Jenkins Committee report, 1994).

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Table 2: Elements of the Jenkins Committee Business Reporting Model

I. Financial and Non-Financial Data	•**1**- Financial statements and related disclosures. •**2**- High-level operating data and performance measurements that management uses to manage the business.
II. Management's Analysis of Financial and Non-Financial Data	•**3**- Reasons for changes in the financial, operating, and performance-related data, and the identity and past effect of key trends.
III. Forward-Looking Information	•**4**- Opportunities and risks, including those resulting from key trends. •**5**- Management's plans, including critical success factors. •**6**- Comparison of actual business performance to previously disclosed opportunities, risks, and management's plans.
IV. Information About Management and Shareholders	•**7**- Directors, management, compensation, major shareholders, and transactions and relationships among related parties
V. Background About the Company	•**8**- Broad objectives and strategies •**9**- Scope and description of business and properties •**10**- Impact of industry structure on the company

Applying Jenkins' model in a Saudi setting:

Saudi corporations are required to provide board of director report in accordance with the regulatory requirements in the new corporate regulations, Capital Market Authority (CMA), the corporate governance regulations and the company' private governance system. In addition,

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annual report that include its financial statements according to the standards issued by Saudi Organization of Certified Public Accountant (SOCPA). However, some companies voluntarily provide additional information even it is not compulsory which will offer significant benefits to companies in terms of stakeholder engagement and reputation. Also, some companies issued corporate governance regulations as required by Capital Market Authority Requirements.

Two Saudi companies in transportation sector are selected to apply Jenkins' model on their annual report and board of director's report of these companies. These companies are Saudi Public Transport Co (SAPTCO), and United International Transportation Co (Budget Saudi).

Saudi Public Transport Co (SAPTCO)

SAPTCO was established in 1979 for the capital of SR 1250 Million for offering public transport services by buses throughout Saudi Arabia. The company connects more than 385 cities over the country by providing an extensive transport system. SAPTCO is headquartered in Riyadh. It offers special transportation services for the Holy journeys of Hajj and Umrah also transportation for educational institutes and serves factories and businesses that require transportation of raw materials and other goods. SAPTCO has and operates about 4500 buses of different sizes and capacities that carries out up to 800 trips daily.

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The growth of the company is expected due to the expansion of the government in the establishment of infrastructure projects and the movement of construction and development. In addition, the Gulf countries seek to implement the common system of customs procedures and facilitate the transit of trucks between the Gulf countries. Thus, I choose this company to apply Jenkins model on its reports.

United International Transportation Co (Budget Saudi)

was founded in 1978 for the capital of 711 Million SR. Started with 1 rental office, 20 cars & staff of 15 people. Now they have more than 101 rental offices with a fleet of more than 24,000 cars and 1200 employees. The Head Office is in Jeddah, and they have regional Offices in 22 cities around the Kingdom. Their vision is to be the largest diversified group providing transportation solutions in the Middle East, Africa & South-East Asia.

Budget Saudi has ISO certificate to be the only car rental company in KSA that deserve it. The company promises to satisfy customers means by knowing what they want and constantly reassessing how can conduct their business serves as an integral function of their business approach. Furthermore, Budget always seeks to anticipate and meet the present and future desires of its customers, being proactive and also being in the state of innovation for success.

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Thus, the company deliver that promise by ensuring integrity and quality in everything they do.

For these reasons I choose this company to apply Jenkins model on its reports.

Jenkins' Model Application to Saudi Companies:

Table 3: Financial and non- financial data

1-Financial and non- financial data	**SAPTCO**	**Budget Saudi**
(A)Financial statements and related disclosures: 1-Periods to Be Reported, Restatement, and Summary Information	✓ Financial statement and its related note disclosures are well presented for a period agreed upon by users and the reporting entity in *the annual report.* ✓ The company provides a summary of key statistics and ratios that include, sales, gross margin percentage, core earnings, and other ratios related to financial position for last five years in *the board of director report.*	✓ Financial statement and its related note disclosures are well presented for a period agreed upon by users and the reporting entity in *the annual report.* ✓ The company provides a summary of key statistics and ratios that include, sales, gross margin percentage, core earnings, and other ratios related to financial position for last five years in *the board of director report.*
2. Types of Financial Statements	✓ *Annual report* includes three financial statements: (1) statement of financial position, (2) statement of income, (3) statement of cash flows.	✓ *Annual report* includes three financial statements: (1) statement of financial position, (2) statement of income, (3) statement of cash flows.

	✓ An analysis of changes in shareholders' equity is also provided by the company in a separate statement in *the annual report.*	✓ An analysis of changes in shareholders' equity is also provided by the company in a separate statement in *the annual report.*
3. Measurement	-Non-core assets and liabilities are measured at hysterical value **instead** of fair values. -Changes in unrealized appreciation or depreciation in non-core assets or liabilities **are not** charged or credited directly to shareholders' equity as required by the model. -Net income is measured as required by SOCPA.	-Non-core assets and liabilities are measured at hysterical value **instead** of fair values. -Changes in unrealized appreciation or depreciation in non-core assets or liabilities **are not** charged or credited directly to shareholders' equity as required by the model. -Net income is measured as required by SOCPA.
4. Display	✓ The company report separately the effects of core and non-core activities and events. -Income Statement: it presents core earnings and non-core earnings but the distinguish between core and non-core earnings **does not** follow the requirements of Jenkins model.	✓ The company report separately the effects of core and non-core activities and events. -Income Statement: it presents core earnings and non-core earnings but the distinguish between core and non-core earnings **does not** follow the requirements of Jenkins model.

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	✓ *The annual report* provides share data related just to core earnings and net income, while the model also requires share data related to non-core income or expense and financing costs. -Statement of Cash Flows: distinction between core and non-core cash flows **<u>does not</u>** meet the requirements of the model. -Balance Sheet: core assets and liabilities and non-core assets and liabilities **<u>do not</u>** distinguish as the model call out. - The company **<u>does not</u>** provide details in the income statement as required by the model such as dividing operating expenses to variable and fixed, or discretionary and non-discretionary categories as well controllable and non-controllable. Also, the statement **<u>is lacking</u>** in providing more details related to the changes in valuation reserves. In addition, the statement **<u>does not</u>** display slow-moving inventory or an aging of inventory separately...etc.	✓ *The annual report* provides share data related just to core earnings and net income, while the model also requires share data related to non- core income or expense and financing costs. -Statement of Cash Flows: distinction between core and non-core cash flows **<u>does not</u>** meet the requirements of the model. -Balance Sheet: core assets and liabilities and non-core assets and liabilities **<u>do not</u>** distinguish as the model call out. - The company **<u>does not</u>** provide details in the income statement as required by the model such as dividing operating expenses to variable and fixed, or discretionary and non-discretionary categories as well controllable and non-controllable. Also, the statement **<u>is lacking</u>** in providing more details related to the changes in valuation reserves. In addition, the statement **<u>does not</u>** display slow-moving inventory or an aging of inventory separately...etc.

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5. Classification	✓ The statement of financial position in *the annual report* offers the current and non-current classification of assets and liabilities as in generally accepted accounting principles.	✓ The statement of financial position in *the annual report* offers the current and non-current classification of assets and liabilities as in generally accepted accounting principles.
6. Disclosure	-The company offers insignificant qualitative and quantitative information that related to off-balance-sheet financing arrangements and the risks associated with financial instruments in the note disclosure, but it is **not in detail** as the model requires. -The footnotes **are lacking** in disclosure of a company's accounting policies utilized to distinguish among core and non-core income and expense. -The notes **do not identify** the specific types of assets and liabilities that subject to important measurement uncertainties. -Even though the notes provide some information about the historical costs and fair values of non-core assets and liabilities still the company **does not**	-The company offers insignificant qualitative and quantitative information that related to off-balance-sheet financing arrangements and the risks associated with financial instruments in the note disclosure, but it is **not in detail** as the model requires. -The footnotes **are lacking** in disclosure of a company's accounting policies utilized to distinguish among core and non-core income and expense. -The notes **do not identify** the specific types of assets and liabilities that subject to important measurement uncertainties. -Even though the notes provide some information about the historical costs and fair values of non-core assets and liabilities still the company **does not**

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7. Disaggregated Information	reach the model requirements and they **do not** present the methods and assumptions used to determine the fair values. ✓ *The annual report and the board of director report* offers disaggregated information on an industry basis of three different sectors (passenger transport sector, public transport sector and contracts and leasing sector). -The company **does not** provide any segment disclosures on a geographic basis. -*The board of director report* offers **insufficient** disaggregated information related to unconsolidated entities. ✓ The company uses the equity method of accounting. -**Lack** of complete financial statements for each significant	reach the model requirements and they **do not** present the methods and assumptions used to determine the fair values. ✓ *The annual report and the board of director report* offers disaggregated information on an industry basis of three different sectors (long and midterm leasing sector and short-term leasing sector, car sales). ✓ The company' *board of director report* provides segment disclosures on a geographic basis for each industry segment in three areas and its related key statistics to provide insight about opportunities and risks. -*The annual report and board of director report* offer **insufficient** disaggregated information related to unconsolidated entities. ✓ The company uses the equity method of accounting. -**Lack** of complete financial statements for each significant

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8. Interim Reporting	investee. ✓ The company reports disaggregated information on an interim basis, which consistent with the information presented in the annual report. ✓ The company issues quarterly reporting which include quarterly cash-flow statements.	investee. ✓ The company reports disaggregated information on an interim basis, which consistent with the information presented in the annual report. ✓ The company issues quarterly reporting which include quarterly cash-flow statements.
(B) High-level operating data and performance measurements that management uses to manage the business: 1-Statistics related to activities that produce revenues, market acceptance, and quality 2-Statistics related to activities that result in costs	✓ *The board of director report* just shows the statistics related to growth in operation revenues. No any statistics related to units and prices of product or services sold, measures of customer satisfaction...etc. ✓ There is only statistics that related to compensation for board of director members in *the board of director report*	✓ *The board of director report* represents statistics related to growth in revenues and growth in units available for services. ✓ There is only statistics that related to compensation for board of director members in *the board of director report*

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3-Statistics related to productivity	N/A	N/A
4-Statistics related to the time required to perform key Activities	N/A	N/A
5-Statistics related to the amount and quality of key resources, including human resources	*The annual report* shows the average age of key assets.	N/A
6-Measures related to innovation	N/A	N/A
7-Measures of employee involvement and fulfillment	N/A	N/A
8- Measures of strength in vendor relationships	N/A	N/A

Generally, financial statements and related disclosures in the annual report as well board of director report of both SABTCO and Budget Saudi are mostly similar and fairly presented in line with Jenkins committee model. However, high-level operating data and performance measurements that management uses to manage the business in both companies are not fully compatible with the model since Saudi companies currently are not required to report that type of information.

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Table 4: Management's Analysis of Financial and Non-Financial Data

2-Management's Analysis of Financial and Non-Financial Data	**SAPTCO**	**Budget Saudi**
(A) Reasons for Changes in the Financial, Operating, and Performance-Related Data and the Identity and Past Effect of Key Trends		
1. Reasons for Changes:		
a. Market acceptance	N/A	N/A
b. Innovation	N/A	N/A
c. Profitability	✓ *The board of director report* represents the ratio of change in net income but does not offer any information related to the ratio of net income to sales and the reasons for this change.	✓ *The board of director report* represents the ratio of change in net income but does not offer any information related to the ratio of net income to sales and the reasons for this change.
d. Changes in financial position	N/A	N/A
e. Liquidity and financial flexibility	N/A	N/A
f. Identity and effect of unusual or non-recurring transactions and events included in financial	✓ *The annual report* offers information about the effect of unusual transaction related to the company' land in AL Madinah city.	N/A

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statements. 2. The Identity and Past Effect of Key Trends	✓ *The annual report* presents the impact of Hajj and Umrah, Ramadhan season and vacations on the company revenues which the management believes they have significantly affected the business.	✓ *The board of director report* illustrates the impact of changing in utility services prices (water, electricity, and energy products) on the business for 2016.

Broadly, management's analysis in the model differs in some respects from that in Saudi companies. The board of director reports of both companies provide comparative income statements and balance sheet statements for the last five years and illustrate them in charts instead of the ratios that recommended by the model.

Table 5: Forward-Looking Information

3-Forward-Looking Information	**SAPTCO**	**Budget Saudi**
(A) Opportunities and Risks, Including Those Resulting from Key Trends 1. The nature of each opportunity or risk	- The company **does not** identify the nature of each opportunity or risk as recommended by the model.	✓ *The board of director report* identifies some nature of each risk as recommended by the model such, risks resulting from participation in additional

2. The effects of each opportunity or risk identified	✓ -The *annual report* presents some risks in general and offer some addition information in the *board of director report* separately. However, the disclosures **<u>do not</u>** show the effects of each risks on the business's future core earnings and future core cash flows. Also, five opportunities have been identified in the *board of director report*.	industries, risks resulting from concentrations in assets, customers, risk of illiquidity. ✓ The *annual report* presents some risks in general and offer more information in *the board of director report* separately in details. *The annual report* offers 13 kinds of risks and <u>shows</u> the effects of each risks on the business's future core earnings and future core cash flows. Also, *the board of director report* presents three opportunities that may affects the business's future core earnings and future core cash flows.
3. Disclosures about the risk of illiquidity	✓ The *annual report* offers some information about the internal and external sources of liquidity and identify and describe some of them in the *board of director report*. -There is **<u>no any</u>** information related to the material unused sources of liquid assets. -The reports **<u>do not</u>** describe any favorable or unfavorable trends, in the	✓ The *annual report* offers some information about the internal and external sources of liquidity and identify and describe some of them in the *board of director report*. -There is **<u>no any</u>** information related to the material unused sources of liquid assets. ✓ *The board of director report* describes some favorable and

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	type, sources, amount or cost of capital that the company is able to attract. -There is **lacking** in recognizing commitments, events, known trends, or uncertainties which are likely to result in the company' liquidity increasing or decreasing reasonably in a material way. -The report **does not** indicate the course of action that will be taken to remedy the situation if there is a material deficiency.	unfavorable trends, in the type, sources, amount or cost of capital that the company is able to attract. -There is **lacking** in recognizing commitments, events, known trends, or uncertainties which are likely to result in the company' liquidity increasing or decreasing reasonably in a material way. ✓ *The board of director report* indicates briefly the course of action that will be taken to remedy the situation if there is a material deficiency.
(B) Management's Plans, Including Critical Success Factors	✓ *The board of director report* presents the identity of management's activities and plans to meet the broad objectives and business strategy that will impact future cash flows. -There is **lacking** in presenting the factors that must occur within the business or in the external environment which is important to meet the broad objectives and business strategy.	✓ *The board of director report* presents the identity of management's activities and plans to meet the broad objectives and business strategy that will impact future cash flows. -There is **lacking** in presenting the factors that must occur within the business or in the external environment which is important to meet the broad objectives and business strategy.

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(C) Comparison of Actual Business Performance to Previously Disclosed Opportunities, Risks, and Management's Plans	-The differences between previous information and actual results **do not** present in the annual report, neither board of director report.	-The differences between previous information and actual results **do not** present in the annual report, neither board of director report.

Overall, the reports of these two companies focus on information about the past which indicate the shortage in forward-looking information that recommended by the model. Even though Budget Saudi company provides more information than SAPTCO, it is still not adequate disclosure.

Table 6: Information About Management and Shareholders

4- Information About Management and Shareholders	**SAPTCO**	**Budget Saudi**
(A) Directors, Management, Compensation, Major Shareholders, and Transactions and Relationships Among Related Parties 1. Identity and background of directors and executive management.	-*The board of director report* offers the list of directors, but the background information of directors **is not** presented.	✓ The identity and background information of directors is well presented in *the board of director report.*

2. The types and amount of director and executive management compensation	✓ *The board of director* represents the amount and types of executive compensation. The company issued *governance regulation document* that present the methods used in computing that compensation.	✓ *The board of director report* provides comprehensive information about the board's policies for executive compensation including the methods used in computing that compensation.
3. Security Ownership	-The board of director report **<u>does not</u>** define the identity of the major owners of the company's stock, and the number of shares they own. -There is **<u>no any disclosure</u>** related to the number of shares owned by the directors, management, employees as groups.	✓ *The board of director report* defines the identity of the major owners of the company's stock, and the number of shares they own. -There is **<u>no any disclosure</u>** related to the number of shares owned by the directors, management, employees as groups.
4. Transactions and relationships among major shareholders, directors, management, suppliers, customers, competitors, and the company.	✓ The company provides comprehensive detail related to the relationships among related parties in its *governance regulation document.*	✓ *The board of director report* presents the relationships among related parties.
5. Nature of disagreements with directors, independent auditors, bankers, and lead counsel who are no longer associated with	N/A	N/A

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the company. 6. Information about compensation committee interlocks and insider participation in compensation decisions.	✓ The information related to that is presented in *the board of director report.*	✓ The information related to that is presented in *the board of director report.*

Table 7: Background About the Company

5- Background About the Company	**SAPTCO**	**Budget Saudi**
(A) Broad Objectives and Strategies		
1. Broad Objectives	-*The annual report* of the company briefly mentions the management's broad objectives for the business, but without the objectives of quantified measures.	-The business reporting of the company **does not** include any information related to management's broad objectives for the business, nor the objectives include quantified measures.
2. Strategy	-The business reporting **is lacking** information about the management's principal strategies to obtain the broad objectives. Also, there **is no any**	-The business reporting **is lacking** information about the management's principal strategies to obtain the broad

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	discussion about the strategy and its consistency or inconsistency with the key trends that affect the business.	objectives. Also, there **is no any** discussion about the strategy and its consistency or inconsistency with the key trends that affect the business.
(B) Scope and Description of Business and Properties	- *The board of director report* provides somewhat description of the industry in which its business participates, and its principal services rendered. -*The board of director report* illustrates the general development of the business through the balance sheet statements and income statements of the last five years. -*The board of director report* describes the principal markets based on geographic and activities that served by the segment's services. - *The board of director report* offers slight description of key inputs to the processes such vehicles (materials) and capital additions. However, human resources **do not include** in the report. -There **is lacking** in description of the	- *The board of director report* provides somewhat description of the industry in which its business participates, and its principal services rendered. -*The board of director report* illustrates the general development of the business through the balance sheet statements and income statements of the last five years. -There is **no any** description of the principal markets based on geographic or use of product that served by the segment's services. - *The board of director report* offers slight description of key inputs to the processes such vehicles (materials) and capital additions. However, human resources **do not include** in the report. -*The board of director report*

	processes used to render principal services. - There **is shortage** in the information of seasonality and cyclicality related to the segment's services. - There **is lacking** in presenting the types of existing and proposed laws that management believes could have a significant impact on the business. - *The board of director report* provides little information about licenses, and certificates such ISO certificate that give the business a competitive advantage - There **is shortage** in description of major contractual relationships between the company and its customers and suppliers.	describes the processes used to render principal services. - There **is shortage** in the information of seasonality and cyclicality related to the segment's services. - *The board of director report* explains some types of existing and proposed laws that management believes could have a significant impact on the business. - *The board of director report* provides description of licenses, franchises, and certificates such ISO20000 certificate that give the business a competitive advantage. - There **is shortage** in description of major contractual relationships between the company and its customers and suppliers.
(C) Impact of Industry Structure on the Company	-There **is lacking** information about the changes in technology and regulation that may impact the company's market.	-There **is lacking** information about the changes in technology and regulation that may impact the company's market.

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1. The Bargaining Power of Resource Providers	-There **is lacking** in defining the general types of major resources and related suppliers, also, in the information relate to the relative bargaining power of the resource providers.	-There **is lacking** in defining the general types of major resources and related suppliers, also, in the information relate to the relative bargaining power of the resource providers.
2. The Bargaining Power of Customers	-The report **does not** present any information related to the extent to which the business is dispersed among its customers, nor the names of any predominant customers.	-The report **does not** present any information related to the extent to which the business is dispersed among its customers, nor the names of any predominant customers.
3. The Intensity of Competition in the Industry	-The report **does not** mention any information about the dispersion of competitors.	-The report **does not** mention any information about the dispersion of competitors.

Even though Saudi' companies offer some background about their companies, but it is still not consistent with the model.

Criticisms and Propositions

Based on the investigated sample, Saudi corporate reporting is lacking to some elements of the Jenkins' model. In fact, some elements of the model are not required by the corporate

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regulations in their current reports. In addition, the guidelines of the board of director report provided by Capital Market Authority (CMA) require brief disclosure of the elements, not in details as recommended by the model. However, the companies voluntarily disclose additional information that consistent with the model in their board of director report such as the information about management and shareholders. It offers significant benefits to companies in terms of stakeholder engagement and reputation. Moreover, companies may not fully understand the users' information needs which leads to the shortage in their report in comparison with the model.

Saudi corporate reporting will not be described as business reporting, based on the investigated sample. According to Jenkins committee report (1994), business reporting is the information provided by the company to encourage its users in capital-allocation decisions about the company. So, Saudi corporate reporting still missing some important information like non-financial information which may affect users' decisions.

To enhance business reporting in Saudi Arabia, standard setters should develop a comprehensive model of business reporting that helps users to value their investments. To do that standard setters must be benefit from developed countries' experiences in this field with adjustment to fit Saudi sitting and working with international standard-setters if it needed. Furthermore, the processes of enhancing business reporting should include parties who can influence implementation and persevere until all the necessary work is done. Also, involving users in the standard-setting process may promote business reporting. On the other hand, companies should study users need to recognize and evaluate ways to improve business reporting. Finally, more research related to business reporting in Saudi Arabia is key to keeping pace with evolving needs for information.

Conclusion

This paper applies Jenkins' model in Saudi setting. Two Saudi companies in transportation sector are selected to apply Jenkins' model on their annual report and board of director's report of these companies. These companies are SAPTCO, and Budget Saudi. The

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application of Jenkins' model in these two company indicate that both companies provide more information in the board of director report rather than the annual report. As well, Budget Saudi provides more information than SAPTCO even though SAPTCO follows the guidelines of the board of director report that provided by CMA. Furthermore, Saudi corporate reporting lack of some elements of Jenkins model or they mention them briefly which may affect users' decisions. Thus, Saudi corporate reporting not consider as business reporting. However, Saudi corporate reporting is heading toward business reporting especially with the transfer to IFRS which required more information such a comprehensive income statement. Also, Saudi Arabia is working to improve its financial sector to achieve its 2030 vision which requires more transparency in corporate reporting to be comparative with international competition and attractive to foreign investors. As a consequence of Saudi 2030 vision, Saudi corporate reporting will be improved sooner to be really good business reporting because the economic globalization demand high-quality information in business reporting to enhance rational decisions.

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Appendix

I. Examination Non-Financial Information of Saudi Companies by European Commission Guideline:

Saudi corporations are required to prepare just financial statement. While non-financial reporting is not compulsory some companies provide it voluntary. It offers significant benefits to companies in terms of stakeholder engagement and reputation. By investigated the annual report and board of directors reporting of Saudi Public Transport Co (SAPTCO), and United International Transportation Co (Budget Saudi), it appears that there is lacking in nonfinancial information based on European commission guideline. However, SAPTCO provides non-financial information about the quality of risk management, corporate governance, strategic direction and quality of management in separated governance regulation document that available in their website. These non-financial information items not exactly match the items required by European commission.

Budget Saudi, by examined the annual report and board of directors reporting of this company, noticed that Budget Saudi provides nonfinancial information that related to social responsibility and treatment of employees, the quality of risk management, corporate governance, strategic direction and quality of management as well there is diversity on company boards in term of educational and professional background. So, Budget Saudi flows European commission and other guidelines of non-financial information. In order to enhance its employees' relationship Budget Saudi at the end of 2017 created a program upon the proposal of the Chairman of the Board of Directors, to establish a social solidarity fund to help its needy employees. Additionally, Budget Saudi believes that serving Saudi community through its programs is part of its social responsibility. So, Budget Saudi has launched several initiatives and campaigns to help those who need support. The most important of these campaigns is an initiative (help orphans and people with disabilities to give them reason to smile) (Budget Saudi board of directors reporting, 2016).

SAPTCO	**Budget Saudi**
N/A	Environmental protection Social responsibility and treatment of employees Diversity on company boards (in terms of age, Gender, educational and professional background)

II. Examination Off Balance Sheet Items in Saudi Companies:

By investigated the annual report and board of directors reporting of both companies I found that: SAPTCO disclose OBS items like joint venture and Investments in foreign

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companies by foreign currencies. SAPTCO invests in two companies, one in UAE, and the other in Bahrain, which may influence the balance sheet in a marginal way if there were fluctuations in the currency. Also, Operating leases: Operating lease payments are recognized as an expense in the consolidated statement of income.

Budget Saudi disclose OBS items like securitization and their loans are up to 465,511,983 in 31/12/2016. In addition, operating leases which was 545,568 and 494,842 SAR for 2015 and 2016 respectively. Also, joint venture, partnership and Investments in foreign companies by foreign currencies. Budget invests in 2 Indian companies, although the investment amount invested is a marginal comparing to Budget assets, but the company balance sheet may be subject to change if there were fluctuations in Indian Rupee.