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How do Thai Firms Voluntarily Disclose their Management Forecasts?

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ABSTRACT

This study provides empirical evidence on management forecast disclosure practices in Thailand. We hand-collect 4,483 management forecast disclosures of listed companies in the Stock Exchange of Thailand (SET) during January 2005 – June 2007. Our results show that (1) almost 70% of Thai listed companies voluntarily disclose their management forecasts; (2) over 60% of forecast firms disclose more than five forecasts within one-year period; (3) almost 70% of management forecasts are disclosed prior to the end of accounting period; (4) 46% (10%) of management forecasts are stand-alone annual (quarterly) forecasts while 44% of management forecasts are concurrent annual-quarter forecasts; (5) stand-alone annual (quarterly) forecasts are more likely to be forecasts of revenues (earnings), quarterly forecasts issued simultaneously with annual forecasts are more likely to be forecasts of revenues and annual forecasts issued simultaneously

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with quarterly forecasts are more likely to be forecasts of revenues as well; and (6) 44% (64%) of quarterly revenues (earnings) forecasts are in qualitative form and 40% (33%) of quarterly revenues (earnings) are in semi-numeric form while 43% (44%) of annual revenues (earnings) forecasts are point estimates and 24% (22%) of annual revenues (earnings) forecasts are in semi-numeric form.

Keywords: Management Forecast, Voluntary Disclosure, Disclosure Practice

บทคัดย่อ

งานวิจัยนี้แสดงหลักฐานเชิงประจักษ์เกี่ยวกับการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารของบริษัทในประเทศไทย โดยคณะผู้วิจัยเก็บข้อมูลเกี่ยวกับการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารของบริษัทที่จดทะเบียนกับตลาดหลักทรัพย์แห่งประเทศไทยระหว่างเดือนมกราคม ปี พ.ศ. 2548 ถึงเดือนมิถุนายน ปี พ.ศ. 2550 จำนวน 4,483 ตัวอย่าง ผลวิจัยนี้พบว่า (1) เกือบร้อยละ 70 ของบริษัทที่จดทะเบียนกับตลาดหลักทรัพย์แห่งประเทศไทยที่เปิดเผยข้อมูลพยากรณ์โดยสมัครใจ (2) มากกว่าร้อยละ 60 ของบริษัทที่เปิดเผยข้อมูลพยากรณ์ของผู้บริหารดังกล่าวเปิดเผยข้อมูลพยากรณ์ของผู้บริหาร 5 ครั้งภายในหนึ่งปี (3) เกือบร้อยละ 70 ของการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารเป็นการเปิดเผยก่อนวันสุดท้ายของรอบระยะเวลาบัญชี (4) ร้อยละ 46 (ร้อยละ 40) ของการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารเป็นการเปิดเผยข้อมูลรายปีเท่านั้น (รายไตรมาสเท่านั้น) ในขณะที่ร้อยละ 44 ของการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารเป็นการเปิดเผยทั้งข้อมูลรายปีและรายไตรมาสด้วยกัน (5) การเปิดเผยข้อมูลพยากรณ์ของผู้บริหารที่เป็นการเปิดเผยข้อมูลรายปีเท่านั้น (รายไตรมาสเท่านั้น) มักจะเป็นการเปิดเผยข้อมูลเกี่ยวกับรายได้ (กำไร) และการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารที่เป็นการเปิดเผยข้อมูลรายไตรมาสและรายปีพร้อมกันมักจะเป็นการเปิดเผยข้อมูลเกี่ยวกับรายได้ (6) ร้อยละ 44 (ร้อยละ 64) ของการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารที่เป็นการเปิดเผยรายได้ (กำไร) สำหรับไตรมาส เป็นการเปิดเผยข้อมูลเชิงคุณภาพ และร้อยละ 40 (ร้อยละ 33) ของการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารที่เป็นการเปิดเผยกำไร (รายได้) สำหรับไตรมาส เป็นการเปิดเผยข้อมูลกึ่งตัวเลข ในขณะที่ร้อยละ 43 (ร้อยละ 44) ของการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารที่เป็นการเปิดเผยรายได้ (กำไร) สำหรับปี เป็นการเปิดเผยข้อมูลแบบระบุค่าเดียวชัดเจน และร้อยละ 24 (ร้อยละ 22) ของการเปิดเผยข้อมูลพยากรณ์ของผู้บริหารที่เป็นการเปิดเผยรายได้ (กำไร) สำหรับปี เป็นการเปิดเผยข้อมูลกึ่งตัวเลข

คำสำคัญ: ข้อมูลพยากรณ์ของผู้บริหาร การเปิดเผยข้อมูลโดยสมัครใจ วิธีการเปิดเผยข้อมูล

1. Introduction

A management forecast is one type of voluntary disclosures released prior to an earnings announcement date. Management forecast is an important source of information to market participants since management has access to superior information which is not generally available to outsiders. Most of literatures on management forecasts are limited to firms in the United States. There are a few studies done in other countries but most of them are limited to management forecasts which are disclosed on a mandatory basis such as management forecasts issued by IPO firms which are required to provide management forecasts in prospectuses. These studies investigate management forecast disclosures provided by Taiwan IPO firms [Jaggi et al. (2006)], Malaysian IPO firms [Jelic et al. (1998)], and Danish IPO firms [Gramlich and Sorensen (2004)]. Kato et al. (2009) examine management forecast disclosures in Japan in a general setting. However, management forecast disclosure in Japan is a mandatory disclosure.

Management forecast disclosures in Thailand, provided on a voluntary basis, remain unexplored. This study, therefore, aims at providing empirical evidence on management forecast disclosure practices in Thailand. Specifically, we explore management forecast disclosure practices in Thailand by addressing the following questions: (1) how many firms issue management forecasts?; (2) how frequently do they issue their forecasts?; (3) when do they issue their forecasts (e.g., before or after the end of an accounting period)?; (4) in what horizon do they employ for their forecasts (e.g., quarterly or annual forecasts)?; (5) what type of information is disclosed (e.g., revenue or earnings forecasts)?; and (6) in what form do they issue their forecasts (e.g., quantitative, semi-numeric, or qualitative forms)?.

The study is the first study that provides empirical evidence on management forecast disclosure practices in Thailand. Our results provide contributions to many parties, namely, capital market participants, management, and the Stock Exchange of Thailand (SET). This study also provides a contribution to the academic literature, specifically to accounting research in Thailand. The findings will assist academic researchers in investigating other aspects of accounting research on management forecast disclosures.

The remainder of the paper is organized as follows. Section 2 reviews literatures on management forecast disclosures. Section 3 describes our sample and data collection. Section 4 reports empirical results and section 5 concludes.

2. Prior Research

Management forecast is an important source of information to market participants since management has access to superior information which is not generally available to outsiders. Firm has several alternatives to strategically disclose its management forecasts on forecast characteristics such as forecast frequency, forecast horizon, forecast timing, forecast item, and forecast form. Firms can discretionarily choose how frequently they disclose management forecasts. Prior study shows a sporadic pattern of management forecast

disclosures. McNichols (1989) shows that 69% of her sample firms in the United States provide only one forecast during five-year sample period (1979–1983). However, a recent study shows that number of forecast firms gradually increases. Collecting data from First Call database during 1994 to 2003, Anilowski et al. (2007) find that both number of forecasts and forecasting firms increase over the sample period. The number of forecast firms increases from 95 firms (2%) in 1994 to 1,211 firms (27%) in 2003. Moreover, they also show that forecast firms frequently provide management forecasts ranging from one forecast per year in 1994 to 5 forecasts per year in 2003.

For forecast horizon, firms in the United States may provide quarterly or annual management forecasts. According to 444 management forecasts issuing during 1980 to 1987, Pownall et al. (1993) document 183 forecasts (41%) are quarterly forecasts while 261 forecasts (59%) are annual forecasts. However, a recent study finds that a trend for US firms to increase the extent to which they provide quarterly forecasts. Anilowski et al. (2007) find 55% of 31,230 management forecasts disclosed during 1994 to 2003 are quarterly forecasts while 45% of them are annual forecasts. Disaggregating their samples in each testing year, they also find that firms are more likely to provide quarterly forecasts than annual forecasts.

Alternatively, firms can choose to disclose management forecasts before or after end of accounting period (i.e., forecast timing). Partitioning management forecast samples issuing in 1994 to 2003 by forecast timing, Anilowski et al. (2007) find 51% of management forecasts are disclosed before end of accounting period while 49% of them are issued after end of accounting period. Pownall et al. (1993) show number of days between forecast date and end of accounting period of quarterly forecasts is longer than that of annual forecasts. On average, number of days for quarterly forecasts is 71 days while that of annual forecasts is 201 days.

To disclose their management forecasts, firms can provide management forecasts with any items in income statements (e.g., revenue, gross profit, or net income). Prior study documents that firms are more likely to provide earnings forecasts than revenue forecasts. Investigating management forecast issuing in 1978 to 1982, Han and Wild (1991) find of 263 forecast samples, 162 forecasts (62%) are earnings forecasts while 101 forecasts (38%) are earnings and revenue forecasts. Collecting 3,459 management forecasts during October 2000 to July 2002, Feldman et al. (2003) find 59% of their samples are earnings forecasts while 41% of them are revenue forecasts.

Firms can select to issue management forecasts in quantitative or qualitative forms. Quantitative management forecasts are numerical such as point, range, open-end (e.g., minimum or maximum) while qualitative management forecasts are non-numerical which are provided only trend for a given forecast period. An extensive literature on management forecast mostly focus on quantitative estimates (e.g., point and range) (e.g., Penman (1980), Ajinkya and Gift (1984), Waymire (1984), and Pownall and Waymire

(1989)) because these forecast forms are easier to measure forecast bias. However, a recent study provides descriptive evidence that more than half of management forecast samples are in qualitative form. Kasznik and Lev (1995) show that more than half of their management forecast samples are in qualitative disclosures. Investigating management forecast disclosures in Netherlands, Dorsman et al. (2003) find that over 60% of listed companies in Netherlands release qualitative management forecasts.

3. Sample and Data Collection

The main objective of this study is to explore management forecast disclosure practices in Thailand. Samples in this study are management forecast disclosures issued during two 12-month periods: (1) 12-month period starting January 2005 and (2) 12-month period starting July 2006.

We hand-collect management forecasts issued during the specified periods from the NEWSCENTER database and the SETSMART database. In Thailand, other than the Stock Exchange of Thailand (SET) channel (i.e., the SETSMART database), management mostly releases its forecasts through the business press. The NEWSCENTER database is a database containing news articles published in Thailand.

In the collection process, we set the criteria to collect management forecast data as follows: (1) the forecast must contain various keywords such as “expects”, “estimates”, “targets”, etc. and (2) the forecast must be attributed to company officials. For criterion 1, we define keywords to ensure that an article discloses a management forecast since some articles release the actual performance and criterion 2 ensures that company forecasts in any articles are not estimated by news reporters or financial analysts.

4. Empirical Results

Results in Table 1 suggest that 68% of Thai listed companies voluntarily issue their management forecasts to the public at least once during our sample periods. On average, each firm issues approximately 8.46 forecasts per year. However, most firms issue only one forecast per year during the sample periods. Results also suggest that firms in the property and construction (93%), resources (88%), and technology (86%) sectors have the highest tendency to release management forecasts while firms in the non-performing group (25%) have the lowest tendency to release management forecasts. A plausible explanation is that most of firms in property and construction, resources, and technology industries are in SET50 (i.e., firms in top fifty ranking which have high market capitalization) and have a large analyst following. These firms may maintain a good relationship with analysts and investors by providing more information via their management forecasts [Skinner (1994), Supattarakul (2003), and Chen (2003)].

Table 1: Number of Management Forecasts and Number of Forecast Firms

Industry	Management Forecasts	Forecast Firms	SET Firms	Forecast Firms	No. of forecast per firm per year			
					Mean	Median	Mode	S.D.
Property & Construction	1,611	80 (28%)	86	93%	10.45	9.25	2.00	6.13
Industrials	806	53 (18%)	77	69%	8.50	7.50	1.00	6.49
Professional Services	666	58 (20%)	85	68%	6.41	6.00	2.00	4.82
Technology	547	32 (11%)	37	86%	9.36	7.75	4.00	6.24
Resources	454	21 (7%)	24	88%	12.26	11.50	7.50	5.86
Agro & Food	270	26 (9%)	47	55%	5.62	2.00	1.00	7.41
Consumer Products	89	12 (4%)	43	28%	4.50	4.50	1.00	3.43
Non-Performing Group	40	5 (2%)	20	25%	2.90	3.00	3.00	0.74
Total	4,483	287 (100%)	419	68%	8.46	7.50	1.00	6.46

Table 2: Frequency of Management Forecast Disclosures

No. of management forecasts	No. of forecast firms
Less than 5	111 (39%)
5–10	74 (26%)
11–15	60 (21%)
16–20	25 (9%)
21–25	11 (4%)
26–30	6 (2%)
Total	287 (100%)
Average	8.46

Results in Table 2 reveal a majority of forecast firms in our sample issue one to fifteen management forecasts during the sample period. Specifically, 39% of forecast firms issue one to five management forecasts, 26% of forecast firms issue five to ten management forecasts, and 21% of forecast firms issue ten to fifteen management forecasts. On average, forecast firms disclose approximately 8–9 forecasts per year.

Since management forecasts are provided before earnings announcement dates, management may decide to issue a forecast before or after the end of accounting period. Table 3 presents results on forecast timing (e.g., before or after the end of an accounting period). Since financial statements are prepared for quarterly and annual period, we additionally disaggregate forecast timing by forecast horizon (e.g., quarterly or annual forecasts).

The results indicate that most management forecasts are disclosed before the end of accounting period. Specifically, 3,105 management forecasts (69%) are issued before the end of accounting period while 1,378 management forecasts (31%) are issued after the end of accounting period. Of 2,373 quarterly management forecasts, 1,333 management forecasts (56%) are issued before the end of accounting period while 1,040 management forecasts (44%) are issued after the end of accounting period. Of 2,110 annual management forecast, 1,772 management forecasts (84%) are issued before the end of accounting period while only 338 management forecasts (16%) are issued after the end of accounting period.

Results suggest that firms are more likely to issue annual forecasts than quarterly forecasts prior to the end of accounting period while firms are more likely to issue quarterly forecasts than annual forecasts after the end of accounting period. A plausible explanation is that SET does not encourage firms to release short term management forecasts. Therefore, most of management forecasts are issued before end of accounting period, rather than after end of accounting period.

Table 3: Timing for Management Forecast Disclosures

No. of Days	Before end of period			After end of period			Total
	Quarterly Forecast	Annual Forecast	Total	Quarterly Forecast	Annual Forecast	Total	
0–15	342	111	453	323	80	403	856
16–30	305	97	402	392	109	501	903
31–45	313	103	416	325	95	404	820
46–60	108	72	180	–	52	68	248
61–75	24	55	79	–	1	1	80
76–90	33	76	109	–	1	1	110
91–105	38	97	135	–	–	–	135
106–120	63	99	162	–	–	–	162
121–135	51	101	152	–	–	–	152
136–150	27	52	79	–	–	–	79
151–165	7	55	62	–	–	–	62
166–180	7	59	66	–	–	–	66
>180	15	795	810	–	–	–	810
Total	1,333	1,772	3,105	1,040	338	1,378	4,483
Average (days)	44.02	169.69		22.98	28.23		

We also document that forecast firms issuing quarterly forecasts prior to (after) the end of accounting period, on average, issue their forecasts 6 weeks prior to (3 weeks after) the end of accounting period, and that forecast firms issuing annual forecasts prior to (after) the end of accounting period, on average, issue their forecasts 6 months prior to (one month after) the end of accounting period. Since quarterly financial statements are announced more frequent than annual financial statements and submission date of quarterly financial statements dues before that of annual financial statement, number of days of quarterly management forecasts is shorter than that of annual management forecasts.

According to forecast horizon (e.g., quarterly or annual forecasts), management may provide forecast for quarter (i.e., stand-alone quarterly management forecast), annual (i.e., stand-alone annual management forecast), or both of quarter and annual (i.e., concurrent management forecast) in such disclosure. For stand-alone quarterly (annual) management forecast, management may provide forecast for a given quarter (year) (i.e., single period management forecast), or for multiple quarter (year) (i.e., multiple period management forecast). For concurrent management forecast, management simultaneously provides a set of quarter and annual management forecasts in such disclosure.

Table 4 shows the distribution of management forecasts by forecast horizon and forecast item. Of 4,423 management forecasts, 423 forecasts (10%) are stand-alone quarterly forecasts, 2,089 forecasts (46%) are stand-alone annual forecasts, and 1,971 forecasts (44%) are concurrent quarterly and annual forecasts. Proportion of stand-alone quarterly forecasts is the lowest since SET does not allow firms to provide quarterly forecasts. Of 423 stand-alone quarterly forecasts, 359 forecasts (85%) are those revealing information for a given quarter; 58 forecasts (14%) are those revealing information for two quarters; 6 forecasts and one forecast are those revealing information for three and four quarters, respectively. For stand-alone annual forecasts, of 2,089 forecasts, 1,460 forecasts (70%) are those revealing information for a given year; 622 forecasts (29%) are those revealing information for two years; and 7 forecasts are those revealing information for three years. Finally, for concurrent quarterly and annual forecasts, of 1,971 forecasts, 1,312 forecasts (67%) are those revealing information related to one quarter and one year; 340 forecasts (17%) are those revealing information for one quarter and two years; and 242 forecasts (12%) are those revealing information related to two quarters and one year.

Management might provide forecasts that vary in level of disaggregation of accounting items, ranging from revenue to earnings numbers. Results in Table 4 also suggest that stand-alone quarterly (annual) forecasts are more likely to be forecasts of earnings (revenues); quarterly forecasts issued simultaneously with annual forecasts are more likely to be forecasts of revenues and annual forecasts issued simultaneously with quarterly forecasts are more likely to be forecasts of revenues as well. Specifically, of 494 stand-alone

Table 4: Management Forecast Horizons and Management Forecast Items

Forecast Horizon	No. of Forecasts	Forecast Period		Forecast item of quarterly forecast				Forecast item of annual forecast			
		Quarter	Annual	Revenue	Earnings	Both	Total	Revenue	Earnings	Both	Total
Stand-alone quarterly forecast											
One quarter	359	359	–	107	160	92	359	–	–	–	–
2 quarters	58	116	–	41	60	15	116	–	–	–	–
3 quarters	5	15	–	7	7	1	15	–	–	–	–
4 quarters	1	4	–	1	2	1	4	–	–	–	–
Subtotal (1)	423	494	–	156	229	109	494	–	–	–	–
				(32%)	(46%)	(22%)					
Stand-alone annual forecast											
One year	1,460	–	1,460	–	–	–	–	[illegible]	155	312	1,460
2 years	622	–	1,244	–	–	–	–	914	120	210	1,244
3 years	7	–	21	–	–	–	–	18	2	1	21
Subtotal (2)	2,089	–	2,725	–	–	–	–	1,925	277	523	2,725
								(71%)	(10%)	(19%)	
Concurrent quarterly & annual forecast											
1Q & 1Y	1,312	1,312	1,312	653	[illegible]	254	1,312	949	97	266	1,312
1Q & 2Y	340	340	680	185	100	55	340	475	78	127	680
2Q & 1Y	242	484	242	264	102	48	484	175	14	53	242
Others	77	191	130	132	44	15	191	97	9	24	130
Subtotal (3)	1,971	2,327	2,364	1,234	721	372	2,327	1,696	198	470	2,364
				(53%)	(31%)	(16%)		(71%)	(9%)	(20%)	
(1)+ (2)+(3)	4,483	2,821	5,089	1,390	950	481	2,821	3,621	475	993	5,089
				(49%)	(34%)	(17%)		(71%)	(9%)	(20%)	

quarterly forecasts (2,725 stand-alone annual forecasts), 46% (10%) of them are provided only earnings forecasts, 3[illegible]% (7%) of them are provided only revenue forecasts, and 22% (19%) of them are provided both revenue and earnings forecasts. Of 2,327 concurrent quarterly (annual), 53% (71%) of them are provided only revenue forecasts, 31% (9%) of them provided only earnings forecasts, and 16% (20%) of them provided both revenue and earnings forecasts. Overall, over than half of forecasts, regardless forecast horizon, are more likely to be forecasts of revenue. A plausible explanation is that SET does not encourage firms to voluntarily reveal earnings forecasts.

Management can provide its forecasts in various forms such as point estimates, range

estimates, open-ended, or qualitative forecasts. Prior studies mostly focus on point and range forecasts since it is easier to measure forecast accuracy [Lev and Penman (1990) and Rogers and Stocken (2005)], while there is no explicit approach to measure forecast accuracy for open-ended and qualitative forecasts [Hirst et. al. (2008)].

In this study, we classify forecast form into three categories: quantitative, qualitative, and sales volume. Quantitative group consists of four forms: point, range, open-end, and semi-numeric. Results in panel A of Table 5 suggest that quarterly revenues forecasts are more likely to be in the semi-numeric and qualitative forms while annual revenues forecasts are more likely to be point estimates and semi-numeric forecasts.

Results in panel A of Table 6 suggest that firms are more likely to issue quarterly earnings forecasts in the qualitative and semi-numeric forms. Moreover, results for annual earnings forecasts are consistent with those for quarterly earnings forecasts. Additionally, point estimates are another form of forecasts frequently used for annual earnings forecasts as well. Taken together, the results of forecast form for revenue and earnings management forecasts show that most of annual revenue and earnings forecasts are provided in more explicit form (i.e., semi-numeric to point estimate) while quarterly revenue and earnings forecasts are provided in less explicit form (i.e., semi-numeric to qualitative form). According to the disclosure guidelines, the SET does not allow firms to provide quarterly management forecasts. However, if firms need to disclose quarterly management forecasts, firm can issue forecasts in non-financial form. Therefore, most

Table 5: Forecast Forms of Management Revenue Forecasts

Forecast Horizon	Quantitative					Qualitative	Sales Volume	Total
	Point	Range	Open-ended	Semi-numeric	Total			
Quarterly forecast	170 (9%)	39 (2%)	58 (3%)	741 (40%)	1,008 (54%)	818 (44%)	45 (2%)	1,871[a] (100%)
Annual forecast	1,[illegible] (43%)	420 (9%)	342 (7%)	1,090 (24%)	3,823 (83%)	704 (15%)	87 (2%)	4,614[b] (100%)
Total	[illegible]141 (33%)	459 (7%)	400 (6%)	1,831 (28%)	4,831 (74%)	1,522 (24%)	132 (2%)	6,485 (100%)

a 1,871 quarterly revenue forecasts consist of 1,390 forecasts which are provided only quarterly revenue forecasts and 481 forecasts which are provided both quarterly revenue and earnings forecasts. Both figures are presented at bottom line in Table 4.

b 4,614 annual revenue forecasts consist of 3,621 forecasts which are provided only annual revenue forecasts and 993 forecasts which are provided both annual revenue and earnings forecasts. Both figures are presented at bottom line in Table 4.

Table 6: Forecast Forms of Management Earnings Forecasts

Panel A: Forecast Forms

Forecast Horizon	Quantitative					Qualitative	Total
	Point	Range	Open-ended	Semi-numeric	Total		
Quarterly forecast	28 (2%)	14 (1%)	11 (1%)	467 (33%)	520 (36%)	911 (64%)	1,431a (100%)
Annual forecast	317 (22%)	140 (10%)	78 (12%)	287 (20%)	822 (56%)	646 (44%)	1,468b (100%)
Total	345 (12%)	154 (5%)	89 (3%)	754 (26%)	1,342 (46%)	1,557 (54%)	2,899 (100%)

Panel B: Forecast Items

Forecast Horizon	NI	%NI	GM	%GM	EBITDA	%EBITDA	Total
Quarterly forecast	1,372 (96%)	13 (1%)	2 (0.5%)	39 (2%)	5 (0.5%)	– (0%)	1,431a (100%)
Annual forecast	966 (66%)	111 (7%)	5 (0.5%)	356 (24%)	28 (2%)	2 (0.5%)	1,468b (100%)
Total	2,338 (81%)	124 (4%)	7 (0.5%)	395 (13%)	33 (1%)	2 (0.5%)	2,899 (100%)

a 1,431 quarterly earnings forecasts consist of 950 forecasts which are provided only quarterly earnings forecasts and 481 forecasts which are provided both quarterly earnings and revenue forecasts. Both figures are presented at bottom line in Table 4.

b 1,468 annual earnings forecasts consist of 475 forecasts which are provided only annual earnings forecasts and 993 forecasts which are provided both annual earnings and revenue forecasts. Both figures are presented at bottom line in Table 4.

of quarterly revenue and earnings forecasts are in less numeric form.

In addition to exploring forecast forms used for earnings forecasts, this study also looks at information disclosed through earnings forecasts. Panel B of Table 7 shows results on information disclosed through earnings forecasts. Of 2,899 total earnings forecasts, most of them, 2,388 forecasts (81%), are net income forecasts. Results suggest that firms are more likely to disclose "net income" in quarterly earnings forecasts and they are more likely to disclose "net income" and "gross profit margin" in annual earnings forecasts. Of 1,431 quarterly earnings forecasts, 1,372 forecasts (96%) contain net income number; of 1,468 annual earnings forecasts, 966 forecasts (66%) contain net

income number and 356 forecasts (24%) are gross profit margin. Since earnings number is a summary figure which represents overall firm performance, it is interested for investors in their decision making. Therefore, firms are more likely to provide net income in both quarterly and annual earnings forecasts.

5. Conclusion and Contributions

This study aims at providing empirical evidence on management forecast disclosures in Thailand. We hand-collect management forecast disclosures issued by companies listed on the Stock Exchange of Thailand (SET). Our sample includes 4,483 management forecast disclosures issued during 12-month period starting January 2005 and 12-month period starting July 2006. SET has issued the disclosure guideline for listed companies in March 2006; therefore, we exclude management forecasts disclosed three months before and after the issuance of the disclosure guideline.

Our results show that 68% of Thai listed firms voluntarily disclose their forecasts at least once during our sample periods. On average, each forecast firm issues 8–9 forecasts each year. Firms in property and construction, resources, and technology sectors are more likely to issue management forecasts than are other firms. Specifically, on average, each forecast firm in these sectors issues 10–12 forecasts each year. A plausible reason is that most of firms in these industries have a large number of analysts following and thus firms may maintain a good relationship with financial analysts by issuing management forecasts.

Moreover, this study examines how early the forecast firms issue their forecasts. We find that almost 70% of total management forecasts, regardless forecast horizon, are disclosed before end of accounting period, rather than after end of accounting period. A plausible reason is that SET does not encourage firms to disclose short term forecasts. Our results also show that the forecast firms issuing quarterly forecasts prior to (after) the end of accounting period, on average, issue their forecasts 6 weeks prior to (3 weeks after) the end of accounting period. For annual forecasts, forecast firms issuing their forecasts prior to (after) the end of accounting period, on average, issue their forecasts 6 months prior to (one month after) the end of accounting period.

Additionally, this study investigates forecast horizons and forecast items firms choose for their forecasts and documents that the forecast firms are more likely to issue annual forecasts, as opposed to quarterly forecasts, and that forecast firms are more likely to issue their quarterly forecasts concurrently with their annual forecasts than they do separately. As for forecast items, our results show that annual forecasts (both stand-alone and concurrent annual-quarter forecasts) are more likely to be revenue annual forecasts; stand-alone quarterly forecasts are more likely to be earnings quarterly forecasts while concurrent annual-quarter forecasts are more likely to be revenue quarterly forecasts. Overall, regardless forecast horizons, firms are more likely to provide

revenue forecasts than earnings forecasts. A plausible reason is that SET does not encourage firms to issue earnings forecasts.

In addition, this study examines forecast forms firms choose for their forecasts and finds that quarterly revenue and earnings forecasts are more likely to be in the qualitative and semi-numeric forms; annual revenue forecasts are more likely to be point estimates and in semi-numeric form while annual earnings forecasts are more likely to be in the qualitative form.

The study is the first study that provides empirical evidence on management forecast disclosure practices in Thailand. Our results provide contributions to many parties, namely, capital market participants, management, and the Stock Exchange of Thailand. This study also provides a contribution to the academic literature, specifically to accounting research in Thailand. The findings will assist academic researchers in investigating other aspects of accounting research on management forecast disclosures.

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