REASONS FOR CORRECTING AND LATE SUBMISSION OF ANNUAL REPORTS OF REPORTING ENTITIES IN ESTONIA

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Abstract

Every accounting entity is required to fulfill its duty of care. One of the most important duties of care is to submit the annual report to the state at the end of the financial year. The state obtains information from the annual report about the compliance of the accounting entity's financial activities and can maintain records of economic indicators across various sectors. Proper reporting is one of the cornerstones of national security. Unfortunately, some entities fail to submit their annual reports to the state or alter the submitted reports, leading to errors in the display of economic indicators to interested parties. This article focuses on the multiple submissions of previous financial year reports in 2023 and the untimely submission of 2023 annual reports. An empirical study is conducted using secondary data obtained from the e-Business Register. Responses to a questionnaire sent to the reporting entities are analyzed to determine the reasons for the need to amend and resubmit annual reports, as well as the reasons for the delays in submitting reports. The study results will reveal the causes of amendments to annual reports and the reasons for the untimely submission of reports.

Keywords: accounting, annual report, error correction, amending and submitting the annual report

JEL Classification Codes: M41, M48, M49

Introduction

Accounting entities include all registered private and public legal entities. This article focuses on private legal entities that are required to submit annual reports. According to the Accounting Act, all accounting entities that use the accrual-based accounting method must prepare an annual report at the end of the financial year and submit it along with an activity report to the registrar. In Estonia, all annual reports are freely accessible to all interested parties through the e-Business Register. Laidsoo *et al.* (2020) have studied the reasons for the non-submission of annual reports. The authors (Laidsoo *et al.* 2022) examined the readiness of entrepreneurs for changes in accounting policy and the non-submission of annual reports by micro-entrepreneurs. Kuppel (2024) investigated the reasons for correcting annual reports among companies in four sectors.

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The topic is relevant because, by understanding the reasons for delays in the submission of annual reports by accounting entities and the need for report corrections, the state can take measures to prevent these issues. Since 2020, the Estonian government has aimed to improve data accessibility from annual reports and bring the situation to a level where, in addition to past period data, real-time data can also be obtained. This adds value not only for the report submitters but also for the national economy as a whole (Ministry of Economic Affairs and Communications 2020, 7). The plan is to implement a real-time economy. The need for a real-time economy is also highlighted in the current action program of the Government of the Republic of Estonia (Government of the Republic 2023). More attention must be paid to the correct submission of annual reports by accounting entities to ensure a smooth transition to the new system, which aims to reduce the administrative burden on accounting entities.

Proper reporting is one of the cornerstones of national security. The problem is that many accounting entities fail to submit their annual reports to the state, submit them late, or modify the reports after submission, leading to errors in the display of economic indicators to interested parties.

For example, in 2022, 772 accounting entities amended previously submitted annual reports, while in 2023, this number increased to 11,018. Only 65.7% of the entities required to submit their 2023 annual reports did so on time. Additionally, 19.8% submitted their reports late, and 14.5% had not submitted their annual reports by the time of writing this article (RIK 2024).

The aim of this article is to identify the reasons for the amendments of previous years' annual reports in 2023 and the reasons for the failure to submit the 2023 annual reports on time. To achieve this goal, the following research tasks are set:

1. Analyze and systematize the theoretical foundations for the necessity and importance of a proper annual report.
2. Clarify the requirements for submitting an annual report based on Estonian legislation.
3. Analyze the reasons for the resubmission of annual reports in 2023 and the reasons for the failure to submit the 2023 annual reports on time.

In the theoretical part of the article, the importance of submitting annual reports and the obligation to submit them in Estonia are explained. The methodology used in the study is then clarified, and the results of the analysis are presented, based on which conclusions are drawn and recommendations are made to address the existing problem.

Timely and accurate submission of annual reports ensures informed decision-making for both the submitter and the national economy as a whole. Proper and accurate presentation of economic indicators is essential for domestic decision-making and is one of the cornerstones of national security. This article will benefit those institutions directly responsible for submitting annual reports and collecting data, as well as those planning to automate data submission.

The Importance of the Annual Report

All registered legal entities must exercise due diligence in their business activities. In addition to regular business operations, they are obligated to maintain accounting records and fulfill reporting obligations. Information about business activities is presented to the public after the end of the financial year through an annual report, which includes the financial statements and the management report.

The annual report informs shareholders, stakeholders, and the public about how the entity's assets were utilized during the financial period. Through the annual report, the company's owners can monitor and evaluate the performance of both employees and management (Oghenefegha 2022, 68). The financial statements within the annual report must be elaborated upon in the notes. All significant events related to the entity's business activities that have resulted in changes to the financial position must be disclosed.

The notes to the financial statements include both textual and numerical information that should help to further clarify the components of the financial statements (balance sheet, income statement, cash flow statement, and statement of changes in equity). A properly prepared annual report helps to reduce risks through a more informed decision-making process (Fenyves *et al*. 2018, 174). The notes must contain the legally required information along with verbal explanations. It is essential to provide additional details on the various items in the balance sheet and income statement. With these additional explanations, external stakeholders can clearly assess the company's assets, financial status, and profitability (Kerezsi, Hegedüs 2021, 52). The notes in the annual report must support the presentation of reliable and fact-based information, which is based on fundamental accounting principles such as relevance, consistency, and accuracy (Kerezsi, Hegedüs 2021, 51). The notes are usually prepared following the sequence of the main financial statement items.

Systematic presentation of the notes to the financial statements ensures a better overview of the annual report for interested parties and serves as important information within the organization as well. Such a presentation is a key factor for the successful operation of an accounting entity (Fenyves *et al.* 2018, 180). The first note always presented is the accounting policies, allowing the reader of the annual report to understand which accounting principles the entity applies. Information on changes, any modifications to accounting policies compared to the previous financial period, and the reasons for correcting the annual report must be included under accounting policies.

Often, when errors are discovered, accounting entities submit a new annual report to the public without indicating the reason for the resubmission. In reality, this is not necessary. Corrections should be made in the financial year in which the error was discovered, rather than amending previously submitted annual reports (Güldenkoh 2023, 23). The above discussion addressed the annual report, but for a complete annual report, management must also prepare a management report.

The information provided in the management report complements the content disclosed in the financial statements, with the main objective being to provide users with explanations of the financial statements and to describe the key factors that influenced the values of various financial indicators (assets, equity, revenues, expenses, and financial results) (Nowak 2015, 122). Disclosure of significant activities during the financial year helps investors understand the quality of earnings and cash flows. If the data processors' forecasts are incomplete or aimed at highlighting the interests of the entity, qualitative disclosure can provide additional explanatory power in predicting the entity's future performance and profitability (Tailab, Burak 2021, 431). In terms of the informativeness of the management report, it is expected that managers will disclose valuable information, including details that mitigate fluctuations in performance. In practice, both positive and negative events are disclosed to satisfy the information needs of investors or to align investor expectations with those of management (Muslu *et al.* 2015, 934).

Entities required to provide sustainability reporting must include new information in the management report, offering insights into activities beyond financial reporting (Güldenkoh *et al.* 2024, 141). The information provided through sustainability reporting helps enhance the entity's reputation and increases the sustainability of its economic activities (*Ibid*, 152).

The most significant consequence of annual adjustments to the annual financial report is the inaccuracy of national statistics and the resulting financial risks. The major issue is that after making adjustments, calculations of the gross domestic product (GDP) need to be revised, which can significantly differ from the initial results. Statistics based on incorrect data can lead to erroneous decisions at the national level (Laidroo *et al*. 2020, 97). In such a situation, national security may also be at risk, as decisions are made in good faith based on preliminary data, and planned financial activities may no longer be feasible.

Timely public disclosure of financial reports by accounting entities also ensures stability with business partners (e.g., suppliers, creditors). However, correcting reports and the lack of information about the changes can lead to deteriorated relationships (Luypaert *et al.* 2016, 510). There have been increasing instances where the management report includes information that should not be in the report, such as product advertisements or photos of daily activities, which are unnecessary for decision-making by report users. A situation is emerging where the distinction between the annual report as a source of financial information and the annual report as a promotional tool is becoming blurred (Oghenefegha 2022, 72–73). This situation should be avoided, and it should be ensured that the annual report presents only the required information about business activities.

The issue of not submitting annual reports has been addressed in research studies. For example, a study commissioned by the Ministry of Finance (Laidsoo *et al.* 2020) found that as the age of an accounting entity increases, the likelihood of not submitting an annual report decreases. The probability of a VAT-registered accounting entity failing to submit an annual report is 85% lower than that of a non-VAT-registered entity. Additionally, as the number of board members of an accounting entity increases, the likelihood of failing to submit the annual report decreases. The study also revealed that among those not submitting annual reports, there is a higher proportion of micro-enterprises.

One reason cited for problems related to submitting annual reports is the lack of accounting expertise within the organization and the fact that report preparation is not prioritized. Among those not submitting annual reports, there is a common belief that preparing the report requires significant additional effort and that unforeseen obstacles may arise at the last minute, leading to missed deadlines. This, in turn, results in initial reports being inaccurate and necessitates amendments. This correction process clearly indicates that the legal entity is struggling with its financial reporting. (Laidsoo *et al.* 2020, 109–110)

The result of repeatedly submitting annual reports is that government agencies cannot operate effectively. Such erroneous information impacts the quality of the tax authority's risk models. The quality of the risk system, in turn, affects the amount and likelihood of state tax revenues. Changes and corrections to the annual report can have negative consequences for bankruptcy proceedings. For example, a situation may arise where the tax authority files for bankruptcy against an accounting entity, but it is later determined in civil court that the entity is not actually insolvent. Moreover, amendments to the annual report and inaccurate information can affect the work of the competition authority, as they are unable to monitor market changes effectively over time. (*Ibid*, 97–98)

The study by Laidroo *et al.* (2020) revealed that there are more micro-enterprises among those who fail to submit their annual reports. Consequently, Güldenkoh and Silberg (2022) conducted a study focusing on the upcoming changes in accounting policies and the attitudes of micro-enterprises towards these changes. As part of this, they also examined the non-submission of annual reports by micro-enterprises. In 2022, it was found that in 2020, there were more micro-enterprises (22.43%) among those not submitting annual reports (*Ibid*, 130).

Among the micro-enterprises that did not submit annual reports, most had been operating for less than five years, were not VAT registered, and did not consider the submission of annual reports important. The study indicated that simplified annual report components have led to micro-enterprises abandoning the use of financial specialists, with 42% handling their accounting themselves or 34% not doing it at all (*Ibid,* 130–131). The research confirmed the findings of Laidroo *et al.* (2020) that VAT-registered companies are 85% less likely to omit annual reports compared to non-VAT-registered companies, and that as the age of a company increases, the likelihood of omitting the report decreases.

While the previous two studies focused on entities that did not submit annual reports, Kuppel (2024) focused on those accounting entities that amended previously submitted annual reports. This study aggregated the fields of activity of those who repeatedly submitted annual reports and focused on the five most common fields. The research was conducted among 2,148 private limited companies (*Ibid,* 25). The reason was that the share of private limited companies among those who submitted annual reports multiple times was 84% (*Ibid*, 27). The study revealed that none of the private limited companies indicated the reasons for changes in the amended annual reports' management reports. Only 0.33% reported corrections in the annual report under the section for changes in accounting principles and error corrections (*Ibid,* 30). The study showed that since 2020, the number of private limited companies repeatedly submitting annual reports has increased 144 times (*Ibid*, 28). Reasons for not indicating the reasons for changes in annual reports included the lack of necessity to report changes in the reports, and respondents also lacked a clear understanding of where to explain specific corrections. It was also found that the main difficulties in submitting annual reports were the time required for preparation, lack of knowledge, and the inconvenient e-business registry environment (*Ibid*, 35).

Since the previously discussed studies focused on the non-submission of annual reports and the correction of annual reports in five sectors, the authors of this article decided to focus on all accounting entities that amended or re-submitted annual reports from previous years in 2023. The aim is to identify the reasons for these amendments. Additionally, the study aims to determine the reasons why the 2023 annual reports were not submitted on time. Typically, an annual report must be submitted to the registry keeper within six months after the end of the financial year.

Obligation to Submit Annual Reports in Estonia

In Estonia, all accounting entities are required to prepare an annual report at the end of each financial year. The annual report consists of the financial statements and the management report. This process includes not only the preparation of the report but also its approval and submission, which may involve an audit in some cases. Additionally, the company must propose the distribution of profits or covering of losses, followed by the submission of the annual report for approval. (Accounting Act 2023, § 14)

Once approved, the annual report must be submitted to the commercial register within six months after the end of the financial year, along with the proposal for the distribution of sales revenue. The management board of the accounting entity is responsible for preparing the annual report. While the shareholders must approve the annual report, they are not always required to do so; in such cases, the management board must submit the unauthorized annual report to the commercial register, including a note indicating that it has not been approved by the shareholders. (Commercial Register Act 2023, § 971, § 179, § 187, § 315)

The commercial register reviews the submitted annual reports and checks the compliance of the documents and data. If necessary, it may request clarifications or corrections. The register may impose fines on the accounting entity without prior warning if the annual report is not submitted within the prescribed deadline, continuing until the obligation to submit the report is fulfilled. (Commercial Register Act 2023, § 51, § 57)

In Estonia, there have been increasing cases where entrepreneurs choose the so-called easier route by failing to submit their annual reports (Güldenkoh 2023, 23). In such cases, the registrar can impose fines or send a warning to submit the annual report within six months. If the entrepreneur ignores the warning and does not provide valid reasons for not submitting the report, the registrar may delete the company from the register without liquidation proceedings (Commercial Code 2023, § 71, § 61). The procedural process is organized as simply as this. Tax liabilities pose an obstacle, as the registrar must obtain written consent from the tax authority before making a decision to delete the company from the register, confirming that there are no claims against the company (Commercial Code 2023, § 59). This suggests that the "easier resistance route" is being chosen. Considering pure time resources, the deletion of a company by the registrar due to non-submission of reports is a longer process compared to the liquidation process initiated by the company itself. When considering human resource usage, the process initiated by the company requires significantly more human resources than that initiated by the registrar. All management teams of accounting entities should adhere to the duty of care and consistently follow the principles of good faith and reasonableness (Güldenkoh 2023, 24).

The purpose of preparing and publishing the annual report is to provide the report's users with relevant and accurate information about the accounting entity's financial position, results, and cash flows, which the user can utilize for making economic decisions. All information presented in the annual report must be truthful and relevant, and it must (ASBG 1 2019):

- Arise from the accurate and comprehensive recording of economic events.

- Be based on considered and reasonable judgments regarding the accounting of economic events.
- Adhere to all accounting principles.
- Be consistent with the concepts of assets, liabilities, equity, income, and expenses.
- Present the notes to the annual report with sufficient detail to allow reasonable conclusions about financial results, position, and cash flows.

All accounting entities must adhere to the guidelines set by the accounting standards board in both their daily operations and in the preparation of annual reports. The correct application of these guidelines in report preparation ensures a fair presentation of the accounting entity's financial position, performance, and cash flows (ASBG 1 2019).

The purpose of preparing and publishing the annual report is to provide relevant and accurate information about the accounting entity's financial position, performance, and cash flows, which the report user, possessing sufficient financial knowledge, can use in making economic decisions (Accounting Act 2023, § 15). The annual report must always include comparable figures for the reporting year and the previous financial year. If the figures are not comparable, the figures from the previous year must be recalculated. The reasons for recalculating the comparable figures and the amounts of any adjustments must be disclosed in the notes to the annual report. Even if recalculation of comparable figures is not possible or practical, this must be explained in the notes with reasons provided (Accounting Act 2023, § 22). Recalculation of comparable figures may be due to changes in presentation methods or accounting principles, or other significant reasons, which must be detailed in the notes to the annual report. The extent of data disclosed in the annual report notes depends on the category to which the accounting entity belongs (Güldenkoh 2023, 23).

The Estonian Financial Reporting Standard stipulates the correction of errors (mistakes) made in previous periods in the annual report. "The chosen accounting principle must be applied consistently from year to year. An accounting principle may only be changed if the new principle provides a more objective representation of the accounting entity's financial position, performance, and cash flows" (ASBG 1 2019). Changes may also be due to amendments in guidelines, laws, and regulations.

In annual reports, the impact of changes in accounting principles is generally reported retrospectively, as if the new method had always been in place. Comparative data for the previous period are adjusted to align with the new accounting principle. The opening balance of retained earnings for the previous period is adjusted for the impact extending to the prior and earlier periods. However, exceptions are allowed where changes can be made without adjusting comparative data. The previous year's financial statements are not amended; instead, the comparative data for the previous period in the current financial statements are adjusted to comply with the new accounting principles. The changes in accounting principles and adjustments to opening balances must be explained in the notes (ASBG 1 2019).

All changes in accounting estimates should be reported in the period in which the change occurs, rather than retrospectively. For example, if estimates regarding depreciation or provisions are changed, previous estimates are not adjusted; instead, the changes start from the period of the adjustment, as these are changes in estimates, not in accounting principles. If it is not distinguishable whether the changes are in accounting estimates or principles, it is assumed to be changes in accounting estimates, and the impact of these changes is reported in the reporting period and, if necessary, prospectively, not retrospectively. Significant errors discovered in previous periods are corrected retrospectively, except where it is not possible to reliably determine the impact on earlier periods (ASBG 1 2019).

The causes of accounting errors may include (ASBG 1 2019):

- Errors in calculation rules,
- Incorrect application of accounting principles,
- Fraud,
- Concealment of information,
- Omission of information.

An error is characterized by the fact that although the management of the accounting entity had access to sufficient and reliable information at the time of preparing the report, which would have allowed the preparation of accurate reports, this information was either not used or was used incorrectly. Retroactive correction is made as if the error had never occurred. The comparative data for the previous period are adjusted for the impact of the error. If it is discovered that the error was made in earlier periods, the impact of the error is still corrected by adjusting the opening balances of assets, liabilities, and retained earnings for the previous period. If the impact of the error cannot be reliably determined, it should be adjusted against the opening balances of the reporting period or, if that is also not possible, from the earliest possible date going forward. The reasons for the corrections must be explained in the notes to the reports. (ASBG 1 2019)

For example, if an error is discovered, the correction should be made in the year of discovery, not by changing the financial statements of previous years. For instance, if an accounting entity has been operating since 2015 and discovers an error in previous years while preparing the 2022 annual report, it should not amend the financial statements of prior years but should make the correction in the 2022 financial year and explain the reason for the correction in the notes. (Güldenkoh 2023, 24) The reasons for corrections to financial statements, such as recalculation of comparative figures and correction amounts compared to the previous year's financial statements, should be presented in the notes to the annual report. If recalculation of comparative figures is not possible or practical, this fact, along with the reasons, should be presented in the notes to the financial statements. (Accounting Act 2023, § 22)

In the equity changes report of the accounting entity, the impact of error corrections must be disclosed. Also, in the notes under "Accounting Policies", changes in accounting policies or the presentation of information should be clearly stated under general information. In case of changes in presentation methods, the amounts as of the end of the previous reporting period, the changes, and the amounts as of the end of the reporting period should be disclosed. In the case of error corrections, the amounts as of the end of the previous reporting period, the corrections, and the amounts as of the end of the reporting period should be disclosed. Corrections should also be presented in the notes for specific assets, liabilities, and equity items. (Güldenkoh 2023, 24). Both the impact of errors and changes in estimates or corrections should be explained in the management report of the annual financial report. (Accounting Act 2023, § 24)

The business register shows that there are instances where financial statements from previous years are being corrected. For example, previous financial statements for several years may be cancelled and new ones issued. Often, the reasons for retroactively amending financial statements are not explained in the notes or the management report. The reasons for such actions remain unclear. There could be several possible reasons. For instance, agricultural activities may be a basis for receiving various subsidies, or obtaining certain quality certifications may depend on past financial performance. Alternatively, better liquidity indicators might be required to secure more favorable credit terms. All of these could be part of a deliberate fraud, and to prevent such situations, more specific supervisory measures should be implemented. (Güldenkoh 2023, 24)

Methodology

To determine why financial statements for the same year are submitted multiple times and why financial statements are not submitted on time, an empirical study was conducted. Such a study enables the connection of numerical data with individuals' various perspectives, making them interdependent (Aramide *et al.* 2023, 15; Guetterman *et al.* 2015, 554). The primary aim of this research is to produce reliable and objective descriptions of the phenomena under investigation and to demonstrate their controllability and characteristics. Data were collected for analysis, which was then examined using statistical methods to uncover principles and laws that could be generalized to a broader population (Taylor 2005, 91–92).

For the analysis, secondary data were collected from the publicly available e-Business Register (RIK 2004). The advantages of using secondary data include time efficiency and cost-effectiveness (Stewart, Kamins 1993, 3). The analysis utilized a comprehensive sample, including the entire population:

- All reporting entities that modified their previously submitted financial statements in 2023 – a total of 11,018 legal entities.
- All limited liability companies that submitted their financial statements with a one-month delay – a total of 28,290 legal entities.

The comprehensive sample encompasses all elements of the studied field, meaning it involves a precise and complete examination of the population (Babbie 2010, 128). The collected statistical data were analyzed and presented using descriptive statistics. This method is informative and clear, ensuring that the research objectives are met. Descriptive statistics allow for data visualization through charts and presentation in percentage form (Allanson, Notar 2020, 376).

Survey questionnaires were distributed to participants. The advantage of using questionnaires is that the collected data are easy to analyze and tabulate, respondents can remain anonymous, and the information is quickly gathered (Patten 2014, 1–2).

The survey was conducted via the ankeet.ee platform. On March 1, 2024, the questionnaire was sent to those who had modified their previously submitted financial statements for 2023. On August 3, 2024, another questionnaire was sent to those limited liability companies that had submitted their 2023 financial statements with a delay, specifically those who had filed their annual reports in July.

Both questionnaires explained the purpose of the survey and asked respondents to answer one multiple-choice question. Additionally, a free-text field was provided for other reasons. The first questionnaire asked respondents to indicate their legal form and to select one answer from the following options:

- Error discovered during auditing.
- Error discovered during the transition to new accounting software.
- Miscalculation error.
- Incorrect application of accounting principles.
- Misuse of inventory and fixed asset accounting methods.
- Lack of connections between expense items and objects.
- Absence of a financially skilled employee.
- Neglect of information.
- Concealment of information.
- Fraud.

In the second questionnaire, there was also just one question, which included the following response options:

- Delay in signing and submitting the report.
- Absence of a financially skilled employee.
- Lack of auditor's decision.
- Switching accounting software.
- Delay in the general meeting invitation.
- Deliberate late submission.
- Excessive administrative burden.

The questionnaire was sent to the email addresses of reporting entities. These addresses were collected from the e-Business Register, and they should be valid since the registrar requires an email confirmation when submitting the report. The first questionnaire was sent to 11,018 legal entities. However, 14% of the emails were returned with a notification that the address did not exist. It is estimated that 9,475 reporting entities received the questionnaire. Responses were received from 3,700 entities, resulting in a response rate of 39%, which can be considered reliable.

In total, 42,867 legal entities submitted their annual reports within 31 days after the deadline (RIK 2024), with the majority being private limited companies (66%) based on legal form. The second questionnaire was only sent to private limited companies, as they represented the largest group and the previous questionnaire had a higher response rate from these entities. The questionnaire was sent to the registered email addresses of 28,290 private limited companies. There were no notifications of non-delivery. Only 1,410 private limited companies responded, representing 5% of the sample. However, the responses are considered reliable because, according to the sample size calculator (Raosoft 2004), a sample is deemed reliable if the number of responses is greater than 380.

Results

Reporting Entities Submitting Annual Reports for the Second Time in 2023

In 2023, a total of 11,018 reporting entities submitted their annual reports for the second time. Among these, 9,202 entities (83.5%) were private limited companies. The breakdown of other reporting entities is as follows: 6.2% were profit societies; 4.8% were non-profit societies; 4% were apartment associations. See breakdown is illustrated in Figure 1.

Figure 1. Annual Report Resubmissions in 2023 by legal form, excluding private limited companies (RIK 2024, compiled by authors)

The survey revealed that no public-law entities or general and limited partnerships responded. Among the respondents, 84% were private limited companies, while the fewest responses came from public limited companies (see Figure 2).

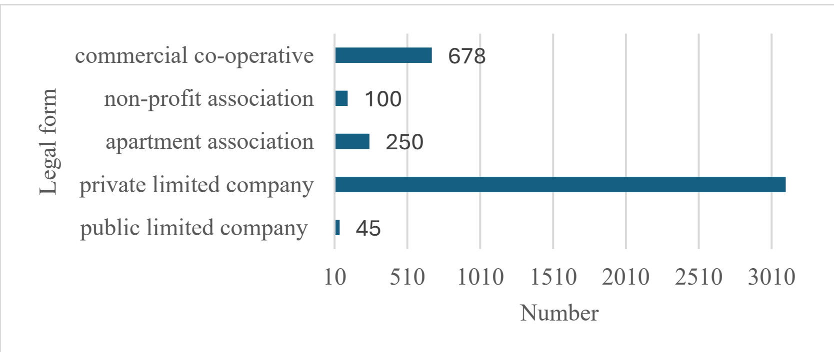

Figure 2. Legal forms of respondents to the annual report resubmission survey (compiled by authors)

The survey data revealed that all response options were provided by private limited companies. For other legal forms, the responses were as follows: eight reasons from cooperatives, five from housing associations, four from non-profit organizations, and three from public limited companies. Among private limited companies, the most frequently cited reasons for resubmitting the annual report included: Lack of a Financial Expert (24.4%); Fraud (reported by two respondents); Delay in Auditing (1.5%); Information Concealment (1.7%); Other Reasons (1.4%). (See Figure 3)

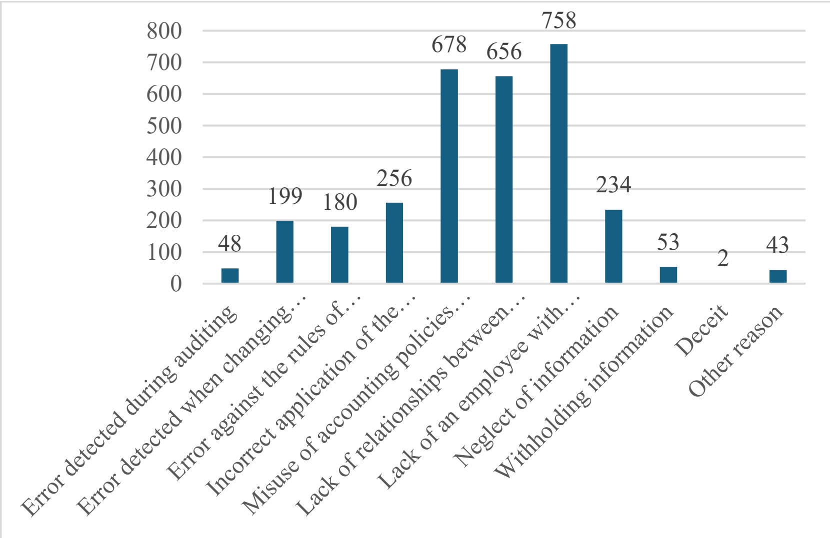

Figure 3. Reasons for resubmission of annual reports by private limited companies in 2023 (compiled by authors)

The analysis of the responses revealed that the most frequently cited reasons for resubmitting annual reports were the lack of financial expertise (22.4%), misuse of inventory and fixed asset accounting methods (20.1%), and lack of relationships between expense items and objects (20%) (see Table 1).

The same order of reasons was observed among private limited companies. Public limited companies (50%) and non-profit organizations (44%) identified the misuse of inventory and fixed asset accounting methods as the primary reason for resubmission. Additionally, public limited companies cited information neglect and errors discovered during software changes (both 25%) as reasons. For cooperatives, the primary reasons for resubmission included calculation errors (20.7%) and errors discovered during software changes (17.2%).

Among all respondents, errors discovered during auditing were less common (0.6%), and errors identified during changes in accounting software were also relatively low (5.7%). Other issues included intentional fraud (0.1%) and information concealment (1.5%). Additional reasons accounted for 1.4%. Two respondents provided an explanation for the “other” category, noting the “*need to purchase agricultural land*.”

Table 1. Reasons for resubmission of annual reports in 2023 (based on authors' survey)

Reason	Frequency
Error detected during auditing	23
Error detected when changing accounting software	210
Error against the rules of calculation	296
Incorrect application of the accounting policy	320
Misuse of accounting policies for inventories and fixed assets	744
Lack of relationships between cost items and objects	739
Lack of an employee with financial skills	830
Neglect of information	279
Withholding information	54
Deceit	2
Other reason	53

Late Submission of Annual Reports for 2023

In 2023, 65.7% of reporting entities submitted their annual reports on time. Of those who were late, 19.8% missed the deadline, and within this group, 78% submitted their reports in July (42,867 reporting entities) (see Figure 4).

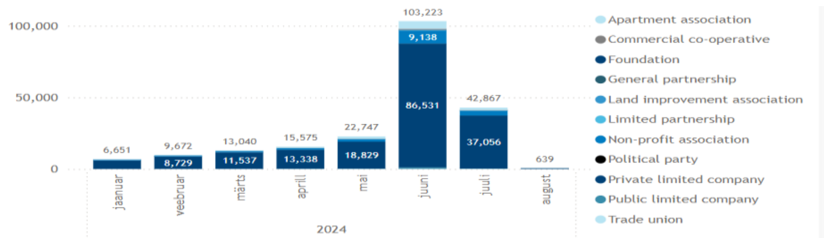

Figure 4. Number of Annual Reports Submitted for 2023 by Month and Legal Form (RIK 2024)

Among the late submitters of annual reports, 66% were private limited companies according to their legal form. The survey had a response rate of 5% from these limited liability companies. The analysis revealed that the most common reasons for late submission were the lack of an auditor's decision (38.9%), excessive administrative burden (21.3%), and intentional late submission (17.4%). The least cited reasons for the delay were the replacement of accounting software (1.5%) and delay in the general meeting invitation (2.0%) (see Table 2).

Table 2. Reasons for Late Submission of Annual Reports in 2024 (Based on authors' survey)

Reason	Frequency
Late signing and submitting a report	41
Lack of an employee with financial skills	123
Lack of auditor's decision	548
Changing accounting software	21
Delay with a general invitation	28
Conscious subsequent submission	246
Excessive administrative burden	300
Other reason	103

Among other reasons, it was noted that "*the report would not have been submitted at all if a deletion warning had not been received from the registrar*."

Conclusions

Both the 2020 study (Laidroo *et al.* 2020, 109–110) and the current study reveal that one of the key issues related to the submission of annual reports is the absence of a financially skilled employee within the organization (22.4%). For private limited companies, the lack of a financially skilled employee was cited as a reason for the late submission of reports by as many as 24.4%.

The 2022 study (Güldenkoh, Silberg 2022, 130) found that 22.4% of micro-entrepreneurs (private limited companies) do not submit their annual reports. The current study shows that the majority of late submitters are also private limited companies (around 83%). This suggests that timely submission of annual reports is not a priority for all reporting entities.

The registrar has the right to delete entities from the register if they do not submit their annual reports. This approach has led to delays in report submissions. The study revealed that receiving a deletion warning from the registrar has resulted in the late submission of annual reports.

Kuppel's (2024, 27) study on entities that revised previously submitted annual reports found that the majority by legal form were private limited companies (84%). The current study confirms this finding. Both Kuppel's (2024, 30) study and the present study found that reporting entities often fail to indicate the reasons for changes (corrections) in their revised annual reports. The Estonian Financial Reporting Standard (ASBG 1 2019) identifies five common errors in accounting. This study added six additional potential causes of errors based on recent research. Private limited companies listed all the reasons provided in the questionnaire. According to legal form, the reasons for changes in annual reports were cited as eight by privet limited companies, five by housing associations, four by non-profit organizations, and three by public limited companies.

Consolidated Reasons for Changes in Annual Reports – aggregating responses across all legal forms, the reasons for revising annual reports in 2023 were identified as follows:

- Lack of a financially skilled employee (22.4%)
- Misuse of inventory and fixed asset valuation methods (20.1%)
- Lack of connections between expense items and objects (20%)
- Incorrect application of accounting principles (8.6%)
- Errors in calculation rules (8%)
- Neglect of information (7.5%)
- Error discovered during accounting software change (5.7%)
- Information concealment (1.5%)
- Other reasons (1.4%)
- Error discovered during auditing (0.6%)
- Fraud (0.1%)

The study reveals that, although previous research indicated errors in accounting software as a reason for changes in annual reports, the current study shows that software vendors have aligned their products with existing standards, leading to a reduction in errors associated with software changes.

From the current study, it can be inferred that the lack of financially skilled employees contributes to improper application of inventory and fixed asset valuation methods and an inability to establish connections between expense items and objects.

The reasons for late submission of annual reports were identified as follows:

- Lack of auditor decision (38.9%)
- Excessive administrative burden (21.3%)
- Deliberate late submission (17.4%)
- Lack of a financially skilled employee (8.7%)
- Other reasons (7.3%)
- Delay in report signing and submission (2.9%)
- Delay in general meeting invitation (2.0%)
- Change in accounting software (1.5%)

Based on the research, it can be concluded that annual reports are revised because the initially submitted data in these reports are incorrect. This indicates that the reporting entities struggle to prepare accurate annual reports in a timely manner, which results in incorrect data being used for national statistics.

The primary reason for the late submission of annual reports was the lack of an auditor's decision. This suggests that reporting entities often fail to address the requirement for an audit or review within the financial year and do not establish contracts with auditing firms to ensure timely submission of the annual report. The reporting period for the annual report to the registrar is sufficiently long (six months after the end of the financial year), which should ensure the submission of proper annual reports.

Based on the findings, it is recommended that accounting professionals verify the background of financial employees to ensure they have studied accounting in a manner that meets the specific needs of the sector. Simply completing a short-term accounting course may not be sufficient to qualify as a competent accountant. Accounting professionals should provide evidence of their financial skills, and all accountants in the organization should hold a professional qualification (diploma/certificate) or a professional accountant certification.

Transitioning to real-time accounting would likely improve the accuracy of economic indicators for the country. In such a system, certain sections of the annual reports would be pre-filled for the reporting entity, which would reduce errors related to accounting rules and ensure that the financial indicators submitted by reporting entities provide a reasonable overview of their financial results, position, and cash flows.

Summary

The article's objective was met by identifying the reasons for the correction of previous years' annual reports and the reasons for late submission of the 2023 annual reports. The theoretical section of the article explained the importance of annual report submission and the reporting obligations in Estonia. Following this, the methodology used in the study was reviewed, and the results of the analysis were presented, leading to conclusions and two recommendations for addressing the existing issues.

It is common for annual reports to be resubmitted without providing reasons for the changes to the previously submitted reports. According to Estonian financial reporting standards, a new annual report is not required; instead, errors should be corrected in the financial indicators of the year in which the error was discovered, and the reasons for the correction should be stated in the annual report. Errors should be corrected in the financial year in which they were discovered, rather than amending annual reports from previous years.

In summary, it can be stated that reporting entities struggle to prepare accurate annual reports in a timely manner, leading to incorrect data being used for national statistics. Timely submission of annual reports demonstrates that the accountant is fulfilling their due diligence responsibilities. There are various users of annual reports, including employees, clients, suppliers, financial institutions, and business partners. For the public, the information presented in annual reports is crucial as it forms the basis for statistical data, future economic forecasts, and tax revenue projections.

It is recommended that reporting entities require accountants to provide certification of their financial skills. All accountants in an organization should hold a professional qualification (diploma/certificate) or a professional accountant certification.

The government is advised to enhance the process of transitioning to real-time accounting, which would ensure a more accurate representation of economic indicators for the country. In such a system, the financial indicators provided by reporting entities would be more accurate, allowing for more reasonable conclusions regarding their financial performance, position, and cash flows.

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