

Call to reform Big Tech's financial reporting rules

14 December 2021



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A permissive financial disclosures regime allows Big Tech companies to conceal their market power, increase profit margins, and expand digital platform dominance, according to a new report by a UCL-led team of researchers.

The report, from the UCL Institute for Innovation & Public Purpose, concludes that the principal financial disclosures framework in the United States facilitates companies such as Alphabet, Amazon, Apple, Facebook and Microsoft in concealing major product lines and core user performance metrics from the public.

Companies in the U.S. are required to file a 10-K report with the U.S. Security and Exchange Commission (SEC). The report is intended to give a comprehensive summary of financial performance.

However, researchers say that flexibility in disclosure rules allows Big Tech firms to hide highly profitable and growing products, and release platform user numbers at their discretion. The

report finds that companies are therefore able to preempt antitrust scrutiny, further expanding high profit margins and globally dominant platforms.

A collaboration between UCL economists Dr. Ilan Strauss, Professor Mariana Mazzucato, and Dr. Josh Ryan-Collins, and entrepreneur and Big Tech reform advocate Tim O'Reilly, the report finds that:

- Alphabet owns at least nine products—including Google Maps, Chrome, Android, and YouTube—each with more than one billion active monthly users and dominant global market shares, but with minimal 10-K disclosure requirements since they are provided 'free' to the consumer.
- To extend its lead in cloud computing, Amazon may have intentionally withheld disclosing Amazon Web Services' (AWS) stand-alone product financials from its 10-K report for longer than permitted by segment disclosure rules.
- Apple relied on segment disclosure rules in its trial against Epic Games to claim that the profit margin of its App Store did not exist, potentially withholding a key piece of evidence on its anti-competitive conduct.

The report recommends:

1. Mandatory 10-K reporting on Big Tech's user operating metrics (e.g., monthly active users by product and platform), and a detailed narrative about the monetisation of those products in other parts of the business;
2. Enhanced disaggregation of [company](#) financials for any product with \$5 billion or more in annual revenues; and
3. Establishing a tech-specific SEC disclosures framework focused on multi-sided digital platforms—given the growing ubiquity and impact of this business model on the U.S. economy and capital markets.

Professor Mariana Mazzucato (UCL Institute for Innovation & Public Purpose), co-author of the report, said: "In the same way that the battle against climate change requires firms to report on their carbon emissions, making [digital platforms](#) more open and less rent-seeking requires a new type of reporting which competition policy makers can use to steer platforms towards value creation rather than value extraction."

Lead author Dr. Ilan Strauss (UCL Institute for Innovation & Public Purpose) said: "Given how large and diversified these digital [platform](#) companies have become, regulators require modernized 10-K disclosures to understand how exactly Big Tech make their money. We need updated 10-K data filings which [report](#) key company financials disaggregated by major product line, and provide operating metrics on monthly active users and other relevant 'monetisable' assets."

Co-author Tim O'Reilly, visiting professor at the UCL Institute for Innovation & Public Purpose, said: "Understanding how Big Tech companies indirectly monetise their users is the starting point for better regulation. Standard [disclosure](#) rules based solely on revenue and profit completely miss the way that some of the largest and most influential companies in the world use free products to dominate markets and extract extraordinary profits."

More information: The report is available online: [www.ucl.ac.uk/bartlett/public- ... tiger-hidden-dragons](http://www.ucl.ac.uk/bartlett/public-...tiger-hidden-dragons)

Provided by University College London

APA citation: Call to reform Big Tech's financial reporting rules (2021, December 14) retrieved 3 July 2022 from <https://techxplore.com/news/2021-12-reform-big-tech-financial.html>

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