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Perceptions on the Usefulness of Published Financial Information to the Egyptian Capital Market

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DEDICATION

This thesis is dedicated to
my dear parents and my brothers in Egypt. It is also dedicated to my
wife, and my children, Rana, Mohamed, and Rawan.

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ABSTRACT

The main objective of this study is to investigate empirically users' perceptions of the usefulness of financial information that could be provided in corporate annual reports presented by listed companies in Egypt. This investigation is carried out, in the light of the requirements of the Egyptian Accounting Standards (EASs) issued in 1997, the new listing rules of the Cairo and Alexandria Stock Exchange (CASE) adopted in 2000 and the Capital Market Law (CML) No. 95/1992, using a set of eleven qualitative characteristics of accounting information (QCOAI) in a hierarchy, which should be possessed by financial information if it is to be useful to its users. Those characteristics are: understandability, relevance, reliability, comparability, predictive value, timeliness, faithful representation, neutrality, verifiability, consistency and materiality. A survey was carried out, based on a questionnaire, which was designed and pre-tested in two stages, as a basic data collection instrument supported by some semi-structured personal interviews. 320 questionnaires were personally distributed, and a total of 232 questionnaires were collected. Of them 222 were usable and analysable, representing about 69.38%. The survey was conducted to examine the perceptions of five groups of users of corporate annual reports, namely, financial analysts, decision makers, academics, stock brokers, and staff of the regulatory and observatory bodies, regarding the importance they attach to corporate annual reports and different sources of financial information, sections of corporate annual reports, each of the QCOAI selected earlier in the study, and some financial information items.

The collected data were largely quantifiable and based on a five-point scale. The Statistical Package for Social Sciences – SPSS was used in analysing the collected data and the analysis was carried out for the overall sample and for the various sub-groups using the descriptive statistics and the statistical analysis (the non-parametric tests such as the Chi-square Test, the Kruskal-Wallis H Test and the Mann-Whitney U Test).

A major finding is that "corporate annual reports" were perceived as the most important source of financial information by users in Egypt, followed by "newspapers and

magazines" and "the direct contact with the company management". Also, there was a clear finding that "income statement" was considered as the most important section among the various sections of corporate annual reports followed by "balance sheet" and "cash flow statement". It was found that users as a whole, and as occupation, education and experience groups, considered the selected set of QCOAI to be suitable for use in the evaluation of the usefulness of financial information provided in corporate annual reports. All selected characteristics were perceived to be important or very important characteristics, to slightly different degrees. Furthermore, the study found that "timeliness" was considered as the most important characteristic. Lastly, the majority of financial information items that were perceived as the most important items, whether or not mandatorily required, are not disclosed by listed companies.

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ABBREVIATIONS

AAA	American Accounting Association
AIA	The American Institute of Accountants
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board
ASB	Accounting Standards Board
ASC	Accounting Standards Committee
ASOBAT	A Statement of Basic Accounting Theory
ASSC	Accounting Standards Steering Committee
CASE	Cairo and Alexandria Stock Exchange
CAP	The Committee on Accounting Procedures
CICA	Canadian Institute of Chartered Accountants
CMA	Capital Market Authority
CML	Capital Market Law
CAA	Central Accounting Agency
CBE	Central Bank of Egypt
EC	European Community
EASs	Egyptian Accounting Standards
EIAA	Egyptian Institute of Accountants and Auditors
ERs	The Executive Regulations
ESAA	Egyptian Society of Accountants and Auditors
EU	European Union
FASB	Financial Accounting Standards Board
FEE	European Federation of Accountants (Fédération des Experts Comptables Européens)
FRSs	Financial Reporting Standards
GAAP	Generally Accepted Accounting Principles
HUBS	Hull University Business School
IASs	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Chartered Accountants in England & Wales
IFAC	International Federation of Accountants
IOSCO	International Organisation of Securities Commissions
LE	Egyptian Pound
OECD	Organisation for Economic Co-operation and Development
QCOAI	Qualitative Characteristics of Accounting Information
SEC	The Securities and Exchange Commission
SFAC	Statement of Financial Accounting Concepts
SPSS	Statistical Package for Social Sciences
SSAP	Statement of Standard Accounting Practice
UAS	Uniform Accounting System
UK	United Kingdom
US	United States

CHAPTER ONE

Introduction

1.1 Introduction and the Research Problem:

There have been many attempts to investigate the usefulness of financial information presented in corporate reports and other disclosure issues, whether in developed or developing countries (e.g. Ball and Brown, 1968; Baker and Haslem, 1973; Chandra, 1974; Lee and Tweedie, 1975; Chang and Most, 1977; Firth, 1978; Anderson, 1981; Givoly and Palmon, 1982; Chang and Most, 1985; Wallace, 1988; Shohaieb, 1990; Mohamed, 1991; Solas and Ibrahim, 1992; Ibrahim and Kim, 1994; Anderson and Epstein, 1996; Abu-Nassar and Rutherford, 1996; Barker, 1997; Bartlett and Chandler, 1997; Almelegy, 1998; and Al-Razeen, 1999). However, conflicting evidence has been provided. For instance, the literature presents extensive evidence that the corporate annual reports are an important source of information about the company (Chang and Most, 1977; Lee and Tweedie, 1981; Givoly and Palmon, 1982; Shohaieb, 1990; Epstein and Pava, 1993; and Al-Razeen, 1999). For instance, Givoly and Palmon (1992, p. 486) argued that "while the annual report is not the only source of information, other sources might be more costly to the user and perhaps less reliable".

In contrast, other studies concluded that other sources are perceived as more useful than corporate annual reports (Ball and Brown, 1968; Baker and Haslem, 1973; Epstein, 1975; and Bartlett and Chandler, 1997). For example, more than thirty years ago, Ball and Brown (1968, p. 177) argued that "the market has turned to other sources which can be acted upon more promptly than annual net income". Another argument that financial statements are not useful was presented by Benston (1974) who wrote that

> "the study that relates published accounting statement data with
> stock prices leads to the conclusion that the data either are not
> useful or have been fully impounded into stock prices before they
> are published. ... This evidence also supports the conclusion that
> the accounting statements are not useful; or timely; or both." (p.35)

The issue of usefulness of financial information is currently particularly salient in Egypt in the light of economic changes implemented in the last three decades and the

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contemporary changes in financial reporting practice (e.g. Shohaieb, 1990; Ali, 1992; Ibrahim and Kim, 1994; and Almelegy, 1998). After more than twenty years of socialism accompanied by a series of nationalisations, which made the Egyptian economy an almost completely planned system with a massive public sector and a largely inactive stock exchange, the Egyptian government decided to change towards a new economic policy, the free market economy, in the mid 1970s. The new policy worked to encourage new investments of both Arab and foreign capital in the new projects of the country.

In the late 1980s, the Egyptian government decided to accelerate its steps towards economic reform. With this in mind, in 1991 the government began a comprehensive programme for economic reform, including a privatisation programme and steps to activate the stock exchange under the supervision of the International Monetary Fund (IMF) and the World Bank. To achieve success in its programme of economic reform, the government issued a package of important laws, among them: the Public Business Sector Law No. 203 of 1991; the Capital Market Law (CML) No. 95 of 1992 issued by the Capital Market Authority (CMA); the Uniform Tax Law No. 187 of 1993; the Leases Law No. 95 of 1995; and the Investment Law No. 8 of 1997.

Among the above new laws, the CML No. 95 of 1992 was the first comprehensive legislation to regulate Egypt's capital market and streamline all pre-existing regulations. This law presents a package of disclosure requirements that applied for the first time in the Egyptian environment and represents a massive change in the financial reporting practice in Egypt. Article No. 58 of the Executive Regulations (ERs) of the CML requires every company offering its shares for public subscription to prepare its financial reports according to the International Accounting Standards (IASs). However, in 1997, changing Article 58 of the Executive Regulations (ERs) of CML, the Ministry of Economics introduced the Egyptian Accounting Standards (EASs), which are mainly based on the IASs issued by the International Accounting Standards Committee (IASC). The EASs were to be adopted by companies offering their shares for public subscription starting from 1998. Later, with the aim of improving performance in the stock market and transparency

in financial reporting, the CMA together with the Cairo and Alexandria Stock Exchange (CASE) issued new listing rules to be applied in late 2000.

As a result of the above wide-ranging changes in the Egyptian economy, the Egyptian stock market has been activated and users' needs for accounting information have rapidly increased. Consequently, as we have seen above, accounting disclosure requirements have been changed to meet these increased needs. As a consequence, the usefulness of corporate annual reports and what they include of financial information presented by listed companies is becoming an increasingly important issue for different user groups.

At this point, an important question arises: How useful is the financial information provided in corporate annual reports prepared by listed companies in Egypt to different user groups in the field of securities investment? In other words, what are the users' perceptions of the usefulness of financial information presented by listed companies in Egypt in the light of both the adoption of the IASs as a base of the EASs issued in 1997 and the contemporary changes in the accounting regulations? The current study tries to answer this question.

To the best of the researcher's knowledge, there is no empirical evidence about whether the new accounting disclosure requirements, whether by legislation, EASs or CASE, have met the varied needs of user groups. Therefore, this study aims to investigate empirically the usefulness of the corporate annual reports and their financial information to user groups in Egypt. This aim is achieved through the investigation of users' perceptions of the usefulness of financial information presented by listed companies in Egypt, based on what the researcher believed to be a suitable set of Qualitative Characteristics of Accounting Information (QCOAI).

In more detail, this study aims first, to investigate users' perceptions of the importance attached to corporate annual reports and other sources of financial information and sections of corporate annual reports presented by listed companies in Egypt (Chapter 7); second, to select and test the suitability of a set of QCOAI to be used in the investigation of financial information items that could be provided in the corporate annual

reports, and investigate users' perceptions of the importance of each of the selected QCOAI (Chapter 8); third, to investigate users' perceptions of the importance attached to each of thirty two selected financial information items that could be provided in the corporate annual reports presented by listed companies in Egypt (Chapter 9), in the light of the considerable changes in the financial reporting practice in Egypt.

1.2 Research Objectives:

The main objective of this study is to investigate empirically users' perceptions of the usefulness of corporate annual reports and what they include of financial information presented by listed companies in Egypt for various external user groups in the light of the adoption of EASs based on the IASs, and other changes in the financial reporting environment in Egypt.

The above main objective is broken down into the following sub-objectives:

1- to investigate users' perceptions of the importance attached to corporate annual reports and each of the other sources of financial information for the purposes of securities investment; and how the corporate annual reports stand in relation to them.

2- to examine the importance that surveyed groups attach to different sections of the corporate reports.

3- to investigate users' perceptions of the importance attached to each of the selected financial information items using the selected set of QCOAI;

4- to select and test the suitability of a set of QCOAI to be used in the investigation of users' perceptions of the usefulness of the financial information;

5- to investigate users' perceptions of the importance attached to each of the selected QCOAI, and the amount of agreement among user groups regarding their ranking of the QCOAI;

6- to explore whether respondents' background (such as occupation, education, and experience) affects their perceptions of the importance of both the sources of financial information and sections of corporate reports, the suitability of the suggested set of

QCOAI, the importance of each of the selected QCOAI, and the importance attached to each of the selected financial information items.

7- to identify whether the contemporary changes affecting the financial reporting practice in Egypt, such as the issue of the CML No. 95 of 1992 and the adoption of the EASs based on the IASs, affect users' perceptions about the corporate annual reports and their sections.

8- to identify whether there are differences in perceptions of users in developed and developing countries.

Achieving the first three objectives might help to evaluate the adoption of the IASs in a developing country, Egypt, which has used the IASs as a base of its national standards, with some changes to suit the local environment (see 4.5 of Chapter 4).

1.3 Research Importance:

To the best of the researcher's knowledge, there has been no empirical investigation regarding the usefulness of financial information provided in corporate annual reports presented by listed companies under the recent changes in the financial reporting practice in Egypt. The current study may be one of the first studies to examine the usefulness of financial information of corporate annual reports following the issue of the EASs (i.e. after the adoption of the IASs as a base of the local standards, the EASs). For example, among the most related studies, three (Shohaieb, 1990; Mohamed, 1991; and Ali, 1992) were carried out between 1990 and 1992, before the changes in the financial reporting practice in Egypt, and two other studies (Almelegy, 1998 and Abdelsalam, 1999) ignored the adoption of both the EASs issued in 1997 and the new listing rules of the CASE in 2000. Therefore, research such as the present study could make a contribution to knowledge in this area.

Although the literature contains many studies in the area of the present one, the majority of these studies focused on developed countries (i.e. Ball and Brown, 1968; Baker and Haslem, 1973; Chandra, 1974; Lee and Tweedie, 1975; Chang and Most, 1977; Firth, 1978; Anderson, 1981; Givoly and Palmon, 1982; Chang and Most, 1985; Anderson and Epstein, 1996; Barker, 1997; and Bartlett and Chandler, 1997). In this regard, Perera (1989) argued that there are good *a priori* reasons to support the view that the conclusions drawn

from research focused in developed countries may not be generalisable to less developed countries.

Furthermore, the importance of the present study comes from the importance of its empirical part, which is applied in a very important field in the Egyptian economy, the stock market.

Research on users' perceptions of the importance attached to the corporate annual reports presented by listed companies in Egypt can help investors, particularly potential investors who are interested in investing in Egypt. This is especially important since the Egyptian government, in the last ten years, has made a concerted effort to encourage investment by both local and foreign investors. Focus on Egypt may improve understanding of its recent financial reporting practice. This will help in supporting the efforts towards encouraging international investment in Egypt.

Evidence from the empirical part of this study will contribute to understanding of users' perceptions of the importance of corporate annual reports as a source of financial information. Also, it could provide empirical evidence in two other areas. First, the empirical evidence in the area of QCOAI (Chapter 8) might help preparers and regulators in improving the current practice of financial reporting; second, the empirical evidence related to financial information items (Chapter 9) will assist regulators of financial reporting practice in deciding what sort of information should be mandated, as regulators may identify any weaknesses in the corporate annual reports that need to be improved upon. Empirical research, which is a potentially productive source of knowledge, has had a significant impact on the development of accounting theory (Whittington, 1986). The empirical work of this research might make a general contribution in its area.

In addition, the findings of the current study might help the regulators of financial reporting in other developing countries in general and countries with similar environmental characteristics in particular, such as some Arabian countries that have experienced similar changes in their economic environment. In this regard, it has been argued that the experience of a developing country may assist in clarifying the nature of financial reporting problems for other developing countries (Wallace, 1988).

Lastly, providing rich description of financial reporting practice and its environment in Egypt might be of great advantage to those interested in international accounting research. In this regard, Samuel and Piper (1985, p. 3) argued that "Countries differ in so many respects; all those concerned with accounting benefit from knowing what is going on other countries"

1.4 Limitations of the Study:

Financial reporting practice in Egypt is the focus of this research. There are several reasons to adopt this research in Egypt. The following are among these reasons:

1- Egypt is a developing country that has used the strategy of adoption of the IASs as a base of its local accounting (see Chapter 4). Some IASs were adopted in their entirety, other partially, and still others were rejected;

2- Relatively little is known about recent financial reporting practices in Egypt, especially during the last ten years when Egypt witnessed many changes in its financial reporting practice;

3- Egypt is, in many respects, a leading country in the Middle East and its economists and academics have great influence on other countries in which Arabic is the mother tongue. In this respect, Sayigh (1978) reported that "For many years, tens of thousands of Egyptian teachers and technicians have gone to work in Iraq, Saudi Arabia, Kuwait, the Arabian Gulf area, Syria, Yemen and Lebanon ... thousands have gone to Libya, Algeria and even further a field in Moslem non-Arab countries".

4- Data availability in Egypt was better than any other country because the researcher received a scholarship financed by the Egyptian government, which made it possible to gather the data needed to accomplish this research.

In addition to the above, there are several limitations related to this study. These limitations are as follows:

1- This study is concerned only with corporate annual reports presented by listed companies in the CASE and, therefore, it will ignore the corporate annual reports prepared by other companies such as public companies not registered in the CASE, as they are

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regulated by a different law, Law No.203 of 1991, and do not follow the EASs or the Articles of CML no 95 of 1992.

2- This study focuses on corporate annual reports prepared after 1998, when the EASs were adopted. Corporate annual reports prepared before 1998, which were prepared under the old requirements of the CML No. 95 of 1992, are ignored.

3- This study is concerned only with the field of accounting disclosure, and it is beyond the objectives of this study to cover the field of accounting measurement.

4- The investigation covers only five user groups, those that are most involved in securities investment decisions; other user groups are excluded (see Chapter 6).

5- General purpose financial reports are the focus of this study, and special purpose financial reports are excluded. However, this study is not limited to financial statements only but, rather, it is interested in the whole contents of corporate annual reports.

6- Each research hypothesis was rejected or accepted on the standard level of significance.

7- In this study, as in similar studies, which examine users' perceptions, it should be assumed that respondents have the capability of perceiving and are capable of expressing their perceptions, and also the empirical findings of this study are limited by the attitudes, views, experiences and education of those who participated in the study.

8- Regarding the users' perceptions of the financial information items, only 32 information items were studied. These may represent only a part of the possible items of disclosure. Therefore, a future research might extend the current study by examining a wider set of financial information items.

9- The number of respondents participating in this research survey was 320, so generalisations will be drawn from only those respondents. A much larger number of respondents might need to be tested for wider generalisation of the study's results.

1.5 A Summary of the Research Methodology:

This section of the chapter gives a brief idea about the research methodology used to achieve its objectives. Chapter 6 provides more details about the research methodology. Library research (step 1 in Figure 1.1 below), including books, Ph.D theses and research

papers in both the English and Arabic languages, was conducted to establish a theoretical background for this study, present a review of relevant literature, and select an appropriate research methodology. Research questions and hypotheses were formulated (step 2) based on the previous research and what has been reported in the literature. A four part questionnaire was constructed (step 3) and a pre pre-test (step 4) and a pilot study (step 5) were performed. The questionnaire was used as a basic data collection instrument and was supported by some semi-structured interviews. The main survey (step 6) was conducted in Egypt from February to April 2001, to examine the perceptions of five groups of users of corporate annual reports regarding the importance they attached to corporate annual reports and other different sources of financial information, sections of corporate annual reports, each of the selected QCOAI, and some financial information items, by distributing the questionnaires to respondents of the five groups. Finally, data analysis (step 7) was achieved using both descriptive and non-parametric statistics and the findings were presented in Chapters 7, 8, and 9. Figure 1.1 below shows the different steps in doing this survey.

Figure 1.1 Procedural Flow Chart:
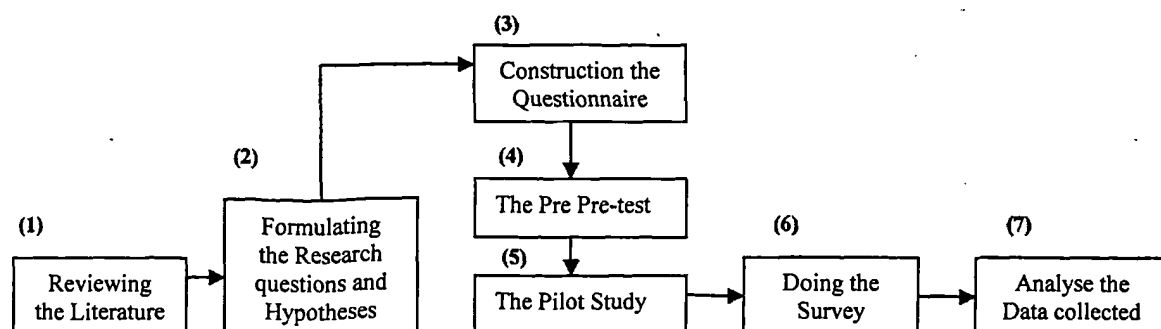
Source: (the Author)

1.6 Organisation of the Thesis:

The research is presented in ten chapters, including this introductory chapter. Chapter two covers some aspects related to the objectives of financial reports, and the meaning, nature, features, and importance of QCOAI. Some previous studies on users' perceptions of the corporate annual reports and in QCOAI, whether by accounting professional bodies or by individuals, are presented.

Chapter Three provides a theoretical analysis of thirty QCOAI proposed in accounting literature, leading to selection of a suitable set of QCOAI to be used to investigate users' perceptions of the usefulness of financial information.

Chapter Four contains a discussion of several aspects related to accounting standards setting. Accounting standards are defined and their features and importance considered. The development of setting and enforcement of accounting standards in both the UK and the US, the need for IASs, and the formation and efforts of the IASC are reported. Several different strategies that might be used in setting accounting standards in developing countries are discussed. Lastly, EASs including their historical background and their relationship with IASs are introduced.

Chapter Five contains an account of the development of economic and accounting practice in Egypt including the Egyptian privatisation programme, the Egyptian stock market, and the disclosure requirements by CASE, EASs, CML, and other relevant laws.

Chapter Six contains the research questions and hypotheses and an explanation of the research methodology. A detailed account is given of the methods adopted in carrying out the survey and in processing and analysing the data collected.

Chapters seven to nine are devoted to a report of the results of the study. In Chapter Seven, the various respondent groups are described and the results of users' perceptions regarding the importance attached to the various sources of financial information and sections of corporate annual reports are reported. In Chapter Eight, the results regarding the users' perceptions of both the suitability of the selected set of QCOAI and the importance of each of them are presented. Chapter Nine contains the results related to users' perceptions of the importance attached to some selected financial information items in making decisions of securities investment using the selected set of QCOAI.

Chapter Ten, the last chapter, contains a summary of the findings, conclusions, recommendations and suggestions for further research.

CHAPTER TWO
Literature Review

2.1 Introduction:

Corporate annual reports are prepared, presumably, to provide information that is useful to user of these reports in making their economic decisions (AAA, 1966; CICA, 1980; ASB, 1999b FASB, 1999, SFAC No. 2; IASC, 2000). Therefore, these reports should meet the different needs of those users. One of the most important questions facing all those interested in the corporate annual reports including users, regulators, and preparers is the extent to which corporate annual reports communicate useful information (Anderson and Epstein, 1996).

On the other hand, many studies, whether by professional accounting bodies or by individuals, have been directed toward establishing a set of QCOAI[1] for judging the usefulness of accounting information (e.g. Snavely, 1967; The Trueblood Report , 1973; CICA, 1980; Stamp, 1982; Shohaieb, 1990; Ali, 1992; and ASB, 1999b) .

This chapter aims to present a review of a number of previous studies, whether focused on developed or developing countries, which discussed the issue of usefulness of corporate annual reports and what they include of financial information. In addition, the chapter presents a brief review of the objectives of financial reports and some issues related to the QCOAI. Accordingly, the discussion in this chapter focuses first on the objectives of financial reports, then on the definition, nature and features and importance of QCOAI. Previous studies on users' perceptions of the corporate annual reports and other disclosure issues, whether in developed or developing countries, are reviewed and, lastly, previous studies on QCOAI, whether by professional accounting bodies or by individuals, are considered. The last section provides some notes on these previous studies.

2.2 Objectives of Financial Reports:

Prior to the 1960s, the main role attributed to accounting and hence the financial reports was that of stewardship. Under this view, management was the steward to whom owners entrusted control over a portion of their resources, so the purpose of financial reports was

to provide information to the owners to facilitate the evaluation of the management's stewardship (Whittred and Zimmer, 1990).

Starting from the early 1960s, the stewardship function of accounting and financial reports has been replaced by the decision-making function (Hodgson et al., 1992). In the light of that, financial reports (such as Profit and Loss Accounts, Balance Sheets, Value Added Statements...etc., which are the main output of an Accounting Information System) aim to provide both financial and non financial information about economic enterprises to those who need such information to facilitate the making of rational economic decisions respecting an enterprise.

Many attempts have been made to clarify the objectives of accounting and hence financial reports (i.e., Moonitz, 1961; AAA, 1966; APB, 1970; Corporate Report, 1975; Staubus, 1977; CICA, 1980; FASB, 1999, SFAC No.1; and ASB, 1999b).

For instance, in Statement of Principles for Financial Reporting issued in late 1999, the Accounting Standards Board (ASB) declared:

> "The objective of financial statements is to provide information that is useful to those for whom they are prepared ... The objective of financial statements is to provide information about the reporting entity's financial performance and financial position that is useful to a wide range of users for assessing the stewardship of the entity's management and for making economic decisions." (ASB, 1999b, p. 16).

In the light of the objective presented by the ASB (1999b) and by other studies mentioned above, several points need to be made:

1- There is no general agreement about certain objectives of financial reports. In this respect, Macve (1981) asserted that although there is a general agreement that accounting must be useful, there is little agreement about objectives and the means of achieving them.

2- Financial reports aim to provide information that is useful both in making economic decisions and in evaluation of the management's stewardship.

3- Financial reports aim to provide information that is useful to a wide range of users who have distinct interests in the enterprise, in that since, each user group has its own decisions to make, then information needs will differ.

4- The multiplicity and variety of financial reports users make it difficult to know the different needs of users. Underdown and Taylor (1991) stated that the lack of knowledge about user needs is one of the serious problems in formulating objectives.

5- There is a probability of conflict arising among user groups in their objectives or needs and then in their application. In this case, it is important to know which objectives or which needs of which user group will be the determining factor. Under this view, " a balance must be struck between the needs of individual investors and non-investors." (Al-Mubarak, 1997, p. 120)

6- Another conflict may arise. The interest of various user groups are likely to be different from those of the preparers of financial reports, so a conflict of interests may arise between them. Macve (1981, p. 11) stated that "the different individuals and groups involved with financial reports, whether as users, preparers or auditors, often have conflicting economic interests, and any decisions about accounting practices (which will affect them all) have to be made after weighing up the consequences for these different parties and what their respective rights are."

7- Users of financial reports are likely to have different levels of education and experience, so the information required for making decisions will vary not only between user groups but also between users within the same group.

8- Changes in the economic environment may affect the objectives of financial reports and hence, the information needed by user groups.

2.3 What Is Meant by QCOAI?

The Oxford English Dictionary (1989) defines the word "qualitative" by stating that it is "Relating to, connected or concerned with, qualities" (Vol. XII, p. 973). On the other hand, it defines a "characteristic" as "a distinctive mark, trait, or feature; a distinguishing or essential peculiarity or quality" (Vol. IV, p. 33).

The Oxford Dictionary of Accounting (1999) defines the QCOAI as: "the characteristics that make information in financial reporting as useful as possible." (p. 283)

In addition to these definitions in the dictionaries, some definitions have been proposed by various studies in this field. QCOAI have been defined by stating that, "There are qualifications which should ideally be possessed by any accounting system. They are as relevant to the requirements of users as the principal classes of information required from company accounts" (Sandilands Report, 1975, p. 62). Under the assumption that accounting is an information system, this definition may be accepted. The Corporate Report declared, "If Corporate Reports are to be useful and to fulfil their fundamental objective, we believe they must possess the following characteristics..." (Corporate Report, 1975, p. 28). The Canadian Institute of Chartered Accountants (CICA) in *Corporate Reporting* defined QCOAI as:

> "the yardsticks whereby standard setters, as well as preparers and users of published financial statements, can decide whether the end has been achieved, namely whether published financial statements are indeed meeting the needs of users and the objectives of financial reporting." (CICA, 1980, p. 52)

The Financial Accounting Standards Board (FASB) in Statement of Financial Accounting Concepts (SFAC) No. 2 defines QCOAI as: "the characteristics of accounting information that make that information useful" (FASB, 1999, SFAC No. 2, p. 34). Solomons defined QCOAI as: "the principal criteria that distinguish 'good' accounting from 'bad' accounting" (Solomons, 1989, p. 5). Shohaieb (1990, p. 14) defines the QCOAI as: "criteria by which the usefulness of accounting information can be judged".

The IASC states that: "Qualitative characteristics are the attributes that make the information provided in financial statements useful to users" (IASC, 2000, p. 50). It can be seen from the above definitions that there is no major difference among them. For the purposes of this study, QCOAI are defined as "the characteristics that make the information included in financial reports as useful as possible to users in the light of their various needs."

From this perspective, it can be seen that:

1- Useful information must have certain characteristics; if information does not have those characteristics, its usefulness is likely to be limited.

2- QCOAI give the ability to perceive the difference between various levels of

information regarding its usefulness. In other words, they may distinguish more useful financial information from less useful financial information.

2.4 The Nature and Features of QCOAI:

Accounting, as one of the social sciences, affects and is affected by its environment. QCOAI, as one of the accounting research fields, affects and is affected by its surrounding environment too. In other words, the economic, social, cultural, legal, and political environment may affect QCOAI (e.g. to date there is no agreement, whether by accounting professional bodies or by individuals, on a set of QCOAI that can be used in the various societies). As a consequence, an attempt is made to select, in the next chapter, a set of these characteristics which is suitable to the Egyptian environment, to enable the research objectives to be achieved.

QCOAI may change according to new perceptions and / or new research results. In addition, they are not all equally important, since they gradate in importance from the most important to the least important. Consequently, some studies (e.g. FASB, 1999, SFAC No. 2 and Snavely, 1967) suggested several levels of QCOAI in a hierarchy.

There are some features by which it will be possible to decide whether or not QCOAI themselves are practicable. In other words, QCOAI should have these features to achieve their important role. The following are stated by Shohaieb (1990) as features of QCOAI: They should cater for a variety of user groups and uses of accounting information; they should be applicable regardless of the decision models of each user group, and regardless of time or circumstances; and they should be supported by, or deduced from, some underlying theory of accounting. In addition to the above features, it is assumed in this study that:

1- They should be clear in meaning and easy to understand (i.e. they must not be ambiguous).

2- They should be as fair as possible, and not be aligned toward a certain user group.

2.5 Importance of QCOAI:

QCOAI may help in several fields; the following are some different uses of QCOAI:

1- They can offer a mechanism helping to determine the degree of compliance required for information that relates to a special use. (AAA, 1966)

2- They may help in assessing the value of financial information. (Macve, 1981)

3- They can be helpful in establishing an agreed conceptual framework for determining which assets, liabilities, revenues, expenses, and other elements should be reflected in financial reports. (Shohaieb, 1990)

4- They can be used in the field of accounting standards: First, to judge the extent to which accounting standards now in force are satisfactory, and whether or not they need to be improved; second, to evaluate proposal for new standards. (CICA, 1980)

Also, they can be used:

1- to judge the usefulness of the financial information included in the corporate annual reports[2];

2- to resolve practical problems, especially as the early stages of accounting standard application or the lack of any accounting standards at all;

3- to help the preparers of financial reports in presenting useful information regarding the various needs of user groups; and

4- to help in the preparation and evaluation of companies acts with respect to the accounting subjects.

2.6 Previous Studies on Users' Perceptions of the Corporate Annual Reports and Financial Information:

Frequent contact with users of financial reports is needed to assess their perceptions regarding the importance attached to these reports and what they include of financial information. This section presents a review of a number of previous studies, which investigated users' perceptions of either the corporate annual reports or some sets of financial information items. The review of the literature helps provide a framework for the study and assists the function of discovering findings from previous research on the general problem (Cooke, 1989). In addition, the review of literature helps the researcher in

formulating a series of research questions and hypotheses and establishing a relevant methodology to accomplish this research (see 6.2 of Chapter 6).

Baker and Haslem (1973) conducted a survey which covered 1,623 individual investors in the US. Investors were asked to indicate their perceptions about the importance attached to sources of financial information and to some financial information items. They analysed a total of 851 responses. Baker and Haslem (1973) reported that the most important source, for the majority of their respondents (46.8%), was stockbrokers. Conversely, corporate annual reports were perceived as the most important source by only about 8% of individual investors. In addition, they reported that information about future expectations was perceived as of high importance, while information about dividends was given lower importance by their respondents. Ahmed (1988) criticised Baker and Haslem's study and argued that the sample was drawn from the list of customers of five brokerage firms, so it is not surprising that respondents ranked stockbrokers' advice as the most important source of financial information as they are customers of these firms.

Chandra (1974) carried out a study to investigate the extent of the agreement between preparers and users of corporate annual reports in the US about the value of information presented in the published annual reports. Chandra (1974) sent a total of 1000 questionnaires to public accountants as representatives of preparers and security analysts as representatives of users, and asked them to rate the importance attached to 58 information items. A total of 498 questionnaires were analysed. The main finding reported by Chandra (1974) was that there were significant differences between the two groups of accountants on the one hand regarding their perceptions of the importance of financial information for investment decisions and the security analysts on the other hand. This study might be criticised for using parametric statistics, T tests, to test the hypotheses, although nonparametric statistics are recommended (Bryman and Cramer, 2000; Pallant, 2001) to be used with such data, that are based on an ordinal scale.

Epstein (1975), in a survey of US investors, which aimed to investigate the investors' perceptions of usefulness of corporate annual reports, reported similar results to those reported by Baker and Haslem (1973). He reported that the corporate annual reports

were perceived as the primary basis for investment decisions by only 15% of respondents, while 48.8% of them perceived stockbrokers' advice as the most important source of information for their investment decisions. Besides, Epstein (1975) reported that only 14.1% of respondents stated that corporate annual reports were very useful. Epstein (1975) concluded that the corporate annual reports were not useful to investors in the field of investment decisions.

Lee and Tweedie (1975) carried out a study to investigate the perceptions of individual investors of a large British company. They aimed to determine whether or not respondents read and rely on sections of corporate annual reports when making investment decisions. A total of 1,594 questionnaires were sent to those investors, while only 374 questionnaires were received, representing a response rate of 23.5%. One of the main findings of their study was that corporate annual reports were perceived as a less important source of financial information than financial press reports, which were perceived as the most important source. Another finding was that the Chairman's report was perceived as the most widely read section, followed by the profit and loss account, which was perceived as second in importance. Information about the future prospects of the company was perceived as the most important information that individual investors are looking for.

Chang and Most (1977), in a survey carried out in US and New Zealand, mailed a total of 1,034 and 300 questionnaires to individual investors in the US and New Zealand respectively. They received 182 responses from the US, representing 17.6%, and 85 in New Zealand, representing 28.3%. The main finding reported by Chang and Most (1977) was that, in the US, corporate annual reports were perceived as the most important source of information, followed by newspapers and magazines as the second, and stockbrokers as the third. On the other hand, the findings from the responses of investors in New Zealand differed from those of the US. Chang and Most (1977) reported that newspapers and magazines were perceived as the most important source of information, followed by stockbrokers' advice as the second and corporate annual reports as the third. This study might be criticised on the ground of the low response rate, especially for the US, where the response rate was only 17.6%.

Wilton and Tabb (1978), in a survey of individual investors in New Zealand, aimed to examine the individual investors' usage of corporate reports. A total of 300 respondents were selected from only two companies for the survey. Wilton and Tabb (1978) concluded that the most thoroughly read section of the corporate annual reports was the chairman's report, followed by the profit and loss account as the second and the balance sheet as the third. However, Wilton and Tabb's study suffered from a major weakness that its findings were difficult to generalise, as respondents were not randomly selected.

Firth (1978), in a questionnaire survey conducted in the UK, aimed to investigate the consensus of user groups' perceptions about the importance attached to a set of information items. Respondents were asked to rate the importance attached to 75 information items in the questionnaire, which might be disclosed in corporate annual reports. A total of 302 questionnaires were analysed from various user groups including finance directors, auditors, financial analysts, and bank loan officers. One of the main findings reported by Firth (1978) was the similarity of views of the first two groups, finance directors and auditors, on the one hand and the similarity of views of the other two groups, financial analysts and bank loan officers, on the other. Firth (1978) found that there was good agreement between the last two groups, financial analysts and bank loan officers, because they agreed in their perceptions of 81% of the 75 financial information items. Also, it was reported that users such as financial analysts and bank loan officers attached, in general, a higher level of importance to most of the information items. Firth's study (1978) faces the same criticism as Chandra's study (1974) in that it used parametric statistics to test the hypotheses, although the data collected were on an ordinal scale.

Lee and Tweedie (1981) carried out a study in the UK to examine institutional investors' perceptions of the corporate annual reports. They reported that the corporate annual reports were perceived to be the most important source of information needed for investment decisions by the surveyed institutional investors. Also, around 80% of respondents confirmed their confidence in using the information presented in the corporate annual reports. Lee and Tweedie's study (1981) can be criticised on the grounds that the sample were drawn from a population based on organisations rather than individuals. This

led to the sample containing a relatively smaller number of analysts from large firms, which may lead to sample bias (Arnold and Moizer, 1984).

Anderson (1981) carried out a questionnaire survey to investigate Australian institutional investors' perceptions regarding the importance attached to the corporate annual reports. A total of 300 questionnaires were mailed (298 of them were delivered). Of the delivered questionnaires, 188 were analysed, representing 63.09%. The corporate annual reports were perceived as the most important source of information by respondents when making their investment decisions, followed by advice from investment services, second, stockbrokers' advice, third, and visits to the companies as the fourth source. Anderson (1981) reported also that the balance sheet was seen as the most important section of corporate annual reports followed by profit and loss account and notes to the accounts as the second and the third important sections respectively. A weakness of Anderson's study, however is that no statistical tests were performed in the study.

McNally et al. (1982), in a questionnaire survey conducted in New Zealand, examined the perceptions of two user groups, financial editors and stock exchange members, about the importance attached to a set of 41 information items. The findings of their study indicated that information about future dividends and dividend policies is the most important for the two groups. They reported also that information on profit forecast for next year is the second most important. Conversely, information about corporate social responsibility, advertising, and personnel development were perceived as the least important items. Two points need to be considered regarding this study. First, like Chandra (1974) and Firth (1978), the study used parametric statistics, rather than nonparametric statistics, which are more appropriate to data on an ordinal scale; second, they did not refer to the size of the sample of user groups.

Stanga and Tiller (1983), in a questionnaire survey conducted in the US, aimed to determine whether the information needed by bank loan officers is the same from large and small companies. They asked respondents to rate the importance attached to 40 information items that might be disclosed in corporate annual reports. Stanga and Tiller (1983) divided their respondents into two groups. The first group was asked to complete

the questionnaire as if they were making a term loan to a large publicly held company, while the other group was asked to complete the questionnaire as if they were making a term loan to a small privately held company. In total, 230 questionnaires were analysed. The main finding was that there was similarity between the two groups in their rating of the importance attached to the information items.

Chang and Most (1985) conducted a comparative study involving some user groups in three countries, the US, the UK, and New Zealand. They aimed to investigate users' perceptions about the usefulness of information in corporate annual reports. Three user groups, including institutional investors, individual investors, and financial analysts, received the questionnaires, which were slightly modified to accommodate the circumstances of user groups in both the UK and New Zealand. The general conclusion that Chang and Most (1985) reported was that the three user groups perceived the corporate annual reports as an important source of useful information for investment decisions. Also, they reported that individual investors in the US ranked the corporate annual reports as the most important source of information followed by newspapers and magazines; and advisory services as the second and the third respectively. On the other hand, individual investors in the UK and New Zealand rated newspapers and magazines as the most important source, followed by stockbrokers' advice and corporate annual reports as the second and the third sources respectively.

Wallace (1988), in a questionnaire survey conducted in Nigeria, aimed to investigate the consensus of user groups' perceptions about the importance attached to a set of information items that could be disclosed in the corporate annual reports. A total of 470 questionnaires were received from several user groups (namely accountants, financial analysts, civil servants, other professionals, managers, and investors) who were asked to state their perceptions regarding the importance attached to 102 information items. Wallace (1988) reported that there were significant differences in perceptions between the first group, accountants, on the one hand and other professionals, managers, and investors on the other hand. However, the study did not indicate on which items the accountants group had different views from other groups.

Mohamed (1991) aimed, in a questionnaire survey accomplished in Egypt, to investigate users' perceptions of several sources of financial information, sections of corporate annual reports and 38 financial information items that could be presented in corporate annual reports for investment decisions. Mohamed (1991) distributed 100 questionnaires, in person, to external users in Egypt, including users in brokerage firms, financial firms, banks, and accounting firms. She received 61 completed questionnaires, representing a 61 % response rate. The main finding that Mohamed (1991) obtained was that stockbrokers were considered the most important source of financial information, followed by the corporate annual reports, advisory services and specialist magazines as the second, third, fourth sources of financial information in importance. Furthermore, the profit and loss account was perceived as the most important section of the corporate annual reports, followed by the directors' report, balance sheet, and the auditor's report as the second, the third, and the fourth most important sections. Also, users perceived information about the company's management and the company's reputation as the first and the second most important information items respectively. Furthermore, the study reported that future expectations were perceived as important information. Also, users of corporate annual reports complained of lateness in issuing the corporate annual reports (i.e. some companies issued their corporate annual reports 6 months later than the specified time) and they indicated that the depth and quality of coverage in specialist newspapers and magazines needed to be improved. Mohamed's study suffered from four weaknesses. First, the sample, 61 respondents, was not large enough to generalise the findings of the study; second, no statistical test was used; third, while the mean was used to rank the importance of the financial information items, it was not used to rank the importance of sources of financial information and sections of corporate annual reports, as the ranking was based on points; fourth, the study did not examine the direct contact with the company management as a source of financial information and some sections of corporate annual reports were ignored in the study. Additionally, although this study was carried out in Egypt, the same environment as this study, many changes in financial reporting practice have taken place since Mohamed's study was accomplished.

Solas and Ibrahim (1992), in a questionnaire survey conducted in Jordan and Kuwait, aimed to investigate users' perceptions of the usefulness and reliability of a set of 23 information items and five sources of financial information for investment decisions. A total of 89 investors, whether individual or institutional, from the two countries were the target sample of their study. Solas and Ibrahim (1992) reported that there were significant differences in the users' perceptions of the usefulness of 10 of the 23 information items between investors in the two countries. Also, their results indicated that there were differences in users' perceptions of the reliability of the information items for 9 of the 23 items

Epstein and Pava (1993) empirically investigated the perceptions of individual investors about the corporate annual reports in the US. They used a questionnaire as a data collection instrument, and analysed a total of 246 questionnaires from the respondents. Aiming to measure the change in the investors' perceptions about corporate annual reports over about twenty years, Epstein and Pava (1993) compared their results with the results of Epstein's study (1975). The main finding that they reported was that individual investors relied on the corporate annual reports significantly more than they had done some twenty years previously, in 1975. Corporate annual reports, which were ranked as the fourth most important source by Epstein (1975), were perceived as the most important source in Epstein and Pava (1993). On the other hand, stockbrokers' advice, which was ranked as the first source in Epstein (1975), was ranked as the fifth source in Epstein and Pava (1993). Another finding they reported was that individual investors in the US perceived the profit and loss account and the balance sheet as the most important sections of corporate annual reports.

Ibrahim and Kim (1994) conducted their questionnaire survey in Egypt. They examined the degree of consensus on the importance attached to a set of 42 information items that could be disclosed in corporate annual reports. They mailed a total of 676 questionnaires to four user groups, namely, certified accountants, individual investors, managers, and financial analysts in Egypt's two main cities: Cairo and Alexandria. A total of 313 questionnaires were received and 311 of them were analysed using nonparametric

statistics (the Mann-Whitney Test, and the Kruskal-Wallis Test) to test for differences in the perceptions among user groups. Respondents were asked to rate the importance attached to the information items. The main findings of the study indicated that there were significant differences between user groups in their perceptions of some of the financial information items. For instance, there were differences between accountants and managers regarding their perceptions of 14 of the 42 financial information items. Further, significant differences were found between accountants and investors regarding their perceptions of 19 items, and between financial analysts and investors on 31 items of the 42 financial information items investigated in the study. However, their study can be criticised on the ground that they did not disclose on which financial information items user groups showed significant differences in their ratings.

Anderson and Epstein (1996) carried out an empirical international comparative study focusing on the individual investors in three developed countries namely the US, Australia, and New Zealand. Their study aimed to investigate the investors' use of the information provided in corporate annual reports. According to Anderson and Epstein (1996), a similar questionnaire was used in all three countries to facilitate comparisons of data and draw valid conclusions. A total of 2,359 questionnaires were mailed to investors in the US and Australia, while another 1,000 questionnaires were mailed to investors in New Zealand. The numbers of responses received were 246, 436, and 251 from investors in the US, Australia, and New Zealand respectively. Among a large number of findings, Anderson and Epstein (1996) reported that investors in Australia and New Zealand ranked stockbrokers' advice as the most important source for their investment decisions; investors in the US ranked the corporate annual reports as the most important source for their investment decisions; and investors in the three countries required increased quality and quantity in annual report disclosures.

Al-Mubarak (1997), in a questionnaire survey conducted in Saudi Arabia, investigated investment analysts' perceptions of the usefulness of corporate annual reports. A total of 249 questionnaires were delivered, some personally and others by mail. Al-Mubarak analysed 126 questionnaires and reported that respondents thought the corporate

annual reports were the most important source of information, followed by corporate interim reports and government publications as the second and third important sources. Direct contact with the company management was ranked fourth, while newspapers and magazines were perceived as the fifth source in importance. Tips and rumours was perceived as the least important source, the eighth. Al-Mubarak (1997) also reported that the profit and loss account was perceived as the most important section of corporate annual reports followed by the balance sheet. Auditor's report and directors' report were perceived as the least important because they were ranked as the six and the seventh (the least) sections in importance. Al-Mubarak (1997) concluded that the background factor, years of experience, has no effect on the users' perceptions of the importance attached to various sources of financial information. This study can be criticised for using parametric statistics rather than nonparametric statistics which would be more relevant to the type of data collected in the study.

Barker (1997) aimed to analyse, in the context of equity investment decisions, the flow of accounting information between three groups of users in the UK, namely, finance directors, financial analysts, and fund managers. Barker accomplished his empirical study through interviews with 40 finance managers, 32 financial analysts, and 39 fund managers. In addition, he received 42 questionnaires from financial analysts who were asked through a five-point scale about their overall perspective on the information which they used. Barker (1997) reported that both financial analysts and fund managers ranked the direct contact with the company's management as the most important source of information. Corporate annual reports were also perceived as important, being ranked second by fund managers and fourth by financial analysts.

Bartlett and Chandler (1997) carried out a research survey aiming to re-examine the usage of corporate annual reports by the individual investors in the UK, following the methodology of Lee and Tweedie (1975). Questionnaires were mailed to 300 randomly selected individual investors of one multi-national company, and 76 usable responses were returned, representing 25.3%. It was found that the chairman's statement, the chief executive's review and the review of operations were the most widely read sections of the

corporate annual reports. On the other hand, the auditor's report was perceived as the section least read by investors. Bartlett and Chandler (1997) reported also that newspapers and magazines were the most important source of information and corporate annual reports were perceived as the seventh source. They reported also that the relatively low readership of much of the corporate annual reports might be a reflection of the passive nature of many individual investors and their lack of interest in much detailed disclosure.

Almelegy (1998) investigated the applicability of international accounting standards in terms of local environmental factors in Egypt, using a questionnaire supported by interviews. Almelegy distributed 200 questionnaires in person to a sample of users and preparers of financial information. These groups included users, preparers, auditors, and regulators. The response rate was 78 % as 156 questionnaires were received, of which 148 (74 %) were usable. Among his conclusions, Almelegy (1998) reported that published financial reports have a limited usefulness to their users. He added that the four groups in the study (82.3% of users; 76.5% of preparers; 58.3% of auditors; and 80% of regulators) thought that the information that received from financial reports is irrelevant to users' needs. Regarding users' perceptions of sections of corporate annual reports, Almelegy reported that the balance sheet was perceived as the most important section by users of financial reports and staff of the Egyptian regulatory and observatory bodies, and the profit and loss account was perceived as the second source by users and as the first by staff of the Egyptian regulatory and observatory bodies. However, a number of points need to be considered regarding this study. First, the author did not perform statistical tests to examine whether or not there were differences among groups; second, although the study was accomplished in the late 1990s, the corporate annual reports and their sections which respondents were asked about were prepared before the application of EASs; third, the author did not ask respondents directly about their perceptions of the importance attached to the corporate annual reports or any other source of financial information.

Al-Razeen (1999) empirically investigated the quality of the corporate annual reports of Saudi companies. The study examined both users' perceptions of corporate annual reports and the current corporate disclosure practice. In doing so, Al-Razeen (1999)

first, used a questionnaire survey and analysed 303 questionnaires from five groups of users, namely, individual investors, institutional investors, creditors, governmental officials, and financial analysts. Second, he utilised a sample of 68 annual reports to analyse the annual corporate disclosure practices in Saudi Arabia. Regarding sources of financial information and sections of the corporate annual reports, Al-Razeen (1999) concluded that Saudi users perceived corporate annual reports as the most important source of financial information. Also, direct contact with the company management was one of the most important sources of financial information. He concluded that the profit and loss account was considered as the most important section, followed by the balance sheet and the auditor's report as the second and third sections in importance.

2.7 QCOAI Suggested in the Literature:

Many attempts[3], whether by professional accounting bodies or by individuals, have been directed toward establishing a set of characteristics for judging the usefulness of accounting information. In the literature, there is no generally accepted set of characteristics upon which to base this judgement. The outline given in this section does not aim to present studies interesting in QCOAI in detail, but rather, to concentrate on the characteristics suggested by each study as necessary to the usefulness of accounting information. More details about the characteristics suggested in the literature are presented in the next chapter. The following is a summarised review of some of these studies.

2.7.1 By Accounting Professional Bodies:

The American Accounting Association - AAA (1966) in *A Statement of Basic Accounting Theory - ASOBAT* concluded that accounting information must be useful to its users, whether inside or outside the enterprise, and explained that accounting information must cover many fields (e.g. formulating the objectives, decision making, and direction and control of resources to accomplish objectives). AAA indicated that the usefulness of information lies in its ability to reduce users' uncertainty about the real position of affairs of concern to them. Finally it recommended four basic characteristics to be used in

evaluating potential accounting information. They are relevance, verifiability, freedom from bias, and quantifiability.

The Accounting Principals Board - APB (1970), in its Statement No. 4 issued in 1970 concerned the nature of accounting and financial reports, suggested seven qualitative characteristics which information must have to be useful in making economic decisions. These characteristics are relevance, understandability, verifiability, neutrality, timeliness, comparability, and completeness.

The Trueblood Report (1973) of the American Institute of Certified Public Accountants (AICPA) concluded that to be helpful for its users, information must have a set of characteristics. These characteristics are relevance, reliability, objectivity, understandability, comparability, consistency, and substance over form.

The Sandilands Report (1975), prepared by Inflation Accounting Committee, stated that accounting reports should have seven general characteristics which are objectivity, realism, prudence, comparability, consistency, intelligibility, and economy in preparation.

The Corporate Report (1975) prepared by the Accounting Standards Steering Committee (ASSC) indicated that accounting information should have a set of characteristics in order to be useful to its users. These characteristics include relevance, understandability, reliability, completeness, objectivity, timeliness, and comparability.

The FASB (1976) in its study, *Conceptual Framework for Financial Accounting and Reporting* which included a chapter entitled "Qualities of Useful Financial Information", declared that to be useful, financial information must have some characteristics that include relevance, measurability, reliability, and comparability.

Aiming to improve the quality of corporate financial reporting, CICA (1980) in chapter seven of its report, *Corporate Reporting: its Future Evolution* prepared by Professor Edward Stamp, defined and presented a set of qualitative characteristics of useful information. These qualitative characteristics are to be used in deciding which information can and which not to be included in financial reports. The suggested characteristics were grouped into three categories in relation to conflict, compatibility, and constraints. The following figure (Figure 2.1) illustrates these sets and their relations

Figure 2. 1 QCOAI Suggested by CICA:

CRITERIA FOR ASSESSMENT OF STANDARDS AND OF ACCOUNTABILITY			
Criteria that may be in conflict with those in the other column or require "trade-offs"	Criteria that are comp-atible with those in both of the first 2 columns	Constraints that may apply against any of the criteria in the first 3 columns	
Relevance (to users' needs) Comparability Timeliness Clarity Completeness, or Full Disclosure	Objectivity (i.e., not subjective) Verifiability Precision	Isomorphism Freedom from bias Rationality Non-arbitrariness Uniformity	Substance over form Materiality Cost / benefit effectiveness Flexibility Data availability Consistency Conservatism (a very minor constraint)

Source: (CICA, 1980, p. 55)

FASB (1999) in its statement, SFAC No. 2, first issued in 1980, not only described the characteristics of accounting information but also mentioned some difficulties in achieving these characteristics. As illustrated in Figure 2.2 below, user-specific qualities such as understandability were separated from qualities inherent in information. "Benefits > costs" is suggested as a pervasive constraint, so the benefits of information should exceed its cost. The primary characteristics are relevance and reliability, since, if either of those primary characteristics is completely missing, the information will not be useful. At this level, to be relevant, information must be timely and must have predictive value, or feedback value, or both. In the same way, to be reliable, information must be verifiable and neutral and have representational faithfulness. Comparability, including consistency, is a secondary characteristic and interacts with the two primary characteristics. Finally, all the characteristics are subject to the threshold of materiality.

The ASB (1999b), in *Statement of Principles for Financial Reporting* suggests a set of characteristics in hierarchical form. These characteristics help to ensure that financial statements yield information that is useful. As can be seen in Figure 2.3, the ASB regards relevance, reliability, comparability, and understandability as main characteristics (i.e. information provided by financial statements need to be relevant, reliable, comparable, and understandable). At the second level, to be relevant, information must have the ability to influence the economic decisions of users; therefore, information that is relevant has predictive value or confirmatory value. Similarly, to be reliable, information must have the

Figure 2.2 A Hierarchy of Accounting Qualities Suggested by FASB:

USERS OF
ACCOUNTING
INFORMATION

PERVASIVE
CONSTRAINT

USER SPECIFIC
QUALITIES

PRIMARY
DECISION SPECIFIC
QUALITIES

INGREDIENTS OF
PRIMARY QUALITIES

SECONDARY AND
INTERACTIVE QUALITIES

THRESHOLD FOR RECOGNITION

DECISION MAKERS
AND THEIR CHARACTERISTICS
(FOR EXAMPLE UNDERSTANDING
OR PRIOR KNOWLEDGE

BENEFITS > COSTS

UNDERSTANDABILITY

DECISION USEFULNESS

RELEVANCE

PREDICTIVE
VALUE

FEEDBACK
VALUE

TIMELINESS

RELIABILITY

VERIFIABILITY

REPRESENTATIONAL
FAITHFULNESS

NEUTRALITY

COMPARABILITY
(INCLUDING CONSISTENCY)

MATERIALITY

Source: (FASB, SFAC No. 2, 1999, p.45)

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Figure 2.3 QCOAI Suggested by ASB:

What makes financial information useful

Threshold quality

MATERIALITY

Giving information that is not material may impair the usefulness of the other information given

RELEVANCE

Information that has the ability to influence decisions

Predictive value | Confirmatory value

RELIABILITY

Information that is a complete and faithful representation

Free from material error | Faithful representation | Neutral | Complete | Prudence

COMPARABILITY

Similarities and differences can be discerned and evaluated

Consistency | Disclosure

UNDERSTANDABILITY

The significance of the information can be perceived

Users' abilities | Aggregation and classificaton

What limits the application of the qualitative characteristecs

Balance between the characteristics

Benefit and cost

Source: (ASB, 1999a, p. 34)

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characteristics of freedom from material error, faithful representation, neutrality, completeness, and prudence.

In the same way, comparability can usually be achieved through a combination of consistency and disclosure, and understandability depends on users' abilities and aggregation and classification. Materiality is regarded as a final judgement of what information should be given, so materiality is a threshold quality. Lastly, ASB states that "balance between the characteristics" and "benefit and cost" limit the application of the qualitative characteristics.

The IASC (2000) in IASs - 2000 stated that among the QCOAI which make the financial information useful to its users are four principal characteristics (understandability, relevance, reliability, comparability). Other characteristics were referred to as non-principal characteristics which are needed for information to be understandable or relevant...etc., (e.g. predictive value and confirmatory are related to relevance). To be reliable, information must have the characteristics of faithful representation, substance over form, neutrality, prudence, and completeness. Furthermore, the IASC indicates that timeliness affects relevance (i.e. if there is undue delay in presenting financial information, it may be not relevant for its users).

Table 2.1 explains the frequency with which each characteristic appears in the sets of qualitative characteristics suggested by accounting professional bodies:

Table 2.1 QCOAI Proposed by Accounting Professional Bodies:

Characteristics	Frequency	AAA 66	APB 70	Trueblood R.73	Sandilands R.75	Corporate R.75	FASB 76	CICA 80	FASB 99	ASB 99	IASC 00
Accuracy (precision)	1						*				
Clarity (Intelligibility)	2				*		*				
Comparability	8		*	*		*	*	*	*	*	*
Completeness (full disclosure) (Comprehensi-veness)	5		*			*	*			*	*
Consistency	5		*	*			*	*	*		
Data availability	1						*				
Disclosure	1									*	
Economy in presentation	1				*						
Faithful representation (Isomorphism)	4						*	*		*	*
Feasibility	3						*	*	*		
Feedback value (Confirmatory value)	3							*	*	*	
Flexibility	1						*				
Freedom from bias (neutrality)	6	*	*				*	*		*	*
Materiality	4						*	*		*	*
Measurability	1					*					
Non arbitrariness	1						*				
Objectivity	4			*	*	*	*				
Predictive value	3							*	*	*	
Prudence (Conservatism)	4				*		*			*	*
Quantifiability	1	*									
Rationality	1						*				
Realism	1				*						
Relevance	9	*	*	*		*	*	*	*	*	*
Reliability	6			*		*	*	*	*	*	
Substance over form	3			*			*				*
Timeliness	5		*			*	*	*			*
Understandability	7		*	*	*	*		*	*	*	
Uniformity	1						*				
Verifiability	4	*	*				*	*			

2.7.2 By Individuals[4]:

In the mid sixties, Sprouse (1965), in his study entitled *The Measurement of Financial Position and Income: Purpose and Procedure*, suggested the following as qualitative characteristics of accounting information: usefulness, objectivity, and feasibility.

Ijiri and Jaedicke (1966) postulated that accounting is a measurement system that has many alternative measurement methods, and accountants have been looking for characteristics which may help to choose the best measurement alternative. They indicated that accounting information, to be used by its users, must be useful, and information, to be useful, must be timely, reliable, accurate, relevant, and material. Basically, however, the authors focused on just two characteristics: reliability and objectivity.

Snavely (1967), in his extension of the ASOBAT study (AAA, 1966), suggested that there exist numerous characteristics which should be used in the process of selection

of financial accounting information if it is to be useful. These suggested characteristics form a kind of hierarchy including four levels of characteristics. The first level consists of a unique basic characteristic to be applicable to all accounting practices, that is, usefulness. Other characteristics are referred to as second level characteristics including relevance, reliability, understandability, significance, sufficiency, and practicability. These characteristics are more restricted in scope. Characteristics with even more restricted applicability are stated in the third level of the hierarchy. As shown in Figure 2.4 below, information to be useful (to meet the first-level characteristic) must meet all the six criteria in the second level. Similarly, information to be reliable (to meet one of the second level criteria) must have the requirement of reliability; this means it must be verifiable and free from bias, and so on. Lastly, Snavely noted that these characteristics are incomplete and that a great deal of time, effort, and thought must be devoted to this problem before these characteristics are completely developed.

Feltham (1972) developed a formal information evaluation model based on the fundamental axioms of decision theory. The model took numerous forms, depending on several points, of which the most important is whether the evaluation period is one period or more, so this model took two forms, "A Single - Period Information Evaluation Model" and "A Multiperiod Information Evaluation Model". The study presented relevance, timeliness, and accuracy as the necessary characteristics for information usefulness.

Black et al. (1973) stated that an accounting information system should present information which must be relevant, reliable, and timely, not only for internal uses but also for external uses.

Mader and Hagin (1974) concluded that the usefulness of accounting information will be increased if it has the following characteristics: accuracy, timeliness, reliability, response time, completeness, and relevance.

Staubus (1976) aimed to describe a set of characteristics of accounting information and to suggest some techniques for its use in making decisions. As characteristics necessary as a basis for evaluation of information used in making decisions, Staubus

Figure 2.4 Schematic Diagram of Criteria for Accounting Information:

1 st Level

Usefulness

2 nd Level

| Relevance | Reliability | Understndability | Significance | Sufficiency | Practicality |

3 rd Level

To Value the firm | To evaluate management | To evaluate Managem-ent's policies

Verifiability | Freedom from bias

Quantifiability | Consistency with user concepts | Comparability | Simplicity

Affects dicisions

Worth more than cost | Timely

4 th Level

Adequate evidence

Net income
Revenue
Expense
Financial position
Asset
Liability
Owners' equity
Value

Source: (Snavely, 1967, p. 231)

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suggested relevance, reliability, comparability, understandability, timeliness, effects via other parties, optimal quantity, cost of production, and cost of utilisation.

Imhoff (1981) presented a model which demonstrated how five characteristics may be used to provide a framework in the evaluation of accounting information. This set of characteristics was composed of: relevance, verifiability, freedom from bias, measurability, and comparability.

Stamp (1982), using the same set of QCOAI that he suggested before in the CICA's (1980) study, which included 20 characteristics[5], surveyed empirically members of the Accounting Standards Committee (ASC). He mailed a total of 22 questionnaires and received 19 of them, representing 86.36%. According to Stamp (1982), members of the ASC chosen to participate in the study received a copy of chapter 7 of the CICA's (1980) study, together with a questionnaire. They were asked to assign weights, on a scale from 0 to 10, signifying their perceptions of the importance attached to the 20 suggested characteristics. Stamp (1982) concluded that relevance was perceived as the most important characteristic, followed by clarity, substance over form, timeliness, and comparability as the second, the third, the fourth, and the fifth respectively. Other characteristics were perceived to be of lesser importance, such as precision and conservatism, which were perceived as the nineteenth and the twentieth characteristics respectively.

Joyce et al. (1982) in an empirical study, which aimed to test the assumption of SFAC No.2, that identifying and defining the appropriate QCOAI will help standard setters in selecting financial accounting methods, investigated the perceptions of 28 respondents of those who had worked on the FASB or on its predecessor, the APB, since 1968, about the QCOAI. Respondents received a questionnaire, together with a copy of SFAC No. 2, which was published in 1980 under the title, "Statement of Financial Accounting Concepts No.2". A total of 26 responses were received. Joyce et al. (1982) concluded that nine of the eleven characteristics clearly fail the test of operationality, and there was considerable disagreement among respondents on both the meaning of the characteristics and their relative importance. Also, they reported that relevance was ranked as the most important

characteristic, followed by reliability and understandability, faithful representation as the second, the third, and the fourth most important characteristics.

Solomons (1989) regarded relevance as a primary characteristic. Although he did not refer to an important characteristic, understandability, he suggested a set of characteristics, divided into main characteristics and sub-characteristics. Relevance, reliability, consistency, neutrality, and feasibility are the main characteristics. In addition, there are some sub-characteristics relating to relevance and reliability as main characteristic. Predictive value, confirmatory value, corrective value, and timeliness are sub-characteristics of relevance, so to be relevant, information must meet these sub-characteristics. Similarly, to be reliable, information should meet representational faithfulness, comperehensiveness, and verifiability. Lastly, Solomons suggested that materiality is a different kind of characteristic of information from the others stated above.

Shohaieb (1990) attempted to determine how users and preparers view QCOAI. A four - part questionnaire was designed, by which a survey was carried out among sample of external user and preparer groups in Egypt, including financial managers, members of the Central Accounting Agency (CAA), qualified auditors, creditors, the Tax Authority, and the Egyptian Accounting Standards Committee (EASC). Shohaieb mailed 750 questionnaires to his sample, and received 345 usable questionnaires, representing 46 %. Based on these, Shohaieb selected some characteristics in the form of a hierarchy. Figure 2.5 shows the selected characteristics that make information useful for decision making.

As illustrated in Figure 2.5, there are three levels of characteristics. Two of these characteristics, relevance and reliability, are main characteristics which are at the first level; if neither of these two exists, the information will be useless. Characteristics at the second and third levels are those which interact with the first level and include timeliness, comparability, understandability, feasibility, and objectivity at the second level, while the third level includes uniformity and freedom from bias. Among the study's conclusions was that the corporate annual reports were perceived by the overall sample and all groups as the most important source of information to their interests. Beside, direct contact with the company management was perceived as the second source in importance by the overall

sample and most groups, followed by advisory services and prospectuses as the third and the fourth important sources respectively. Newspapers and magazines were perceived as fifth in importance by the overall sample and most groups (6 groups).

Figure 2. 5 Shohaieb's Model

```
                        ┌─────────────────┐
                        │  Usefulness for │
                        │ making decisions│
                        └─────────────────┘
                                 │
           ┌─────────────────────┼─────────────────────┐
1 st Level   ┌──────────────┐          ┌──────────────┐
             │  Relevance   │──────────│  Reliability │
             └──────────────┘          └──────────────┘
2 nd   ┌─────────────┬──────────────┬─────────────┐         │
Level  │ Timeliness  │ Comparability│ Feasibility │─────────│ Objectivity │
       └─────────────┴──────────────┴─────────────┘         └─────────────┘
                           │                                       │
3 rd Level          ┌──────────────┐                    ┌──────────────────┐
                    │  Uniformity  │────────────────────│ Freedom from bias│
                    └──────────────┘                    └──────────────────┘

Common Criterion              ┌────────────────────┐
                              │ Understandability  │
                              └────────────────────┘
```
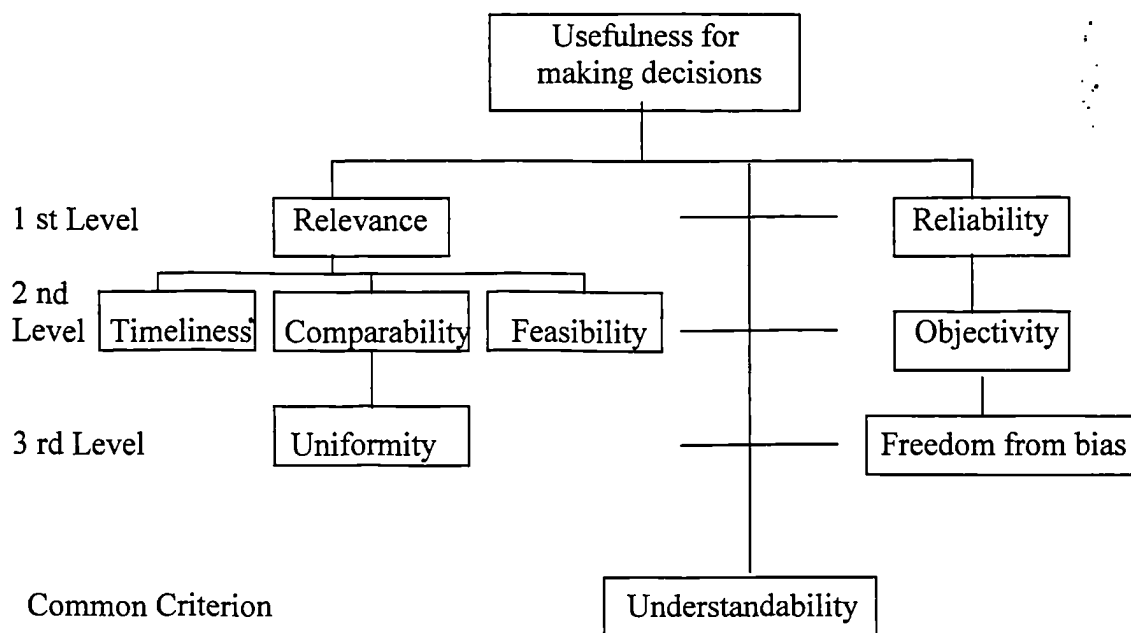
Source: (Shohaieb, 1990, p. 79)

Furthermore, Shohaieb (1990) reported that the perceived importance of sources of financial information by preparers was very similar and among users, only the financial analysts differed in their perceptions. Regarding sections of corporate annual reports, Shohaieb (1990) reported that the auditor's report was perceived as the most important section of the corporate annual reports by the overall sample and four groups and notes to the accounts were perceived as second in importance by the overall sample and as the most or the second important section by five groups. The balance sheet was perceived as the third in importance by the overall sample and by four groups and as the second by financial analysts. Also, the income statement was perceived as the fourth in importance by the overall sample and most groups. Furthermore, respondents in the study ranked objectivity as the most important characteristic, followed by relevance, timeliness, and freedom from bias as the second, the third, and the fourth most important characteristics. Shohaieb (1990)

recommended that a further investigation was needed regarding the users' perceptions of "uniformity", which was ranked as the least importance by the overall sample and most groups.

Ali (1992) carried out a study in Egypt, to investigate whether or not the information included in financial reports has the required qualitative characteristics, and the effect of that on the usefulness of financial reports. Ali surveyed a sample of external users including financial analysts, qualified auditors, financial consultants and investment analysts, and stockbrokers, 138 in total, using a questionnaire. Respondents received the questionnaires by personal delivery and returned 111 questionnaires, representing 80 % (rounded). Six characteristics, including relevance, reliability, timeliness, understandability, materiality, and disclosure were considered. Ali (1992) concluded that four of the six characteristics (relevance, timeliness, materiality, and reliability) significantly affect the usefulness of financial reports for external users, and reported that there are significant differences among user groups according to their occupation regarding their perceptions of four characteristics, namely, relevance, reliability, materiality, and disclosure. Also, Ali (1992) reported that corporate annual reports were perceived as the most important source of information, followed by advisory services and direct contact with the company management as the second and the third sources. On the other hand, the balance sheet was ranked as the first section of corporate annual reports followed by the profit and loss account, and the auditor's report as the second and the third sections. Regarding the background characteristics, Ali (1992) reported that there were significant differences among occupation groups regarding their perceptions of the importance of two sections of corporate annual reports, namely, income statement and notes to the accounts. Regarding the effect of level of education, there were no significant differences among education groups about their perceptions of the corporate annual reports, while significant differences were found among education groups in their perceptions of four characteristics, namely, relevance, reliability, materiality, and timeliness. A final point about this study is that the study used both parametric and non-parametric statistics with the nominal and ordinal data collected.

Abdullah's study (1992), also, was carried out in Egypt. Its purpose was to investigate the usefulness of accounting information in the field of rationalising the internal investment decisions using a sample of two groups including preparers of financial information related to internal investment decisions and internal investment decision makers in both top and middle management levels in 12 public sector companies in Egypt. A set of twelve qualitative characteristics was suggested: relevance, free from bias, verifiability, comparability, accuracy, understandability, effects on others, predictive value, economy, consistency, quantifiability, legality. Among them only eight characteristics were used in the empirical study. A total of 48 respondents of the two groups were selected to participate in his questionnaire survey. Abdullah (1992) reported that of the eight characteristics selected in the study, reliability was ranked as the most important characteristic, as 92.1% of respondents perceived reliability as an important or very important characteristic, followed by understandability, neutrality, accuracy, and predictive value as the second, the third, the fourth, and the fifth most important characteristics. Relevance, effects on others, and comparability were perceived as the least important characteristics, the sixth, seventh, and eighth. Two points need to be considered regarding this study. First, the author did not perform statistical analysis in his study; second, the study focused on the financial reports for internal use rather than the financial reports for general purposes, the focus of this study. Because Abdullah's study (1992) concentrated only on the financial reports for internal use, only its result regarding the importance attached to each of the QCOAI will be used in the current study, for comparisons with a similar part.

Abu-Nassar and Rutherford (1996), in a questionnaire survey conducted in Jordan in 1991, aimed to discover the view of external users of corporate annual reports. They distributed questionnaires to a sample of 463 respondents divided into five groups of external users, namely, individual shareholders, institutional shareholders, bank loan officers, stockbrokers, and academics. They received 224 usable questionnaires from respondents, representing a response rate of 48 % (rounded). They reported that the corporate annual reports are perceived as the most importance source of financial

information about the company by the overall sample and four of five groups, followed by "visits to company and communication with management" as the second source in importance. Newspapers, magazines and journals were perceived as less important, as they were ranked as the fifth source. Income statement and balance sheet were ranked as the most important sections of the corporate annual reports, as the first and the second respectively by all groups in the study, followed by the auditor's report, which was ranked third. Conversely, the directors' report was ranked as the section of least importance by three of the five groups. Also, Abu-Nassar and Rutherford (1996) reported a low degree of users' perceptions of the QCOAI in Jordan. Consistency in accounting methods within the company over time was ranked as the first characteristic by the overall sample, followed by timeliness and comparability within the company over time as the second and the third. However, this study suffered from a major weakness, as the authors did not use statistical tests to examine statistically whether or not there were differences among user groups in their perceptions.

Table 2.2 explains the frequency with which each characteristic was suggested in studies by individuals:

Table 2. 2 QCOAI Proposed by Individuals:

Characteristics	Frequency	Sprouse 65	Ijiri & J. 66	Snavly 67	Feltham 68	Black, C.,&M. 73	Mader&H. 74	Staubus 76	Imhoff 81	Joyce et al. 82	Stamp 82	Solomons 89	Shohaieb 90	Ali 92	Abdullah 92	Abu-Nassar & R 96
Accuracy	5	*		*		*					*				*	
Clarity	1										*					
Comparability	8			*			*	*	*		*		*		*	*
Completeness (full disclosure)	5						*	*			*	*				*
Confirmatory v.	1										*					
Corrective value	1										*					
Consistency	5			*							*	*			*	*
Cost of utilisation	1							*								
Data availability	1										*					
Disclosure	1													*		
Effects via others	2							*							*	
Faithful Rep.	4										*	*	*			*
Feasibility	7	*						*			*	*	*	*	*	
Feedback value	1										*					
Flexibility	1										*					
Freedom from bias (neutrality)	8			*				*		*	*	*	*		*	*
Legality	1														*	
Materiality (Significance)	5		*	*							*			*		*
Measurability	1									*						
Non-arbitrariness	1										*					
Objectivity	3	*									*	*				
Practicality	1			*												
Predictive value	3									*		*			*	
Prudence (Conservatism)	1										*					
Quantifiability	3			*	*										*	
Rationality	1										*					
Relevance	13	*	*	*	*	*	*	*	*	*	*	*	*		*	
Reliability	8	*	*				*	*		*		*	*	*		
Response time	1							*								
Simplicity	1			*												
Substance over f.	1										*					
Sufficiency	1			*												
Timeliness	12	*	*	*	*	*	*			*	*	*	*	*		*
Understandability	6			*			*			*			*	*	*	
Uniformity	2											*	*			
Verifiability	6			*					*	*	*	*			*	

Tables 2.1 and 2.2 show that some characteristics have been suggested by many studies. These include relevance (22 studies), timeliness (17 studies), reliability (14 studies), comparability (16 studies), and understandability (13 studies). In contrast to that, other characteristics have been suggested as little as one time. Examples include simplicity, practicality, and legality.

2.7.3 Notes about the QCOAI:

1- The previous efforts help to establish characteristics that can be used in evaluating the usefulness of accounting information, and pave the way for other similar studies.

2- The studies, in their attempts to determine the QCOAI for judging the usefulness of

accounting information, have presented the suggested characteristics either as a set of characteristics such as APB, Statement No.4 (1970), CICA (1980), Feltham (1972), Ali (1992), ...etc. or as a model formed by putting a number of characteristics in a hierarchical ranking, such as Snavely (1967), FASB, SFAC No 2 (1999), Shohaieb (1990), and ASB (1999b).

3- Within any given set of characteristics, a conflict may arise between some characteristics. The following are some examples of such conflict:

- Relevance and reliability over timeliness. The delay in providing information can make it out-of-date so that it loses its value for users. On the other hand, reporting on transactions and other economic events before all the uncertainties involved are resolved may affect its reliability. To resolve this conflict, ASB stated that:

> "Although financial information should generally be made available as soon as it is reliable and entities should do all that they reasonably can to speed up the process necessary to make information reliable, financial information should not be provided until it is reliable." (ASB, 1999b, p. 44)

- Another example of the conflict between relevance and reliability is related to historical cost accounting, which has a high level of reliability, as it is supported by documentary evidence. On the other hand, historical cost numbers are less relevant to users' needs, which gives the information low relevance; in contrast, current value numbers are more relevant to the decision making process, but are less reliable.

- A conflict may arise between timeliness on the one hand and accuracy and completeness on the other. Preparing the accounting information in a short time may affect its accuracy and completeness. Feltham highlighted this conflict when he stated that reduction of the time required for measurement is potentially valuable as it decreases reporting delay, while a high degree of accuracy often requires more time to achieve (Feltham, 1972).

    With regard to this conflict among characteristics, in such circumstances, a trade-off is needed to resolve this problem. In case of a conflict between characteristics, it is possible to decrease the level of one characteristic to increase the level of another, provided that a minimum level of each characteristic must be achieved before performing

this trade-off. This problem is obscure in some studies and has not been mentioned in others. IASC stated that:

> "In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally the aim is to achieve an appropriate balance among the characteristics in order to meet the objective of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgement." (IASC, 2000, p. 55).

Also FASB refers to this conflict, stating that:

> "Although financial information must be both relevant and reliable to be useful, information may possess both characteristics to varying degrees. It may be possible to trade relevance for reliability or vice versa, though not to be the point of dispensing with one of them altogether. Information may also have other characteristics shown on the chart to varying degrees, and other trade-offs between characteristics may be necessary or beneficial." (FASB, 1999, SFAC No 2, p. 47)

4- Some studies regard a characteristic like objectivity or neutrality as a principal or main characteristic, but other studies regard the same characteristic as a sub-characteristic. For example FASB (1999, SFAC No. 2), ASB (1999b), and IASC (2000) regard neutrality as a sub-characteristic of reliability, while Solomons (1989) regards it as a main characteristic.

5- The same characteristic may be used under different names. The following points give some examples:

- Objectivity has been used by the Corporate Report (1975) to mean neutrality or freedom from bias. On the other hand some studies used the word "neutrality", while others used "freedom from bias" to mean the same thing.

- Conservatism was suggested by CICA (1980) and Stamp (1982). A similar concept has been suggested under different names. For example, the Sandlands Report (1975), IASC (2000), and ASB (1999b) have presented it under the name of "prudence" which means that financial reports should show true and fair views of both "profits and losses" and "the financial position" of an enterprise.

- Isomorphism, suggested by CICA (1980) and Stamp (1982) is equivalent to the term "faithful representation" used in other studies such as ASB (1999b), IASC (2000), and Solomons (1989).

- Measurability was a term used by Imhoff, but Snavely (1967) and Abdullah (1992) have used quantifiability to give the same meaning.

- Solomons (1989) stated the characteristic of faithful representation to mean that financial reports should represent faithfully the economic events and transactions of the enterprise. Other studies such as FASB (1999, SFAC No. 2) mentioned the same characteristic under a different name, "representational faithfulness".

- Although most studies used the term materiality (i.e. Ijiri and Jaedicke (1966), CICA (1980), Ali (1992), IASC (2000), FASB (1999, SFAC No. 2), and ASB (1999b)) to mean that financial reports should not neglect any transaction that is material to users, Snavely (1967) used the word significance to describe the same quality.

- Feasibility is the characteristic with the largest number of variants. Six terms have been used to convey this meaning. "feasibility" was used by Sprouse (1965), Solomons (1989), and Shohaieb (1990); "economy in presentation" has been suggested by the Sandilands Report (1975) to mean the same thing; "benefits > costs" was used by FASB (1999, SFAC No. 2); "cost / benefit effectiveness" has been suggested by CICA (1980) and Stamp (1982); "cost and benefit" has been mentioned by ASB (1999b); lastly, "economy" has been stated by Abdullah (1992). All the above terms have been used to mean feasibility.

- The "feedback value" suggested by FASB (1999, SFAC No. 2) has also been referred to by different terms. "confirmatory value", was used by IASC (2000), and ASB (1999b), while Solomons mentioned the same meaning but he divided this characteristic into corrective value and confirmatory value (Solomons, 1989).

6- There is no agreement on the concept of some characteristics. In other words, there is no general consensus about the meaning or the framework of many characteristics. Although many studies regard objectivity as an important characteristic, it is not clear that all of them attach the same meaning to it.[6]

7- Also, there is no agreement among these studies about a specific set of QCOAI, whether among accounting professional bodies or among individuals. (e.g. although the three studies ,which were carried out in Egypt between 1990 and 1992, were in the same period and environment, they did not agree on a given set of characteristics).

8- In some of these attempts, the suggested characteristics were not in a complete form. Snavely (1967) stated that "...the criteria as presented here are incomplete." (p. 232)

9- There is confusion about some characteristics. Solomons (1986) notes that although relevance and reliability should be present if information is to be useful, they can easily be confused with each other.

10- In some studies, the suggested list of characteristics is so large that it makes the judgement process very difficult. For example, CICA (1980) and Stamp (1982) have suggested a similar set of twenty characteristics. The fewer the characteristics, the easier the list is to use.

11- Regarding those studies applied in Egypt, it is noticed that Shohaieb's study (1990) sought to ascertain what users and preparers thought of QCOAI and how they used QCOAI in choosing among alternative accounting methods. Ali's study (1992) aimed to investigate the usefulness of accounting information included in financial reports using a set of QCOAI, and Abdullah's study (1992) investigated the role of QCOAI in making investment decisions (internal uses only) and was carried out solely among public sector companies.

2.8 Notes about the Previous Studies:

This section of the chapter presents several notes about the empirical evidences of the previous studies reviewed earlier in section 2.6 of the chapter. The aim here is to present comments about the various findings drawn from previous research, whether focused on developed or developing countries including Egypt, the focus of the present study. These comments help to differentiate the current study from earlier related research. This section provides notes on previous studies on users' perceptions of the important attached to sources of financial information, section of corporate annual reports, and financial information items.

1- Regarding the users' perceptions of corporate annual reports and other sources of financial information, the literature, whether studies focused on developed or developing countries, presents extensive evidence that the corporate annual reports have been an

important sources of financial information (i.e. Chang and Most, 1977; Lee and Tweedie, 1981; Anderson, 1981; Shohaieb, 1990; Ali, 1992; Epstein and Pava, 1993; and Al-Razeen, 1999). For instance, in the US, Chang and Most (1977, 1985) and Epstein and Pava (1993) concluded that the corporate annual reports were perceived as the most important source of financial information. In Australia, Anderson (1981) reported that the corporate annual reports were seen also as the most important source. Similarly to the developed countries, in developing countries, the corporate annual reports were perceived as having the same importance (Shohaieb, 1990 and Ali, 1992 in Egypt and Al-Razeen, 1999 in Saudi Arabia). In contrast, the corporate annual reports were perceived to be of low importance as a source of financial information by Baker and Haslem (1973) and Epstein (1975) in the US, and by Bartlett and Chandler (1997) in the UK. In other studies, corporate annual reports were ranked as the second in importance (i.e. Lee and Tweedie, 1975 in the UK; Mohamed, 1991 in Egypt); and as the third by Chang and Most, 1975 in New Zealand, 1985 in the UK and New Zealand). The above findings revealed conflicting evidence about the importance attached to the corporate annual reports.

Other sources, such as Newspapers and Magazines, were perceived as having high importance by users in several studies in developed countries (i.e. Lee and Tweedie, 1975; Chang and Most, 1977, 1985; and Bartlett and Chandler, 1997). However, they were ranked as the fourth important source by users in two studies focused on Egypt (Mohamed, 1991; and Ali, 1992). This source was perceived as the least important source by Barker (1997) and Abu-Nassar and Rutherford (1996) and as the sixth in importance by Shohaieb (1990). Advisory services were perceived a high importance (the second or the third source in importance) by users in several previous studies whether in developed countries (Anderson, 1981; and Chang and Most, 1985) or in developing countries (Shohaieb, 1990; and Ali, 1992). Direct contact with the company management as a source of financial information was perceived as an important source in many studies (i.e. Shohaieb, 1990; Ali, 1992; Abu-Nassar and Rutherford, 1996; Barker, 1997; and Al-Razeen, 1999).

In the light of the above, the current study, in addition to the corporate annual reports, examines users' perceptions of the importance attached to other six sources

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available in Egypt (see question No. 2.1 of the questionnaire in Appendix A). Findings of the data analysis related to these sources are provided in 7.3 of Chapter 7.

2- Regarding sections of corporate annual reports, most studies, whether in developed or developing countries, provide a large body of evidence that income statement and balance sheet are perceived as the most important sections of corporate annual reports (i.e. Wilton and Tabb, 1978; Shohaieb, 1990; Mohamed, 1991; Epstein and Pava, 1993, Al-Mubarak, 1997; Almelegy, 1998; and Al-Razeen, 1999).

Notes to the accounts were perceived to be of less importance than the above two sections. For instance, they were perceived as the second and third sections in importance by users in Shohaieb (1990) and Anderson (1981) respectively, while they were perceived as less important in other studies (Ali, 1992; Epstein and Pava, 1993; Anderson and Epstein, 1996; and Bartlett and Chandler, 1997). The literature revealed that the auditor's report was perceived as an important section in several previous studies (i.e. Shohaieb, 1990; Ali, 1992, and Al-Razeen, 1999), while it was considered as a less important section in other studies (Anderson and Epstein, 1996; and Bartlett and Chandler, 1997).

The present study examines users' perception of sections of corporate annual reports presented by listed companies in Egypt (see question No. 2.2 of the questionnaire in Appendix A). Findings of the data analysis related to these sections are presented in 7.4 of Chapter 7.

3- Concerning users' perceptions of financial information items, the literature provides extensive evidence that financial information about future expectations, such as future dividends, profit forecasts, and cash flow projection, is perceived as important items of information (i.e. Baker and Haslem, 1973; Lee and Tweedie, 1975; McNally, Eng, and Hasseldine, 1982; Shohaieb, 1990, and Mohamed, 1991). Other information items, such as interim reports, long-term debts, subsidiaries and investment, earning perceived share, and extraordinary items, were considered as important information items (Chandra, 1974; Wallace, 1988; Mohamed, 1991; Ibrahim and Kim, 1994; and Al-Razeen, 1999). On the other hand, other items were perceived as having less importance. Examples of these items are corporate social information, information about employees, income tax payment (i.e.

McNally, Egs, and Hasseldine, 1982; Shohaieb, 1990; and Ibrahim and Kim, 1994).

The present study examines the perceived importance of 32 financial information items which could be presented in corporate annual reports of listed companies in Egypt (see question No. 4 of the questionnaire, Appendix A). More details about these items are provided in Chapter 6, while findings of the data analysis related to these financial information items are provided in Chapter 9.

4- Many of the previous studies, whether in developed or developing countries, examined the perceived importance of sets of financial information items. These sets of items were varied from one study to another as they included different types of information. Besides, the number of items in each study differed. For instance, this number was 75 items of information in Firth's study (1978), 38 items in Mohamed's study (1991), 102 items in Wallace (1988), 20 items in Shohaieb, (1990). As mentioned earlier, the current study examines the perceived importance of 32 information items.

5- Although many previous studies included statistical analysis, some of them did not. For example Anderson (1981), Mohamed (1991), Abdullah (1992) and Almelegy (1998) did not use statistical analysis needed to generalise findings drawn from these studies. On the other hand, some studies (e.g. Chandra, 1974; and Firth, 1978) used parametric statistics with nominal and ordinal data that are more suitable to be analysed by non-parametric statistics (see 6.7.5 of Chapter 6). In the current study, non-parametric statistics, such as the Chi-square Test for one sample, Mann-Whitney U Test, and Kruskal-Wallis Test, are used in the data analysis together with some descriptive statistics such as percentages, the mean, and the Kendall W of Concordance. The reasons for using non-parametric statistics and the conditions of each test used in this study are presented in Chapter 6.

6- Some previous studies examined the perceptions of one group of users such as individual investors, financial analysts, and bank loan officers. Examples of these studies include: Lee and Tweedie (1975), Chang and Most (1977), Anderson (1981), Stanga and Tiller (1983), Epstein and Pava (1993), Anderson and Epstein (1996), and Al-Mubarak (1997). On the other hand, many studies did not restrict the investigation to a single group, but they examined the perceptions of users in different groups such as financial or

investment analysts, bank loan officers, stock exchange members, institutional investors, individual investors, stockbrokers, and academics. Examples of these studies include Firth (1978), Chang and Most (1985), Wallace (1988), Shohaieb (1990), Ali (1992), Ibrahim and Kim, 1994, Abu-Nassar and Rutherford (1996), and Almelegy (1998).

The literature provides conflicting evidence regarding the significant differences among various groups in previous studies. For example, several studies reported that there are no significant differences among different groups in each study. Firth (1978) found substantial agreement between two groups in the perceived importance of 81 percent of the 75 financial items included in the study. Also, Shohaieb (1990) concluded that the perceived importance of the sources of financial information by preparers is similar, and among users, only financial analysts differ in their perceptions, and also corporate annual reports were perceived as the most important source of financial information by all groups. On the other hand, other studies found significant differences among different user groups. For example, Wallace (1988) reported that there were significant differences in perceptions among different groups surveyed in his study. Solas and Ibrahim (1992) and Ibrahim and Kim (1994) reported that there were significant differences in the users' perceptions in their studies. Lastly, Ali (1992) found that user groups differed in their perceptions of the importance attached to QCOAI and, among occupation groups, there were significant differences in relation to four of six characteristics.

The current study examines users' perceptions of five user groups, namely, financial analysts, decision makers (investors), academics, stockbrokers, and staff of the regulatory and observatory bodies. The reasons for choosing these groups and other details about the groups and their selection are provided in Chapter 6 of the thesis.

Some of the previous studies used information about the background of respondents such as level of education, and years of experience in the data analysis, to gather more evidence about the effects of users' background on their perceptions. Examples of these studies include Ali (1992) and Al-Mubarak (1997). For instance, Ali (1992) reported that according to level of education there are no significant differences among user groups regarding the perceived importance of corporate annual reports, while

there are significant differences in four of six characteristics. Also, Al-Mubarak (1997) concluded that years of experience have no effects on users' perceptions of the importance attached to different sources of financial information. In addition to the proposed analysis mentioned above, the current study, with the aim of providing further evidence about the impact of background characteristics, analyses the data collected in the survey (Chapters 7, 8, and 9) according to users' level of education and years of experience.

7- Regarding previous studies in Egypt (i.e. Shohaieb, 1990; Mohamed, 1981; Abdullah, 1992; Ali, 1992; Ibrahim and Kim, 1994; and Almelegy, 1998), they might be criticised on the following grounds. Although all of them were conducted in the same environment, Egypt, the focus of the current study, this environment has witnessed major changes, especially in financial reporting practice, during the last decade. One of these changes is the adoption of IASs which were adopted in two different stages. First, the full adoption of IASs, when the CML, Article 58 of its ERs, indicated that every company offering its securities for public subscription should provide the CMA with financial reports prepared according to the IASs; second, the issue of EASs which are generally based on the IASs with minor changes to meet the Egyptian environment. Other changes in the Egyptian environment are the issue of the CML No.95 of 1992 which is considered as a landmark in financial reporting practice in Egypt and the activation of the Egyptian securities market (refer to Chapter 7). None of the previous studies focused in Egypt examined or provided empirical evidence after the issue of the EASs. This means that none of those studies examined users' perceptions about the new statement, the suggested dividends statement, first prepared in 1998 by listed companies. The following are a few notes which should be mentioned regarding each of these studies accomplished in Egypt.

- Shohaieb (1990). Not only was this study, like most previous Egyptian studies, accomplished before the issue of CML and the EASs, but also it focused on some different user groups (e.g. two of the surveyed groups included in the study were related to the financial reporting practice of public companies that adopted the Uniform Accounting System - UAS). Also Shohaieb (1990) ignored stockbrokers as an important group of users of corporate annual reports.

- Mohamed (1991). This study did not include any statistical tests. Furthermore, the study ignored an important source of financial information, direct contact with the company management, and some sections of corporate annual reports such as notes to the accounts and cash flow statement. The study also did not differentiate between different user groups as there was only one user group, namely, external users.

- Abdullah (1992). This study focused on the usefulness of financial information for internal uses, so it ignored the financial information of corporate annual reports. Also, Abdullah (1992) did not perform statistical tests.

- Ali (1992). This study was conducted before the issue of EASs and the CML. Further, it did not examine the suggested dividends statement as a new requirement by the EASs issued in 1997. The study ignored investors as an important user group. Ali (1992) used both parametric and non-parametric test although the data were nominal and on an ordinal scale, which are more appropriately analysed by non-parametric tests.

- Ibrahim and Kim (1994). Although this study used the relevant statistics for nominal and ordinal data, non-parametric tests, to investigate the differences among user groups, it, unfortunately, did not disclose which financial information items were the subject of such differences. The study also did not examine the users' perceptions of the corporate annual reports, other sources of financial information and sections of corporate annual reports.

- Almelegy (1998). This study did not examine users' perceptions of corporate annual reports and other sources of financial information. Also, notes to the accounts as a section of corporate annual reports was not examined. No statistical analysis was performed in this study to test the differences among user groups surveyed in the study.

8- Previous studies have been conducted in both developed and developing countries. The majority of previous studies focused on corporate annual reports and other disclosure issues in developed countries such as the UK, the US, New Zealand, and Australia (e.g. Lee and Tweedie, 1975; Epstein, 1975; Chang and Most, 1977; Anderson, 1981; Anderson and Epstein, 1996; and Bartlett and Chandler, 1997. Little empirical research has been focused on developing countries in general and on Egypt in particular, in comparison to in developed countries. In the light of the above argument and the noticeable shortage in

empirical evidence from developing countries, the present study focuses on users' perceptions in Egypt as a developing country, especially as some of the previous studies conducted in Egypt suffer from some weaknesses, as discussed in the previous point.

This study investigates users' perceptions in three main areas. First, the importance attached to different sources of financial information together with different sections of corporate annual reports, Chapter 7; second, the suitability of a selected set of QCOAI to be used in evaluating the importance attached to financial information items and the importance attached to each of the QCOAI, Chapter 8; and third, the importance attached to 32 financial information items, Chapter 9. This investigation is conducted in Egypt in the light of the massive changes in the financial reporting practice resulting from the issue of the CML No. 95 of 1992, the adoption of EASs which are generally based on the IASs, and the issue of new listing rules in the CASE.

2.9 Summary:

The main purpose of this chapter was to review the literature related to users' perceptions of the importance attached to corporate annual reports and their sections, and the QCOAI. In doing so, the chapter was divided into many sections. The first section was devoted to the objectives of financial reports, and the second section discussed the definitions of QCOAI, whether in dictionaries or in related studies. The following sections discussed the nature and features of QCOAI and their importance. In the last two sections, sections 2.6 and 2.7, previous studies of two different types were presented: first, those of users' perceptions of importance attached to different sources of financial information, sections of corporate annual reports, and sets of information items; second, those studies interested in QCOAI, whether by accounting professional bodies or by individuals. Several comments on the previous studies were made in section 2.8 with the purpose of differentiating the current study from the previous work in the literature. In the next chapter, each of the QCOAI will be discussed in some details, with the aim of choosing a suitable set to investigate the usefulness of accounting information in financial reports presented by the listed companies in Egypt.

Notes to the Chapter:

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[1] - The expression, "qualitative characteristics of accounting information" or "QCOAI" will be used in the study to mean what has been named in other studies "accounting information criteria" (e.g. Snavely, 1967, Feltham, 1972, Shohaieb, 1990), "accounting information standards" (e.g. AAA, 1966), "qualitative objectives" (e.g. APB, Statement No. 4, 1970), and "qualities of information" (e.g. FASB, 1976).

[2] One of the main objectives of the current study is to use these characteristics to evaluate the usefulness of financial information included in the corporate annual reports (see Chapters 1 and 8).

[3] - Other attempts have been made regarding one characteristic such as relevance or timeliness, but for the purposes of this study, the focus will be on those attempts which suggested a set of characteristics.

[4] Some studies, Stamp (1982); Joyce et al. (1982); Shohaieb (1990); Ali (1992); and Abu-Nassar and Rutherford (1996), will be presented in more detail than others, because their results will be compared with this study's results.

[5] For details about these twenty characteristics, See the above section, section 2.7.1.

[6] - See 3.2.16 of the next chapter.

CHAPTER THREE

A Selected Set of QCOAI

3.1 Introduction:

This chapter aims to provide a theoretical analysis of the QCOAI proposed in the accounting literature. Thirty characteristics will be discussed in this chapter. This discussion will help in selecting a suitable set of QCOAI that can be used to investigate users' perceptions of the usefulness of accounting information that could be presented by listed companies in Egypt in the light of the disclosure requirements of the EASs, the CASE, and the CML No. 95/1992.

The discussion in this chapter focuses first on the theoretical analysis of thirty qualitative characteristics, and then on the selection of a set of QCOAI that is suitable to the study's objectives, including the basis on which the selection was made.

3.2 Theoretical Analysis of QCOAI:

In the 1960s, AAA stated that accounting information must be useful to its users both inside and outside the enterprise (AAA, 1966). Also, Pankoff and Virgil, in their study about the usefulness of financial reporting, defined usefulness as "the extent to which information facilitates decision making." (Pankoff and Virgil, 1970, p. 270)

In its Statement of Principles for Financial Reporting, ASB stated that, "In deciding which information to include in financial statements, when to include it and how to present it, the aim is to ensure that financial statements yield information that is useful." (ASB, 1999b, p. 32)

Regarding the definitions of QCOAI, whether by individuals or by accounting bodies[1], it can be noticed that most definitions view the purpose of QCOAI as to make accounting information useful to its users (i.e. QCOAI are the characteristics that make the information included in financial reports as useful as possible to users in the light of their various needs).

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It can be seen from the above that financial information should be useful to its various users through reducing uncertainty and facilitating decision making; and the purpose of QCOAI is to help to make financial information as useful as possible.

In the light of the foregoing, usefulness can be considered a general characteristic, so many studies put it in the highest level of a given set or model of QCOAI. This study will consider usefulness not only as a general characteristic but also as an object or aim that we try to achieve, using other QCOAI. Thus, usefulness will not be considered as a qualitative characteristic, as are relevance, reliability, or timeliness.

The following is a theoretical analysis of QCOAI proposed in previous studies:

3.2.1 Accuracy:

Many studies have suggested accuracy as a QCOAI (Ijiri and Jeadicke, 1966; CICA, 1980; Stamp, 1982; and Abdullah, 1992). Simply, accuracy means that the presented information should be correct and have no errors. The process of predicting the future that is needed for decision making relies on the presented information about the past. Inaccurate information about the past may mislead its users in prediction of future; hence, wrong decision may be taken. The measurement process determines the relationship between the enterprise's transactions and the signals recorded. Measurement errors increase the uncertainty about the past but their removal or reduction might decrease uncertainty about the future and so improve the decision making process (Feltham, 1972).

According to Abdullah (1992), accuracy includes many items such as accuracy of measurement method; accuracy in using the method; accuracy of data recording; accuracy of information reporting; and accuracy of the person responsible for measurement. With respect to the above items of accuracy that suggested by Abdullah, it can be noticed that it expands the concept in such a way as to overlap with other independent characteristics, neutrality and relevance.

3.2.2 Clarity:

Clarity was suggested as a qualitative characteristic by CICA (1980) and Stamp (1982). It means that accounting information should be presented without obscurity. Vague

information will not be understandable to its users. Clarity could be accomplished by presenting additional accounting information, whether in the financial reports or as a separate report. Although providing detailed accounting information makes it clear and easy to be understood, it might make it boring and wasteful of time.

Clarity relates to other characteristics such as simplicity and understandability, where simplicity is considered a result of clarity (clear accounting information is simple to use). Also, obscure information might be difficult to understand. So clarity can be seen as a component or part of understandability. In this respect, the researcher agrees with Shohaieb when he stated, "Clarity cannot be considered an accounting information criterion for two reasons:

- It does not have the qualities an accounting information criterion should have.

- It is a feature of another criterion, such as understandability." (Shohaieb, 1990, p. 18)

3.2.3 Comparability:

Comparability was mentioned as a qualitative characteristic in many studies. It is an important characteristic as it enables users of accounting information to compare companies' results. Some studies (such as: IASC, 2000, and ASB, 1999b) consider it as a main characteristic, while others (such as: FASB, 1999, SFAC No.2; Shohaieb, 1990; and Snavely, 1967) consider it as a sub-characteristic of other main characteristic. Decision making involves comparing alternatives, so it is very important that accounting information be worthy of comparison on both interperiod and intercompany bases if financial reports are to serve their basic objectives (Parker, 1975).

Five types of comparability can be identified:

(1) interperiod comparability, which refers to comparison of financial information of one enterprise; (2) intercompany comparability, which relates to enterprises within the same industry; (3) interline comparability, which refers to the comparison on one financial report; (4) intraline comparability, which means that the aggregation of some items to be presented as one item or number should be comparable; and (5) comparability related to the length of financial reports (Staubus, 1977).

Comparability can be accomplished when the same economic transactions and events are treated in the same way, using the same methods. Anthony declared that similar transactions and events should be treated similarly by all enterprises. (Anthony, 1983)

The Corporate Report referred to the requirements of comparability when it stated that "Consistency in application of accounting concepts and policies is one means of achieving comparability, particularly for the comparison of the entity against itself." (Corporate Report, 1975, p. 29)

Wolk, et al. (2001, p.149) note the relationship between comparability and uniformity, stating, "Comparability might be improved by more uniformity, but costs may exceed benefits".

Also, to achieve valid comparability, there should be no noticeable differences among the presented information. To judge the comparability of accounting information, external users should have sufficient information about both the applied accounting methods and procedures applied, and the alternative methods that could have been used.

Tas (1988) added that the external user need to know reasons for choosing given accounting methods, but they will not be capable to do so. Also, Miller (1978) argued that to make a valid comparison among financial reports, certain conditions must be met, and the most important of which is that information should be sensible. This means that the chosen accounting methods should be reasonable. Also, external users need to check the enterprise's books to see whether the chosen methods and procedures are reasonable, and this, too, is difficult to do.

Most definitions of comparability emphasised the user perspective, with which this research agrees. For example, the Corporate Report gave the following definition of comparability that this study agrees with, it asserted that "the information should be expressed in terms, which enable the user to compare the entity's result over time and with other similar entities" (Corporate Report, 1975, p. 29).

FASB has defined comparability as follows: "The quality of information that enables users to identify similarities in and differences between two sets of economic phenomena" (FASB, 1999, SFAC No. 2, p. 33). Comparability also is defined as "the

degree of concentration of choice of alternative accounting methods in respect of accounting polices disclosed in financial statements" (Chan and Li, 1992, p. 78).

Snavely indicated that comparability is a component of understandability, stating that " the criterion of comparability recognises that the accounting information in financial statements is more understandable when it is presented so that it can be compared with similar information concerning other firms, and also other periods of the same firm" (Snavely, 1967, p. 230). Although, comparable information may be more understandable, the researcher does not view comparability as a sub-characteristic of understandability.

3.2.4 Completeness:

Completeness has been mentioned as a qualitative characteristic by many studies in different terms, as a sub-characteristic of reliability or as a separate characteristic. ASB and IASC suggested completeness as one of the components of reliability, and ASB (1999b) used the term "complete", while IASC (2000) used the term "completeness". Also, Solomons (1989) used "comprehensiveness" and "full disclosure" was used by CICA (1980) and Stamp (1982) to mean completeness.

The incomplete information or omission of important information might affect on users' decisions. Langenderfer (1973) referred to completeness as full disclosure of financial information, having no regard to the kind of information, whether quantifiable or unquantifiable. Along the same lines as the above, Schattke et al. (1974) confirmed the need for full disclosure of financial information. They stated that "financial accounting should present all information about resources, obligations, and changes in them" (Schattke et al, 1974, p. 44).

In the light of the above insistence on full disclosure, it is likely that financial reporting will be very complex and high in cost. Furthermore, full disclosure or presenting surplus information might be boring and mislead the decision-maker. Also, the disclosure of certain information might risk the firm's financial position.

APB, Statement No. 4, suggested a definition of completeness through the achievement of other characteristics. It stated that "complete financial accounting information includes all financial accounting data that reasonably fulfil the requirements of the other qualitative objectives." (APB, Statement No. 4, 1970, par. 94)

IASC, which considered completeness a sub-characteristic of reliability, gives a definition of completeness that relates to materiality and feasibility. IASC stated that "to be reliable, the information in financial Statements must be complete within the bounds of materiality and cost." (IASC, 2000, p. 53)

3.2.5 Consistency:

Consistency, as a QCOAI, was suggested by many studies as a separate characteristic or as a sub-characteristic either of comparability (ASB, 1999b; and FASB, 1999, SFAC No. 2) or of understandability (Snavely, 1967). For comparability purposes, it is preferred that financial reports are prepared using the same basis from period to period. Financial reports will be affected by changes in applied accounting methods and procedures, so consistency requires the preparers of financial reports to use the same accounting methods and procedures.

In addition to comparability purposes, consistency is required to assist in making reliable predictions, especially when there is difficulty in making predictions on time series that are prepared in different methods over time. In this respect, Hendriksen and Breda (1992, P. 142) stated that "consistency in the use of accounting procedures overtime it is required because of the difficulty of making predictions based on time-series data that are not measured and classified in the same way over time".

Consistency does not mean, however, that a specific set of accounting methods and procedures should be applied over time; it is possible to change from one method to another if it is found that there is a better method to be used. Most often, when change from one method to another occurs, it is necessary to disclose the reason and the effect of the change(s). This means, if there is a change from one method (for example a method of depreciation or stock evaluation .... etc.) to another, where the change seems beneficial,

both the reason and the effects of this change and the financial position under both methods should be clearly disclosed.

Consistency might affect accounting progress. Solomons indicated that less insistence on consistency is needed to make accounting progress possible (Solomons, 1986). In this respect, it is likely that absolute consistency could adversely affect accounting progress.

In accounting practice, consistency seems to conflict with the characteristic of prudence. For example, according to prudence, the principle of "cost or market price-whichever is lower" is applied evaluating stock, so stock evaluation may be done by different methods over time. Here, a conflict may arise with consistency. Besides, accounting practice might breach consistency by treating goodwill in the balance sheet, where it is included when it has been purchased but not when it has been internally generated (Solomons, 1995).

Many definitions of consistency have been suggested. For instance, Hendriksen defined it as follows: "consistency has been used to refer to the use of the same accounting procedures by a single firm or accounting entity from period to period, the use of similar measurement concepts and procedures for related items within the statements of a firm for a single period." (Hendriksen, 1982, p. 73)

In the early 1960s, Moonitz suggested that "the procedures used in accounting for a given entity should be appropriate for the measurement of its position and its activities, and should be followed consistently from period to period" (Moonitz, 1961, p. 53). The above definition of Moonitz, which is accepted in this study, presents a valid comparison because it concentrates on the "appropriate" procedures for measurement of the activities and the financial position of an enterprise.

3.2.6 Disclosure:[2]

Disclosure as a qualitative characteristic has been suggested by Ali (1992) and ASB (1999b). Disclosure of accounting policies that used in the preparation of financial reports and of any alterations in those policies and the effects of such alterations are necessary for comparability purposes.

For comparison purposes, users need to be able to identify differences between the accounting policies applied from period to period by the enterprise; the accounting policies applied by the enterprise to account for like economic transactions and events; and the accounting policies applied by different enterprises (ASB, 1999b).

According to APB (1972, Opinion No. 22) disclosure refers to relevant financial information both inside and outside the main body of the financial statements themselves, including methods employed in financial statements where more than one choice exists or an unusual or innovative selection of methods.

A final point should be made, that disclosure in its normal definition[3] cannot be considered as a QCOAI because it is one of the main tasks or functions of accounting. But disclosure, as a qualitative characteristic of accounting information, refers to disclosure of the accounting methods and procedures used in the preparation of financial information and of any alterations in them, and the effects of such alterations, which is necessary for comparability purposes.

3.2.7 Effects via Others:

Staubus (1976) and Abdullah (1992) stated effect via others as a qualitative characteristic. This characteristic refers to the fact that disclosure of accounting information presented in financial reports will have effects on others, so these effects should be taken into consideration when choosing among accounting methods and procedures. Staubus explained this characteristic when he stated that "any person who chooses among alternative accounting methods should consider the effects of each method on his own interests through the actions of other parties." (Staubus, 1977, pp. 51-52)

Also, this characteristic is related to users of accounting information, as many user groups use financial reports. Thus, in case of many accounting alternative methods, it is preferred that preparers of financial reports choose the method that is most beneficial to the other parties.

One point that can be made is that this characteristic seems to be a part of relevance, as a basic characteristic, rather than a separate characteristic.

3.2.8 Faithful Representation:

Faithful representation or representational faithfulness, a characteristic suggested under the name "isomorphism" by both CICA (1980) and Stamp (1982) and "credibility" by Abu-Nassar and Rutherford (1996), was suggested as a sub-characteristic of reliability by many studies (FASB, 1999, SFAC No. 2; ASB, 1999b; IASC, 2000; and Solomons, 1989).

ASB, for instance, indicated that information is reliable if "it can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent" (ASB, 1999b, p. 36). Faithful representation refers to correspondence between accounting numbers presented in financial reports and what those number purport to present. For example, a balance sheet presented by an enterprise at a certain date should represent faithfully the enterprise's assets, liabilities, and equity at that date.

There is a possible risk that accounting information may be less than a faithful representation of that which it purports to portray. IASC refers to the reasons for this risk, saying that:

> "This is not due to bias, but rather to inherent difficulties either in identifying the transaction and other events to be measured or in devising and applying measurement and presentation techniques that can convey messages that correspond with those transactions and events." (IASC, 2000, p. 50)

Shohaieb refers to another point of this characteristic when he argues that faithful representation should be viewed with caution, as presented accounting information often results from approximate - not exact - measures, judgements, and classifications (Shohaieb, 1990).

There is no noticeable difference among the definitions of faithful representation; most definitions concentrate on the correspondence between accounting numbers and the represented phenomenon. FASB defined representational faithfulness as:

> "correspondence or agreement between measure or description and the phenomenon it purports to represent. In accounting, the phenomena to be represented are economic resources and obligations and the transactions and events that change those resources and obligations." (FASB, 1999, SFAC No. 2, p. 52)

Also, a simple definition of faithful representation accepted in this study is suggested by ASB: "A transaction or other event is faithfully represented in the financial statement if the way in which it is recognised, measured and presented in those statements corresponds closely to the effect of that transaction or event." (ASB, 1999b, p. 37)

3.2.9 Feasibility:

Feasibility, or a characteristic with much the same meaning, has been mentioned by many studies, in various terms (feasibility, economy, economy in presentation, benefit > cost, cost / benefit effectiveness, and cost of utilisation). In spite of that, feasibility is considered one of the QCOAI by some studies (Snavely, 1967; Solomons, 1989; and Shohaieb, 1990), other studies considered it as a pervasive constraint or a limitation on the application of QCOAI. In this respect, FASB and IASC argued that feasibility is a pervasive constraint rather than a qualitative characteristic. IASC explicitly stated that "The balance between benefit and cost is a pervasive constraint rather than a qualitative characteristic." (IASC, 2000, p. 55)

The researcher agrees with the IASC's view that feasibility can be considered a compulsion or constraint that helps in the application of QCOAI.

According to the feasibility concept, accounting information is considered as an economic good or service like any other, and it is supposed that the cost of preparing accounting information does not exceed its benefits. In this respect, an argument may arise that there is an important difference between information as an economic good and other economic goods in the market (Al-Sherazy, 1990).

Similarly, FASB referred to this problem and declared that accounting information differs from economic goods and its market, also, differs from the real market. FASB stated that "financial information is unlike other commodities in certain important respects ... but in the real world the market for information is less complete than most other markets" (FASB, 1999, SFAC No. 2, p. 71).

One point that can be made is that although economic enterprises bear the expenses of producing and communicating accounting information, external users might

get most of the direct benefits. In other words, the benefit of financial information may be a public benefit to the whole society, one part of which is the enterprise.

Many definitions have been suggested for feasibility. The researcher has noticed that there is no important difference among them. For instance, it is means that "the benefit from information must exceed the cost of furnishing it" (Anthony, 1983, p. 77).

FASB gives the following definition of feasibility: "Information can be useful and yet be too costly to justify providing it. To be useful and worth providing, the benefits of information should exceed its cost" (FASB, 1999, SFAC No. 2, p. 43).

Without doubt, it is not easy to determine the cost of preparing and disclosing accounting information and its benefits. These costs may include different items such as the cost of gathering, management supervision, audit and legal fees and also the cost of dissemination of the information (Cooke, 1992). Also, this cost may include negative effects on the competitive position of the enterprise. In addition to the cost to preparers, there is some cost to the users such as that of time wasted in using irrelevant information, and the cost of financial consultation and analysis. Measurement of the benefit of accounting information is not easy to achieve. FASB noted this difficulty when it stated that "the benefits from financial information are usually difficult or impossible to measure objectively" (FASB, 1999, SFAC No. 1, p. 12). Consequently, IASC noted that "the evaluation of benefits and costs is, however, substantially a judgmental process" (IASC, 2000, p. 55).

3.2.10 Feedback Value:

This characteristic has been suggested by FASB as a component of relevance. Other studies referred to it by other terms, i.e. confirmatory and corrective value (Solomons, 1989), and confirmatory value (IASC, 2000; ASB, 1999b). This characteristic is used to mean that information can improve decision makers' ability to predict, whether by confirming or by correcting their earlier expectations.

FASB defined feedback value as follows: "The quality of information that enables users to confirm or correct prior expectations" (FASB, 1999, SFAC No. 2, p. 33). FASB,

argued that the importance of feedback value is that information that gives knowledge about results of taken actions can improve decision-makers' capacities to predict the results of similar future actions.

ASB agrees with FASB's viewpoint on this characteristic and considers it as a component of relevance. It has stated that "relevant information has predictive value or confirmatory value. ... Information has confirmatory value if it helps users to confirm or correct their past evaluations and assessments" (ASB, 1999b, p. 35).

This characteristic seems a component of another basic characteristic (relevance), and is related to predictive value. Consequently, it is possible to dismiss it as a separate characteristic.

3.2.11 Flexibility:

Flexibility has been mentioned by CICA (1980) and Stamp (1982). It is the opposite of uniformity, and it refers to different possible applications among different enterprises for the same transaction, whether in measurement or in disclosure. CICA explained the need for flexibility when it noted that "the need for flexibility ... arises from the importance of ensuring that there is room for innovation and the emergence of new ideas and techniques of financial measurement and disclosure" (CICA, 1980, p. 64).

Riahi-Belkaoui supported flexibility when he wrote: "The use of uniform accounting procedures to represent the same item occurring in many cases poses the risk of concealing important differences among cases." (Riahi-Belkaoui, 2000, p. 181)

Depreciation, inventory and cost of goods sold accounting are illustrations of flexibility. For instance, enterprises may choose among FIFO, LIFO, and weighted-average methods as they see fit. Also, in depreciation accounting, enterprises can choose among many acceptable methods such as the straight-line, accelerated methods, and the annuity method.

Flexibility may not be supported for the following reasons: First, it may weaken other characteristics (e.g., it increases the diversity created by the use of different accounting procedures by different firms, and hence makes comparability difficult to

achieve); second, "Flexibility evidently leads to confusion and mistrust." (Riahi-Belkaoui, 2000, p. 181).

3.2.12 Legality:

Legality as a qualitative characteristic has been mentioned by Abdullah (1992) to mean that preparers of financial reports should observe the relevant laws in collecting, preparing, and presenting the accounting information included in financial reports. This characteristic should be considered in case of financial reports that are prepared according to legal regulations, where there are legal requirements. However, in the case of a voluntary disclosure or reports prepared for internal use, it is possible to neglect the legal requirements of accounting disclosure.

3.2.13 Materiality:

Materiality, which has been suggested as a QCOAI by many studies[4] (Ijiri and Jeadicke, 1966; and Ali, 1992), or as a threshold quality by others (FASB, 1999, SFAC No. 2; ASB, 1999b), is interested in the answer to the following question: is the item large enough to affect the decision inclination of the decision maker?

Materiality refers to the notion that insignificant information items should not be given the same emphasis as those that are significant (Alexander and Britton, 1999). Financial reports should include material information that may affect on financial position and performance results (CMA, 1998). Materiality is important, as some accounting information users cannot understand financial reports easily. Furthermore, the presentation of more details of accounting information may make it difficult to understand and analyse. An item of information should be considered material if its misstatement or omission might reasonably be expected to affect the user's decision on those financial reports (IASC, 2000).

Snavely (1967) argued that materiality in most instances might be a combination of two characteristics, significance and sufficiency, but other writers note the existence of a relationship between materiality and relevance, where information that is not well

related to the objective of financial reports may not be considered as important information; hence, there is no need for it to be disclosed (Al-Sherazy, 1990). Materiality, also, has a relationship with disclosure, in that material items should be disclosed in detail and other immaterial items may be ignored.

In accounting practice, a problem of what is material may arise, especially as materiality differs according to the various situation and circumstances of users of accounting information. Also, the absence of a clear concept of materiality might increase the level of personal judgement of accountants, and hence generate bias.

ASB announce that materiality depends on the size and nature of the item and suggested some principal factors to be taken into account in combination form. These factors are:

> "a- the item's size is judged in the context both of the financial statement as a whole and of the other information available to users... .
> b- consideration is given to the item's nature in relation to:
> (i) the transactions of other events giving rise to it;
> (ii) the legality, sensitivity, normality and potential consequences of the event or transaction;
> (iii) the identity of the parties involved; and
> (iv) the particular headings and disclosures that are affected."
> (ASB, 1999b, p. 43).

Despite the above suggestions, in accounting practice, materiality may require both great efforts and much time. FASB gave a definition of materiality, which this study accepts, when it referred to:

> "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement." (FASB, 1999, SFAC No. 2, p. 33)

3.2.14 Neutrality:

This characteristic is referred to interchangeably as neutrality and freedom from bias. It means that the presented accounting information should not discriminate between user groups who already have opposing interests. Bias might be intended, such as the case of lack of integrity, or unintended, due to the preparers' lack of skills and experience.

In accounting practice, there are many examples of bias. Income smoothing, which enables the enterprise's management to control its income by using specific accounting methods, may encourage users of accounting information to think that the risk adhered to the enterprise's operation is lower than it is.

ASB explains the meaning of neutrality, which this study accepts, as follows: "Financial information is not neutral if it has been selected or presented in such a way as to influence the making of decision or judgement in order to achieve a predetermined result or outcome" (ASB, 1999b, p. 38).

A final point can be made about bias. Bias in external reports, with which this study is concerned, differs from that of internal reports, which are presented to only one user group (the enterprise's management). The latter type of bias is likely be accepted, as it may assist the management to make decisions, providing it is measured and recognised.

3.2.15 Non Arbitrariness:

CICA's study (1980) and Stamp (1982) are the only studies that mentioned non arbitrariness as a qualitative characteristic. This characteristic means that accounting information must not be subjective. CICA (1980) argued that the difficulty of rational and non-subjective choice between alternative methods of handling depreciation, such as the reducing balance basis, the sum of the digits basis, and the straight-line basis, is a good example to explain this characteristic. According to the above, non arbitrariness tends to be one of the requirements of objectivity. In other words, it can be considered a component of objectivity instead of a separate characteristic.

3.2.16 Objectivity:

According to the Oxford English Dictionary (1989), objectivity means: "the quality of character of being objective; especially the ability to present or view facts uncoloured by feelings, opinions, or personal bias." (Vol. IV, p. 1965)

Different meanings were given by Hendriksen (1982). First, objectivity indicates that the measurement has an existence separate from the person who undertakes the

process of measurement itself (the absence of subjective valuation). Second, objectivity

emphasises the evidence, rather than on the measurement itself (the verifiable evidence).

Third, objectivity refers to the existence of the intrsubjective consensus of qualified

experts on accounting measurement. With regard to the above meanings of objectivity, it

relates to the characteristics of neutrality and verifiability.

Also, it can be noticed that the previous meanings are not different but they are

integrated, in that objectivity implies that measurement has a high degree of verifiability

and neutrality.

In accounting practice, although accountants should avoid the possibility of

subjective judgements as far as possible, there are clear examples of personal estimation,

such as the evaluation of fixed assets' age. The accounting literature recognised various

levels of objectivity. Wojdak referred to three different levels of objectivity as follows:

> "Level 1- pure or metaphysical objectivity - total independence
> from man collectively as well as from specific individuals...; Level
> 2- methodological objectivity - total independence from specific
> individual...; Level 3- operational objectivity - independence from
> the judgmental thought processes of specific individuals."
> (Wojdak, 1970, p. 89)

Different definitions have been suggested for objectivity. Because of the

disagreement on objectivity's meaning, there is no agreement on its definitions. Some

definitions emphasised verifiable evidence; others concentrated on the avoidance of biased

information, and others emphasised a consensus of qualified experts.

Henderson and Peirson (1984), who emphasised the objectivity of evidence,

defined it as follows:

> "In practical terms, objectivity means that an accountant requires
> evidence of the existence and the amount of transaction before
> recording it in the books ..... the documentary evidence is the
> stimulus for recording transaction. It involves no guesses or
> estimates by the accountant." (p. 84)

Ma and Mathews, who concentrated on the consensus of qualified experts, argued

that objectivity in accounting means that a group of qualified accountants agrees on the

measurements (Ma and Mathews, 1979, p. 157). Also, Harvey and Keer gave the same

meaning of objectivity when they stated, "Entries made in ledgers and accounts must be

capable of verification by an independent party and thus are said to be objective." (Harvey and Keer, 1978, p. 19)

In conclusion, objectivity is directly related to both neutrality and verifiability. Thus, it can be said that these two separate characteristics that are components of objectivity can replace it in a given set of QCOAI.

3.2.17 Practicality:

Practicality has been referred to as a qualitative characteristic by Snavely (1967) who suggested that it has two components. Benefit that overweighs cost (feasibility) is the first component and timeliness is the second. According to Snavely, practicality has the same importance as relevance and reliability, and he stated too that "the net usefulness of accounting information is destroyed if it cannot meet the criterion of practicality." (Snavely, 1967, p. 231)

With regard to Snavely's view that practicality contains two components (timeliness and feasibility), it is more likely that the two components conflict. Simply, to present accounting information on a timely basis may be costly. In the researcher's view, practicality is more concerned with the possibility of implementing other qualitative characteristics. Also, these two components are separate characteristics, so it is possible to ignore this characteristic, since its components are dealt with separately.

3.2.18 Predictive Value:

Predictive value has been referred to by many studies (Solomons, 1989; FASB, 1999, SFAC No. 2; and ASB, 1999b) which regard it as a component of relevance. Information that has predictive value should help users to predict the results of present and future transactions. Generally, accounting information is used as a basis of the prediction process in many forms. For instance, Balakrishnan, Harris, and Sen (1990) concluded that geographic segment data enhances predictive ability for annual income and sales. Also, past annual earnings can be used to predict future profits; interim reports help in predicting annual profits; and financial rations can be used in predicting business failure.[5]

In decision making, users need accounting information to help them in prediction of outcomes of alternative strategies and methods. For example, the existing shareholders need to predict the future earning per share; potential shareholders need to predict the riskiness of their new investment and the expected earning per share; while creditors like to predict risks in loan decisions.

Accounting, in the decision making process, helps in predicting directly and indirectly. The direct way is when accountants or management present cost estimate sheets for the next year using specific accounting analysis, and the preparation of historical series of a specific variable, is an indirect way of prediction, as users can use it as the basis of their prediction, to predict the value of the variable in question the coming years.

ASB (1999b) referred to the way information presentation affects its role in prediction, when it stated:

> "The ability to use information in financial statements to make assessments is enhanced by the way in which it is presented. For example, the prediction value of information provided by the financial performance statement is enhanced if unusual or infrequent items of gains or losses are disclosed" (p. 35).

Moreover, accounting information need not itself be a prediction of the future. Users of accounting information often use presented information as a basis to help in predicting the future.

Predictive value was defined by FASB as follows: "The quality of information that helps users to increase the likelihood of correctly forecasting the outcome of past or present events." (FASB, 1999, SFAC No. 2, p. 33)

ASB, focusing on helping users of accounting information in the prediction process, took the view with which the researcher concurs, that "It has predictive value if it helps users to evaluate or assess past, present or future events." (ASB, 1999b, p. 35)

This characteristic relates to some other characteristics such as comparability and consistency when it requires that financial reports are prepared through using the same methods and procedures from year to year to help in making predictions on time series. Also, it requires that the persons who will make the predictions have good experience in using the prediction methods and other related facilities.

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Predictive value, as a qualitative characteristic, can be criticised for its conflict with other characteristics. Staubus (1977) argued that it is not a characteristic that can be placed alongside the other characteristics, as it cuts across other characteristics such as reliability. However, this study agrees with other studies that consider predictive value a qualitative characteristic and a component of relevance, since the majority of users' decisions concern the future in many respects.

3.2.19 Prudence:

In accounting literature, prudence refers to "conservatism". Both profits and losses and the financial position should be presented in the true and fair views[6]. Prudence refers to the recognition of all possible losses, but not anticipating possible gains (Alexander and Britton, 1999). Conservatism means that profits and assets are understated, while losses and liabilities are overstated. In other words, according to this characteristic, a pessimistic view towards items in financial reports is better than an optimistic view. "The lower of cost or market valuation" for inventory and marketable securities is a good example of prudence.

Hendriksen defines conservatism in a detailed definition as follows:

> "The term conservatism is generally used to mean that accountants should report the lowest of several possible values for assets and revenues and the highest of several possible values for liabilities and expenses. It also implies that expenses should be recognised sooner rather than later, and that revenues should be recognised later rather than sooner." (Hendriksen, 1982, pp. 81-82)

In accounting practice, prudence requires that until the profit has been realised, it should not be recognised. This will affect the evaluation of work in progress, and accordingly the interim profits. This characteristic may conflict with some other characteristics such as faithful representation and neutrality (e.g.: the lower evaluation of assets and revenues may affect the faithful representation of financial reports). Also it has a bad effect on shareholders' decisions because it both understates profits and assets and overstates losses and liabilities. In other words, it may mislead the shareholders in buying

or selling their shares. For instance, in the case of low profits shown in the financial reports, the shareholder may sell shares at a low price.

3.2.20 Quantifiability:

Quantifiability has been suggested as a qualitative characteristic by several studies (AAA, 1966; Snavely, 1967; and Abdullah, 1992) and other studies mentioned the same meaning but in another term, "measurability" (FASB, 1999, SFAC No.1; Imhoff, 1981). Historically, accounting is primarily a device by which it is possible to express economic activity in terms of money (AAA, 1966). Quantitative information helps its users in making decisions, as it enables them to choose among alternative decisions.

Snavely (1967), who considered quantifiability a sub-characteristic of understandability, argued that presented accounting information should be quantified as much as possible. Also, quantification helps in making the information more understandable.

Snavely commented on quantifiability as follows: "Quantification is a tool to be used where possible, but where understanding of a firm cannot be communicated in quantified terms, other means must be employed" (Snavely, 1967, p. 229). In other words, quantifiability does not mean that qualitative information should disappear completely, as it may be necessary for specific decisions.

In the researcher's view, although quantifiability supports other characteristics such as comparability, since it offers a basis for comparison, and verifiability, in that quantitative information is more verifiable than qualitative information, it has not the same importance as some other characteristics because most accounting information is by nature quantitative.

3.2.21 Realism:

According to the Sandilands report (1975) accounting information should reflect a realistic view of an enterprise performance, financial position, and changes in financial position. In other words, accounting information should show what is legally called in the UK a "true

and fair view". Similarly, IASC comments, "Financial statements are frequently described as showing a true and fair view of, or as presenting fairly, the financial position, performance and changes in financial position of an enterprise." (IASC, 2000, p. 53)

The researcher accepts the argument that realism cannot be accepted as a qualitative characteristic, as it is difficult to represent reality. For instance, the bad debts expense of a given period may not represent the reality, but merely a probabilistic interpretation of reality (Shohaieb, 1990). Also, in accounting practice, it is very difficult to establish rules or standards to be used in a judgement of realism. Consequently, realism is not considered a qualitative characteristic.

3.2.22 Relevance:

Relevance has been mentioned as a qualitative characteristic by most studies interested in QCOAI. Although there is a great agreement among studies that relevance is a main characteristic , there is less agreement on its components. For example, FASB (1999, SFAC No. 2) indicated that relevance requires predictive value, feedback value, and timeliness; IASC (2000) and ASB (1999b) indicated that relevance includes predictive value and confirmatory value.

Staubus distinguished between the meaning of relevance in accounting generally and its meaning as one of the QCOAI, when he stated that:

> "we are using the word "relevant" in a specific way here. In a more general sense, everything we do in accounting should be relevant to accounting objectives. But we are limiting the relevance criterion to the relationship between an attribute being measured and a user's decision process." (Staubus, 1977, p. 44)

Accounting information is useless if it is not relevant. ASB (1999b) regards relevance as a general characteristic that should be used as a selection characteristic at all steps of the financial reporting process.

In the decision making process, accounting information has no value to its users if it is irrelevant. Receiving large quantities of irrelevant accounting information leads to wasted time for its users and may mislead the decision-maker to wrong decisions. To be useful, accounting information should be relevant to the needs of the decision-maker, and

accounting information has the characteristic of relevance when it affects the economic decision of users (IASC, 2000). According to FASB argument, relevant accounting information should improve the ability of decision-makers in predicting or by confirming or correcting their earlier expectations (FASB, 1999, SFAC No. 2).

Sloan (1999) argued that relevance requires that, if the underlying attribute of a given item (such as the current value of a fixed asset) were perfectly measured, then this measurement should be useful to users.

According to the FASB definition, which this study accepts, relevance is "the capacity of information to make a difference in a decision by helping users to form prediction about the outcomes of past, present, and future events or to confirm or correct prior expectations." (FASB, 1999, SFAC No. 2, p. 33)

IASC (2000, p. 51) asserted the relationship between relevance and materiality when it stated, "The relevance of information is affected by its nature and materiality. In some cases, the nature of information alone is sufficient to determine its relevance". Alexander and Archer (2000b, p. 2.11) gave a good example of this argument. They stated that:

> "A pending lawsuit from which the possible financial penalties are not of material size but which might lead to significant reputational damage and its commercial consequences. For this reason, such a pending lawsuit should be mentioned in a note, since it is relevant to users' economic decisions about the enterprise"

A final point to be made about relevance is that it is very important not to confuse relevance with usefulness. Relevance is one of the determinants of usefulness but not the whole of it. In other words, relevant accounting information may be useful, but useful accounting information must be relevant. Moreover, the compacted nature of this characteristic, which includes more than one component, contributes to the lack of agreement on its definition.

3.2.23 Reliability:

Reliability, similarly to relevance, has been suggested as a main qualitative characteristic

by many studies, but its components differ among these studies. For example, according to FASB (1999, SFAC No. 2), reliability requires verifiability, neutrality, and faithful representation; Snavely (1967) mentioned that reliability requires verifiability and freedom from bias; Shohaieb (1990) considers it to include objectivity and freedom from bias; IASC (2000) stated that reliability includes faithful representation, substance over form, neutrality, prudence, and completeness; and recently, ASB (1999b) has defined reliability to include freedom from material error, faithful representation, neutrality, prudence, and completeness

To be useful, accounting information should be reliable. Reliability means that users of accounting information can rely on presented information with a degree of trust. Unreliable information may lead to wrong decisions and may occur by reason of one or more of the following: (1) the lack of good judgement when choosing among alternative methods; (2) errors that may happen in the application of accounting procedures and rules; (3) misestimating in accounting practice, such as estimating of fixed assets' age; (4) important changes in surrounding circumstances; and (5) omission of important item(s) of accounting information that are needed by the decision maker.

Sloan (1999) asserted that items not meeting a specific level of reliability should not be recognised in the financial reports, but they may still be communicated to users through the footnotes or any other means of disclosure

Users of accounting information may need to know the level of reliability of the presented information. In doing so, they are interested in knowing data limitations; factual, estimated and interpreted data; the estimated amount of measurement errors (if any); the external environment which affected the data, such as the economic circumstances (Shohaieb, 1990). In this respect, the Trueblood Report added that the reliability of financial information is affected not only by the uncertainties inherent in the subject matter, but also by the degree of precision the measurement process (The Trueblood Report, 1973).

Several definitions were given to reliability (e.g., Staubus, 1977, p.44; FASB, 1999, SFAC No. 2, p. 34; IASC, 2000, p. 51). A sensible definition accepted in that this

study was given by the Corporate Report, which stated, "The information presented should be reliable in that users should be able to assess what degree of confidence may be reposed in it." (Corporate Report, 1975, p. 29)

There is no complete agreement about the definition of reliability, perhaps because reliability is a component characteristic that includes many sub-characteristics. A last point can be said about reliability, that accounting information may be highly reliable for one purpose and not so reliable for other purposes. Overall, a satisfactory level of reliability should be available in accounting information.

3.2.24 Simplicity:

Snavely (1967) has mentioned simplicity as a component of understandability. Simplicity is needed to make accounting information more understandable; the complexity of accounting information should be limited as far as possible. As mentioned above[7], simplicity relates to clarity, as clear accounting information is simple in use by its different users.

Simplicity requires that accounting information in financial reports should be presented in an easy and simple form to enable its different users to understand it. Also, it can be noticed that simplicity is a relative concept; it depends on the person who receives accounting information.

3.2.25 Substance Over Form:

The Trueblood Report (1973), CICA (1980), Stamp (1982) and IASC (2000) have suggested substance over form as a qualitative characteristic to mean that substance should prevail over form in financial reporting. IASC emphasised that the characteristic of substance over form is necessary for information to represent faithfully when it stated:

> "If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form." (IASC, 2000, p. 52)

A good example that explains this characteristic is the accounting of hire purchase assets. In the balance sheet, the fixed assets acquired by the hire purchase are treated in the fixed assets part in the same way as those fixed assets that are owned by the enterprise, although ownership of this kind of asset does not pass to the acquirer until all instalments are paid.

The Trueblood Report (1973) gave a good definition of substance over form when it stated, "The guidelines for reporting information should be expressed so that substance, not form, governs. ... the substantive economic characteristics, not the legal or technical form, should establish the accounting for transactions and other events." (Trueblood Report, 1973, p. 57)

Also, the Oxford Dictionary of Accounting gives a definition that is the same as the IASC's view of substance over form. It defines it as a concept "... according to which transactions and other events are accounted for by their commercial reality rather than their legal form." (Oxford Dictionary of Accounting, 1999, pp. 329-330)

3.2.26 Sufficiency:

Snavely (1967) has referred to sufficiency as a qualitative characteristic. Sufficiency means that to be useful, information should be presented in a certain quantity and quality. Snavely (1967) argued, "In all instances, there is a point below which the information is useless, and in many instances, too little information may be worse than useless; it may have negative usefulness" (Snavely, 1967, p. 230). Also, sufficiency requires adequate information to be presented to enable the auditor to form his/her opinion about financial reports.

It has been argued that sufficiency should help to address the dilemma that different user groups have different needs of accounting information and sometimes opposing interests (Shohaieb, 1990). Also, since the characteristic of completeness includes the same meaning as sufficiency, it is possible to ignore sufficiency.

3.2.27 Timeliness:

Timeliness has been mentioned as a qualitative characteristic by many studies, either as a separate characteristic (Feltham, 1972; APB, Statement No. 4, 1970; Corporate Report, 1975; and Ali, 1990) or as a component of relevance (FASB, 1999, SFAC No. 2; Solomons, 1989; and Shohaieb, 1990).

Information cannot be useful unless it is available in good time to its users, as decision-makers should receive the information needed for the decision making process at a suitable time. Hendriksen (1982) emphasised that the information presented to investors and creditors should be current at the time of its use in making predictions needed for the decision making process.

FASB considers timeliness one of the components of relevance and argues that information may have no value, therefore it lacks relevance and is of little or no use, if it is not available at the time of need or it becomes available only so long after the reported events (FASB, 1999, SFAC No. 2). Also, Solomons (1986) asserted the importance of timeliness when he said that "timeliness is an absolute requirement - information that is out of date is useless." (p. 89)

Arnold et al. referred to the effect of timeliness on the usefulness of accounting information when they said, "the criterion of timeliness suggests that the usefulness of accounting information is reduced, the longer is the time period between an event occurring and its being reported" (Arnold et al., 1985, p. 61).

FASB (1999, SFAC No. 2) argued that the ability of accounting information to affect a decision might disappear quickly, in a fast-moving situation such as a take-over bid or a strike; thus, the characteristic of timeliness may have to be measured in days or hours. In other contexts, such as routine reports by an enterprise of its annual results, it may take a longer time to reduce the relevance and, hence the information's usefulness.

Also, Feltham (1972) argued that the availability of information at any time is influenced by two factors: first, by the interval of time between reports (reporting interval); second, the time requested to prepare and transmit reports (reporting delay). (Feltham, 1972). Changes in the reporting interval and the reporting delay may influence

the action selected and the expected payoff of the decision-maker (i.e. the reporting interval partially determines the information available to a decision-maker at any particular decision time).

The reporting period should be suitable in length, so its length should not be too short or too long. If this period is too short, random economic transactions dominate the information and it may not show all changes in the enterprise's activities, so it probably lacks precision and may be misleading, or it may waste the decision maker's time. Alternatively, if the period is too long, and the decision maker has to wait too long, he may use out of date accounting information which may lead to wrong decisions, or have to look for alternative sources of financial information.

According to Chambers and Penman (1984, p.21) timeliness is defined as: "the reporting lag from the end of the fiscal period covered by the report to the date of the report". Also, FASB, from the decision-maker's perspective, gave a sensible definition that this study accepts. It defines timeliness as "having information available to a decision maker before it loses its capacity to influence decisions (FASB, 1999, SFAC No.2, p. 34).

A final point should be mentioned, that timeliness means financial information should be available to its users whenever they require it without delay and sometimes, it may be necessary to sacrifice some accuracy of information for the sake of getting financial information on time.

3.2.28 Understandability:

Several studies (ASB, 1999b; FASB, 1999, SFAC No. 2; Snavely, 1967) has suggested understandability as one of the essential characteristics of accounting information, since making information more understandable is likely to increase its usefulness to users. Simply, it means that financial information should be understandable by its different users. In other words, financial information should be presented in a form that enables its users to perceive its significance. Regarding the users, it is supposed that they have a reasonable knowledge of some issues such as business and economic activates and accounting and a willingness to learn the information with reasonable diligence (IASC, 2000).

FASB (1999, SFAC No. 2) indicated that the use of financial information can be learned, and financial reports should present information that is possible to be used by all non-professionals and professionals who have the willingness to learn its use.

Buzby (1974) classified users of financial information into three levels according to their capability and skills. This classification, which can be used as a basis of preparing the accounting reports, includes first, professional financial analysts; second, average investors; and third, standard readers level.

FASB, considering understandability as a link between the characteristics of users and decision - specific qualities of information in its suggested hierarchy, defined it in a brief and reasonable definition that this study agrees with. It defined understandability as "The quality of information that enables users to perceive its significance (FASB, 1999, SFAC No. 2, p. 34).

The understandability of financial information depends on two factors: First, the way in which it is presented and second, capabilities of its different users. To present understandable information, certain requirements should be taken into account. The following are some of those requirements:

- Although the unquantified information is needed to satisfy other criteria, presented information, where possible, should be quantified, since quantitative information is more understandable than qualitative information .

- Preparers of financial information should take into consideration the different levels of knowledge, education, skills, and background of its users.

- "The message(s) being communicated should be comprehensible" (Shohaieb, 1990, p.54)

- "Information be expressed as simply as permitted by the nature and circumstances of what is being communicated." (Trueblood Report, 1973,p. 60)

- The form of presentation of financial reports should be simple and suitable for users' capabilities.

- The presented information should be unambiguous.

Lastly, financial information will not be useful for its users unless they understand it, even if it is relevant to the decision or it is reliable. Not understandable information is the same as unavailable information, because it will not reduce the uncertainty of its users.

3.2.29 Uniformity:

Uniformity has been considered a qualitative characteristic by CICA (1980) and Stamp (1982), and a sub-characteristic of comparability by Shohaieb (1990). It means similarity in application among variant enterprises, whether in measurement or in disclosure. It can exist in various areas; Nobes and Parker (2000) indicate that it can be in three main areas including formats of financial statements, accounting principles and disclosure requirements. Uniformity differs from consistency, in that consistency refers to the use of the same method for related items by a given enterprise over time, while uniformity refers to the use of the same method for related items but by different enterprises.

Uniformity helps financial information to meet other qualitative characteristics. For example, according to AAA (1966), uniformity helps financial information to meet the characteristic of freedom from bias in that it prevents accountants or management from choosing specific methods and procedures for their own benefit.

Also, Wolk, et al.(2001) argue that uniformity influences comparability, and add that, as comparability is linked to uniformity, the degree of comparability that users can rely on depends on the uniformity level. Riahi-Belkaoui (2000) noted that uniformity gives financial information users greater confidence in financial reports and also, it helps to achieve comparability of financial reports by reducing the diversity created by the use of different accounting methods and procedures by different enterprises.

Uniformity may be required to realise particular aims because: (1) it enables users to compare financial reports of different enterprises over the year and over a period of years; (2) it helps the national accountant in collecting the needed data about enterprises of each sector in the national economy[8]; (3) it limits the variety of treatments in accounting practice.

Despite the above arguments, it is contended that uniformity may destroy the status of the accounting profession, reducing the accountants' status to that of a clerk applying a rulebook (Salmonson, 1969). Moreover, Riahi-Belkaoui (2000) argued that the differences in circumstances of enterprises require difference in treatments, so that financial reports can respond to the circumstances in which economic transactions and events occur.

Riahi-Belkaoui (2000, p.181) defined uniformity explicitly as follows: "The uniformity principle refers to the use of the same procedures by different firms".

The next definition of uniformity gives three definitions relating to its level. It is defined as follows:

> "Interpretations of uniformity have included the following: 1- A uniform set of principles for all firms, with interpretation and application left up to the individual entity; 2- Similar accounting treatment required in broadly similar situations, ignoring possibly different circumstances (rigid uniformity). 3- Similar accounting treatment that takes into account different economic circumstances (finite uniformity)." (Wolk, et al., 2001, p. 149)

With respect to the above three definitions, the last two definitions differ from the first one, as they are concerned with the degree of uniformity , while the first definition prescribes a broad theoretical framework to help as a basis for interpretation of transactions.

3.2.30 Verifiability:

Many studies have mentioned verifiability as a qualitative characteristic. Snavely (1967) and FASB (1999, SFAC No. 2) considered it as a sub-characteristic of reliability. Simply, verifiability implies a consensus of measures. It means that using the same accounting methods and procedures, independent measurers can reach the same results.

Verifiability is synonymous with objectivity, when the latter is defined as the consensus of external part to get the same results, as in the definitions of Ijiri and Jeadicke (1966) and Ma and Mathews (1979). In this case, verifiability tends to supplant objectivity. This argument can be supported by Imhoff's assertion that "the attributes of

verifiability and objectivity are synonymous in their accounting context. Objective information is verifiable and vice versa" (Imhoff, 1981, p. 57).

Because of the existence of both too many users of financial information that have opposing interests and too many transactions, it is generally difficult for the users to verify the recording of each transaction undertaken by the enterprise. Consequently, a limited checking of the transactions leading to items in the financial reports is generally carried out by an auditor (Arnold, et al., 1985). Also, verifiability is important because it allows users of accounting reports, without either access to the accounting records or ability to audit them, to trust the financial information that is included in financial reports.

Arnold, et al. (1985) declared that verifiability has two dimensions. First, it is concerned with checking for some documentary support for transactions (such as cash receipts); second, it is concerned with their proper recording in the enterprise books. It can be noticed also that, according to the first dimension, verifiability is synonymous with objectivity when it is defined in terms of emphasis on the evidence, rather than on the measurement itself.[9]

FASB (1999, SFAC No. 2), argued that verifiability is more successful in reducing the measurer bias than measurement bias, since it does not guarantee the appropriateness of the method used. It defined verifiability as "the ability through consensus among measurers to ensure that information represents what it purports to represent or that the chosen method of measurement has been used without error or bias" (p. 34). Although FASB's definition refers to both measurer bias and measurement bias, verifiability can confuse with other characteristics such as faithful representation.

AAA (1966) and APB, Statement No. 4 (1970) presented simple and good definitions of verifiability which concentrate on the consensus among independent measurers. APB in its Statement No. 4, stated that "Verifiable financial accounting information provides results that would be substantially duplicated by independent measurers using the same measurement methods" (APB, 1970, Statement No. 4, par. 90).

AAA gave a definition that this study accepts when it stated that:

"Verifiability is that attribute of information which allows qualified individuals working independently of one another to develop essentially similar measures of conclusions from an examination of the same evidence." (AAA, 1966, p. 10)

3.3 A Selected Set of QCOAI:

Accounting information system presents financial information that should be useful to its users; otherwise, they will look for other resources of information. As mentioned earlier in 2.5 of Chapter 2, QCOAI can be used to judge the usefulness of financial information. In this respect, an important question that may arise is: which characteristics should be used in judging the usefulness of financial information?. In other words, what is a suitable set of QCOAI to judge the usefulness of financial information presented by listed companies in Egypt?

In this part of the study, a set of QCOAI in the form of a hierarchy will be presented. The set is presented on the following bases:

1- Each characteristic included in the set should heighten the usefulness of financial information.

2- The choice of the selected characteristics will be made in the light of the QCOAI features that mentioned in chapter two.[10]

3- The chosen characteristics are those which have frequently been selected in other studies.

4- Omission of some characteristics from the selected set does not mean that they are not important, but it may be due to the difficulties in application.

5- Some terms will be omitted from the selected set where their content is already included in others. For example:

- Feedback value or confirmatory value will be omitted since relevance, as a main characteristic, includes it.

- Simplicity and clarity, which are sub-characteristics of understandability and included in it, will be omitted from the set.

- Substance over form is necessary for information to represent faithfully (IASC, 2000), so it can be considered a part of faithful representation. Substance over form will be omitted from the set because it is included in another characteristic.

- Completeness is omitted from the selected set of QCOAI because it has already been included in reliability.

- Disclosure is included in consistency, which is a component of comparability, where consistency means the use of the same methods by an enterprise from period to period and extends to mean that when there is any change, it should explain this change and its effects on the financial reports.

6- Legality will be omitted from the selected set because this research is more concerned with financial reports prepared according to legal regulations and, hence, it is supposed that this characteristic is applied automatically.

7- Uniformity is omitted from the selected set for two reasons:

- first, this study is not concerned with financial information presented by public enterprises;

- second, in practice, uniformity is more applicable to countries that have public enterprises where uniform accounting systems are applied. Under its privatisation programme, the Egyptian government is bringing most of the public enterprises (wholly governmental owned) into the private sector and started in early 2002 to sell its shares in the joint venture companies[11]. Therefore, this study ignores uniformity as there is less need of a uniform system.

8 - Prudence or conservatism is omitted from the selected set because its complete application may lead to distortion in the accounting numbers. Thus, prudence may conflict with faithful representation, consistency and relevance. Also, prudence is considered a kind of bias in accounting measurement (Al-Sherazy, 1990).

9 - Feasibility is omitted from the selected set because of the difficulty in its application. Also, information is not like normal goods that are available in the market. According to FASB (1999), financial information is unlike other goods in certain important respects. Also, this study is more interested in mandatory disclosure required from listed companies

in Egypt. This means that the companies have to disclose the required financial information, regardless of its feasibility.

10 - Because any given set of QCOAI is affected by economic, legal, social, cultural, and professional environments, there is no specific set or model is suitable for every country. According to FASB, "Although those characteristics are expected to be stable, they are not immutable. They are affected by the economic, legal, political, and social environment in which financial reporting takes place" (FASB, 1999, SFAC No. 2, p. 34). Also, the three studies, which were carried out in Egypt in the same period (between 1990 and 1992) and environment, did not agree on a given set of characteristics.

The selected sit of QCOAI, which is presented in the form of a hierarchy of levels, can be illustrated in the following figure:

Figure 3.1 A Selected Set of QCOAI:
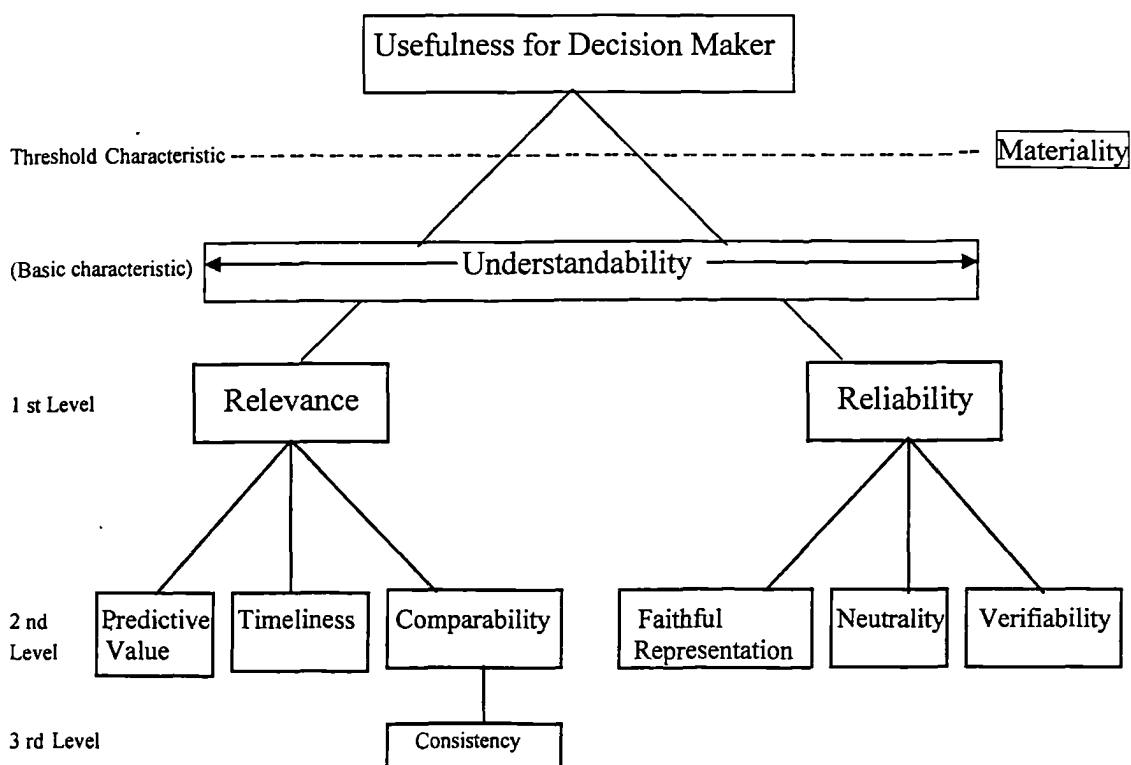
Source: (the Author)

As shown in figure 3.1, the first level contains the characteristics that should be available in financial information. This level includes relevance and reliability; a minimum level of each one must be found in financial information. A conflict may arise in this level between relevance and reliability but a trade-off is possible to achieve an

appropriate balance according to the circumstances of each case to resolve this problem, provided that the minimum level of each characteristic in the level is protected. If financial information is not relevant, then it will lose its usefulness, and if it is not reliable, it will lose its usefulness too[12]. In other words, the complete absence of relevance or reliability will make financial information not useful to its users.

The second level of the hierarchy contains the sub-characteristics of each main characteristic (first level characteristics). For example, relevance requires information to be presented in reasonable time, to help users in the prediction process, and to be comparable. In other words, to be relevant, financial information should have the characteristics of prediction value, timeliness, and comparability. Reliability requires financial information to represent economic transactions and events faithfully, to be free from bias (neutral), and to be verifiable by other experts. These sub-characteristics together make financial information reliable. In other words, to be reliable, financial information should have the characteristics of faithful representation, neutrality, and verifiability. In the case of the absence of any sub-characteristic, the second level characteristics, the related main characteristic will be affected and whether financial information is still useful to users or not will depend on the individual case and its circumstances.

In the same way, comparability, which is one of the second level characteristics, requires preparers to use accounting methods and procedures in a consistent form and when there is any change they should explain this change and its effects on the financial reports. In other words, to be comparable, information should have the characteristic of consistency.

The basic characteristic is understandability, which requires that the presented financial information should be understandable by its different users. Simply, financial information cannot be useful to its users unless they can understand it. How can users benefit from relevant and reliable financial information if they cannot understand it? In other words, if financial information cannot be understood, it may lose its relevance and reliability. The EASs indicated that financial reports should be clear and capable of being

understood by all their users[13]. In this respect, FASB (1999, SFAC No. 2) notes that "Information that cannot be understood, like information that is not available, may be relevant, but its relevance will be wasted because its capacity to make a difference cannot be utilised" (p. 46). Also, ASB stated that "It may not always be possible to present a piece of relevant, reliable and comparable information in a way that can be understood by all the users." (ASB, 1999b, p. 44)

The threshold characteristic, materiality, requires that material information should be given in the financial reports and immaterial information need not to given. ASB stated that "when immaterial information is given in the financial statements, the resulting clutter can impair the understandability of the other information provided. In such circumstances, the immaterial information will need to be excluded." (ASB, 1999b, p. 42)

As the selected set of QCOAI was to be used in this study to investigate the usefulness of financial information presented to the Egyptian capital market, it was very important to examine the suitability of the set to be used in the Egyptian environment. Therefore, an empirical investigation was conducted regarding the suitability of this set of characteristics, together with the importance attached to each of the selected set of QCOAI, and the outcome is reported in Chapter Eight.

3.4 Summary:

Thirty QCOAI have been discussed in this chapter. The aim was to present a theoretical analysis of QCOAI, which may help in selecting a suitable set of QCOAI to be used in investigation the usefulness of financial information presented listed companies in Egypt in the light of the disclosure requirements of the EASs, the CASE and the CML No. 95/1992.

In this chapter, a set of eleven qualitative characteristics was selected, which should be possessed by financial information if it is to be useful to its users. The characteristics, presented in a hierarchy, are understandability, relevance, reliability, comparability, predictive value, timeliness, faithful representation, neutrality, verifiability, consistency and materiality.

Understandability is selected as a basic characteristic, in addition to three levels of characteristics. The first level includes relevance and reliability as main characteristics. Each of the first level characteristics has some components that are second level characteristics. Predictive value, timeliness and comparability are the components of relevance, while faithful representation, neutrality, and verifiability are components of reliability. The third level contains only consistency, as a component of comparability. Lastly, materiality is a threshold characteristic in the hierarchy.

Notes to the Chapter:

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[1]- See: Chapter 2, pp.11-13.

[2] - CICA referred to "full disclosure" to mean completeness or comprehensiveness, see 3.2.4 of this chapter.

[3] - For instance, disclosure is defined as "consisting of both voluntary and mandatory items of information provided in the financial statements, notes to the accounts, management's analysis of operations for the current and forthcoming year and any supplementary information". (Cooke, 1992, p.231)

[4] - Many studies interested in whether the concept or the level of materiality, See for example: Bernstein, 1967; Frishkoff, 1970; Rose, at. al., 1970; and Turner, 1997.

[5] - See for example: Altman, Haldeman, and Narayanan, 1977; Collins and Hopwood, 1980; and Watts and Leflwith, 1977.

[6] - For more details about the true and fair view, see, for example, Alexander, 1993; Nobes, 1993; and Walton, 1993.

[7] - See: 3.2.2 of this chapter.

[8] - For example: One of the objectives of the Egyptian uniform accounting system is to help the national accountant in preparing national accounts.

[9] - See: 3.2.16 of this chapter.

[10] - See: 2.4 of chapter two.

[11] - For more details, see 5.3.3 of Chapter 5.

[12]- Question 3.4 in the questionnaire was designed to investigate respondents' agreement about five statements, among them three regarding the importance attached to understandability, relevance, and reliability ; the other two regarding omission of uniformity and prudence from the selected set of QCOAI. In 8.2 of Chapter eight, findings of analysing this question will be presented.

[13]- See for example: (Ministry of Economics, 1997, Standard No. 1, par. 10 and Standard No. 3, par. 2 and par. 6).

CHAPTER FOUR

Accounting Standards Setting and Egyptian Accounting Standards

4.1 Introduction:

This chapter aims to discuss several matters related to setting accounting standards and accounting standards in Egypt and their relation with the IASs. Section 4.2 of this chapter discusses the definition, the features, and the importance of accounting standards. Also, as this study focuses on and is applied in Egypt on the one hand and accounting in Egypt has been generally affected by that of the UK and the US on the other hand, section 4.3 is devoted to the setting and enforcement of accounting standards in these two countries. Section 4.4 presents accounting standards at the international level including the need for IASs and the formation and efforts of the IASC. Also the application and the acceptance of the IASs are discussed in this section.

As Egypt is one of the developing countries, section 4.5 discusses different strategies that might be used in setting accounting standards in developing countries. Lastly, EASs including their historical background and their relationship with IASs are presented in sections 4.6 and 4.7 of the chapter.

4.2 The Nature of Accounting Standards:

According to Lewis and Pendrill (2000), accounting is described as the language of business. In accounting, as in communication, it is important that preparers (or senders) and users (or receivers) of a message use the same language. Accounting standards may help accounting to be a generally accepted language (Lewis and Pendrill, 2000). In other words, setting standards for this language, accounting, might improve the level of communication between preparers and users. In this section of the study, the definition, features, and importance of accounting standards will be discussed.

4.2.1 The Definition of Accounting Standards:

Many years ago, Littleton (1966, p.143) defined a standard in general as: "an agreed upon criterion of what is proper practice in a given situation; a basis for comparison and

judgement; a point of departure when variation is justifiable by the circumstances and reported as such".

The Oxford Dictionary of Accounting (1999, p. 8) defines accounting standards in relation to their role, stating that "standards set out rules and procedures relating to the measurement, valuation, and disclosure of accounting transactions". In addition to this dictionary definition, some other definitions of accounting standards have been proposed by various writers in this field.

Bromwich (1981) has defined accounting standards as: "uniform rules for external financial reporting applicable either to all or to a certain class of entity. These rules seek to prescribe the preferred accounting treatment from the available set of methods for treating a given accounting problem" (p. 33). Nobes and Parker (2000) referred to accounting standardisation as implying the formation of a more rigid set of rules.

Another definition for accounting standards was suggested by Lee (1975, p. 26) who wrote:

> "Accounting standards are practical guidelines to aid the practitioner in measuring accounting information in certain well-defined circumstances. If a particular standard does not appear appropriate to individual circumstance, the departure is warranted and its effect is capable of measurement and reporting. Standards thus represent practices which are believed to be the most appropriate in a set of given circumstances".

According to Harvey and Keer (1983), a standard in accounting is "a method of or an approach to preparing accounts which has been chosen and established by the bodies overseeing the profession" (p. 9).

In the light of the above definitions, it can be seen that accounting standards are rules and procedures that regulate accounting practices (whether measuring or reporting) and that should be established by private or public bodies that oversee the profession. The question then arises, what features accounting standards should have in order to fulfil their function effectively. These features will be discussed in the next section.

4.2.2 Features of Accounting Standards:

The US Committee on Corporate Reporting (CCR) of the Financial Executive Institute (FEI) takes into consideration, when responding to enquiries about potential accounting standards projects, a number of features, which include the following:

- Standards should be based upon developing principles and concepts, which account for the true economics of a transaction.

- Standards should produce financial information, which is more relevant and meaningful to users in evaluating an entity's performance.

- Effective accounting standards are those which have been founded on a direct exposure to, and study of, real world operating conditions.

- Standards should have a certain degree of flexibility (Wulff and Koski-Grafer, 1998), but this flexibility should not be so great as to destroy the comparability of provided information.

Accounting standards should provide recognition and measurement guidance that seeks to replicate the economics of the underlying transaction or event and should be written in a clear, understandable manner (Rogero, 1998). Furthermore, Knutson and Napolitano (1998) argued that the most useful and successful accounting standards are those that give new information that could not previously have been estimated by outsiders.

Regarding the components of accounting standard, a good accounting standard should include certain components including some related clear definitions or concepts, some detailed rules and explanations to be used in measuring and disclosing given items.

Accounting standards are affected by circumstances in the surrounding environment. So, good accounting standards should be relevant to the practical environment and its economic, political, social, and legal dimensions. In this respect, Chetkovich (1972) commented that different environments lead to different objectives of accounting and therefore will lead to different standards. Another point that should be made is that, as the environment in which accounting standards are applied might change from time to time, accounting standards should be reviewed from time to time too.

Regarding the political nature of accounting standard setting, Burggraaff (1983, p. 4) stated, "In a broader sense, an issue may be said to have a political dimension where in the private sector the interests of various groups are affected by the way the issue is solved and those groups vary in their judgement as to the appropriateness of the solution". Hope and Gray (1982) referred to some consequences of this political nature of accounting standards, indicating that some accounting standards reached the professional body's agenda while others were not considered; and continuing changes have taken place in the structures of professional bodies responsible for the process of setting accounting standards.

4.2.3 Importance of Accounting Standards:

Accounting standards have been found in many countries whether, developed or developing countries, and nearly all accounting profession around the world are involved in standardisation programmes (Choi and Mueller, 1978).

Levitt, the chairman of the US Securities and Exchange Commission (SEC), well illustrated the vital role of accounting standards when he wrote that:

> "One way to look at this is to view accounting standards as the camera used to photograph a company. Good standards, like good cameras, produce sharper, more accurate pictures. Weak standards, like bad cameras, are unreliable - with some, you never know if you will get a good shot, while others produce fuzzy, out-of-focus images" (Levitt, 1998, p. 80).

Accounting standards are needed to avoid some adverse circumstances (such as lack of comparability among enterprises' financial reports, lack of consistency of accounting alternatives used by an enterprise over time, and less than full disclosure of relevant economic events in financial reports) that affect the usefulness of financial reports for their different users (Staubus, 1976).

Accounting standards help to reduce the number of alternatives usable for treating the same transaction[1]. In this way, they help to provide accounting information of the highest possible quality that improves investor protection. Solomons (1983, p. 176) referred to the necessity of accounting standards to secure comparability and stated that "without standards, investors, the public and the government are confused and do not

understand how a multiplicity of accounting answers can all faithfully represent a single business situation".

This objective of accounting standards, securing comparability, was highlighted also by FASB (1999) when it stated, in SFAC No. 2, which first issued in 1980, that "the difficulty in making financial comparisons among enterprises because of the use of different accounting methods has been accepted for many years as the principal reason for the development of accounting standards" (p. 65).

In addition to the protection of comparability of financial information, the following advantages of accounting standards have been cited in the accounting literature (Riahi-Belkaoui, 2000; Elsafty, 1989; Harvey and Keer, 1983):

- They provide the accounting profession with a good manual of useful working rules.

- They force improvements in the quality of the accountants' work.

- They assist public accountants with guidelines on this activity, enabling them to exercise due care and independence in selling their expertise and integrity in auditing firms' reports and in affirming the validity of these reports.

- They fortify the accountant's resistance to pressure from the enterprise's management to use an accounting method which may be suspect in the circumstances.

- They give information which may be needed by governments for monitoring the implementation of various laws and regulations.

- They ensure that the users of financial reports receive more complete and clearer information about the financial position, performance, and conduct of an enterprise on a consistent basis, from period to period.

- As accounting standards support and improve the users' confidence in financial statements, they support the stability of economic systems. Stamp (1979) argued that the stability of economic systems mainly depends on the level of confidence that accounting information users give to the financial statements presented by enterprises.

In spite of the above advantages of accounting standards, many criticisms have been directed towards them. A major criticism of standardisation put forward by Baxter (1962) is that accounting standards, in the long term, may prevent experimentation and

progress. Moreover, accountants may become reluctant to depart from a specific standard and the educational process will be one of learning rules instead of searching for theories or truth. Briefly, standards may weaken the progress of critical thinking. The ASB, aware of this criticism, in the Foreword to Accounting Standards, issued by the ASB in 1993, noted that the requirement to give a true and fair view may in some exceptional circumstances require a change from some accounting standards (Lewis and Pendrill, 2000).

The following further disadvantages of accounting standards have also been argued in the accounting literature (Alsherazy, 1990; Harvey and Keer, 1983):

- Accounting standards may induce some users of financial reports to think that those reports are immune and infallible.

- The quality of the accountant's work is restricted because firms and industries differ and change, as do the environments within which they operate. Against this, however, it can be argued that it is possible for standards setters to review the applied accounting standards from period to period to make them relevant to their environment.

- The applied rules are bureaucratic and may lead to rigidity.

- Official acceptance decreases the strength of the accountant to reject the application of an inappropriate standard when the enterprise's management wishes to follow it.

- There is a possibility of accounting standards being issued that lead to users being swamped with more information than they need.

- They have been derived via social or political pressures that might reduce the freedom or lead to manipulation of the accounting profession.

Despite the above criticisms that face accounting standards, they are more useful than otherwise, especially for developing countries, such as Egypt, many of which need understandable, reliable, relevant, and comparable financial information prepared on a consistent basis for various purposes, such as successfully achieving privatisation programmes, setting, evaluating and reviewing development plans, improving the performance of their emerging stock markets and encouraging new local and foreign investments.

4.3 The Experiences of Accounting Regulation in the UK and the US:

This section of the study focuses on some details of accounting regulation[2] in both the UK and the US, since these Anglo-Saxon countries[3] have extensive experience in setting accounting standards. This section will cover the different institutional arrangements and the roles of both the government and the profession in the process.

The decision to focus on these two countries was based on several reasons:

1- The experiences of those two countries may be useful for other countries around the world, especially many countries are now involving in setting accounting standards. As Briston (1990) notes, in recent years, the British and United States' approach to accounting practice has become more and more prevalent around the world.

2- The experiences of these countries has had a significant input on the process of setting accounting standards in developing countries.

3- Their experience might be used as a frame of reference in the absence of any other alternative.

4- The accountancy problems that have occurred in those countries, and how those problems have been addressed and resolved, can give lessons to be learned (Alamari, 1989).

5- IASs, the basis of EASs, are fairly consistent with standards already existing in both the US and the UK[4].

6- The accounting profession and education in the UK have strongly influenced those in Egypt. For a long time, the organisation of the accounting profession and the financial practices in Egypt closely followed those of the UK[5].

7- Professional accountants in Egypt mainly depend on accounting organisations in the UK and US to get professional qualifications. For instance, professional accountants in Egypt are interested in the professional qualifications "ACA" and "ACCA" of the UK and the "CPA" of the US.

So, this section will include the development of setting accounting standards in those two countries, followed by the enforcement of their issued standards.

4.3.1 Accounting Standard Setting in the UK and the US:

4.3.1.1 In the UK:

First of all, accounting standards[6] in the UK include both Financial Reporting Standards (FRSs) issued by the ASB and Statements of Standard Accounting Practice (SSAPs) issued by the Accounting Standards Committee (ASC), which was replaced by the ASB in 1990, insofar as these have not been withdrawn. In the 1940s, the Institute of Chartered Accountants in England & Wales - ICAEW which was established in 1880 issued, from 1942, guidance to its members in a series of statements "Recommendations on Accounting Principles". By 1969, 29 recommendations had been issued, and an accounting standards programme was announced by the ICAEW (Blake, 1995). Soon, in 1970, the council of the ICAEW established the ASSC, later known as the ASC. Furthermore, some representatives from other accounting bodies became co-sponsors of the committee.

In April 1970, a representative from the Institute of Chartered Accountants in Ireland (ICAI) and others from the Institute of Chartered Accountants of Scotland (ICAS) joined the committee, followed by other representatives from the Association of Certified Accountants (ACA), which is now the Association of Chartered Certified Accountants (ACCA), and the Institute of Cost and Management Accountants (ICMA) in 1971 and the Chartered Institute of Public Finance and Accountancy (CIPFA) in 1976 (see: Alexander and Britton, 1999; Blake, 1995; Lewis and Pendrill, 2000; and Pereira et al., 1992).

The main aim of the committee was to narrow the areas of difference and variety in accounting practice. The procedure applied to achieve this was initiated by issuing an 'Exposure Draft' on a certain issue for discussion by both accountants and the public at large. When preparing a formal statement of accounting method, known as a SSAP, the collected comments made on the exposure draft were taken into consideration (ASC, 1978). The first SSAP was issued in 1971.

The Consultative Committee of Accounting Bodies (CCAB) was established to enable the accounting profession to co-ordinate activities in certain areas. In February 1976, the ASC was reconstituted as a joint committee of the six governing bodies of the

CCAB, its members being nominated by the professional bodies (Blake, 1995). Also, from that time, its name was changed to the ASC.

It can be seen from the above that the process of setting accounting standards in the UK was completed in 1976, but certain criticisms could be directed at this process such as:

1- The committee was not independent from the profession, as members of the committee were just professional accountants who were members of professional bodies. This means there was no wide participation of its members.

2- There were no full time members who devoted their time and efforts to the work in the committee.

As a result of the criticisms that faced ASC, a number of changes was made (e.g. membership of ASC was widened to include some users of financial report) (Samuels et al., 1989). The ASC has faced increasing criticisms, despite the changes made. Lewis and Pendrill (2000) give an example of the enormous difficulties that faced the ASC, such as difficulties in developing accounting standards for business combinations and intangible assets. In 1988, the Dearing Report which was prepared regarding the review of the standard setting process (it considered how standards should be set, their relationship with the law, enforcement procedures and funding) suggested many changes to the accounting standard setting process (Hopwood and Vieten, 1999). As a consequence of this report, a Financial Reporting Council was founded to lead the accounting standard setting process and to make sure that it was correctly financed. The ASB, which was established in 1990, has the power to issue accounting standards in its own right (Nobes and Parker, 2000).

Furthermore, a Financial Reporting Review Panel was established to check contentious departures from accounting standards by large enterprises. The Panel has the right to apply to the courts for a declaration that the corporate reports that do not comply with the Companies Act's requirements and obtain an order that requires the company's directors to prepare revised accounts (Alexander and Britton, 1999). In addition, an Urgent Issues Task Force was set up to perform the role of the ASB committee.

The ASB completely agreed to adopt all of the ASC's SSAPs. The ASB's consultative process includes issuing Working Drafts for Discussion (DD), which become Financial Reporting Exposure Drafts (FRED); and result in the issue of FRSs (Glautier and Underdown, 2001). The ASB issued, in the early 1990s, some separate exposure draft chapters of Statements of Principles as part of its work to develop a statement on the principles that underlie accounting and financial reporting (ASB, 1991).

In November 1995, the Board issued an Exposure Draft that containing a Revised Version of the published draft chapter. This draft reflects the Board's experience of working with the draft Statement of Principles. The Board aims to help users, preparers, and auditors of financial information through establishing and improving standards of financial accounting and reporting (ASB, 1995).

More recently, in March 1999, ASB issued a revised exposure draft (ASB, 1999a) rather than proceed directly to the development of a final statement. A few months later, in October 1999, the ASB issued its Statement of Principles, which includes eight chapters rather than the seven of its predecessor, as follows (ASB, 1999b):

1- The Objective of Financial Statements.

2- The Reporting Entity.

3- The Qualitative Characteristics of Financial Information.

4- The Elements of Financial Statements.

5- Recognition in Financial Statements.

6- Measurement in Financial Statements.

7- Presentation of Financial Information.

8- Accounting for Interest in Other Entities.

The following figure shows the structure of accounting standard setting in the UK.

Figure 4.1 Structure of the Organisation for Setting and Enforcing Accounting Standards in the UK:

```
┌─────────────────────────────────────────────┐
│        Financial Reporting Council           │
│ The Financial Reporting Council guides the ASB. │
└─────────────────────────────────────────────┘
         ↙                        ↘
┌──────────────────────────┐  ┌──────────────────────────┐
│ Financial Reporting Review│  │ Accounting Standards Board│
│ Panel                     │  │ (ASB)                     │
│ The Review Panel enquires into│  │                       │
│ annual accounts where it  │  │ The ASB develops, issues  │
│ appears that the requirement│  │ and withdraws accounting │
│ of the Companies Act, including│  │ standards.            │
│ the requirement that annual│  │                          │
│ accounts shall show a true and fair│  └──────────────────────────┘
│ view, might have          │              │
│ been breached             │              ▼
└──────────────────────────┘  ┌──────────────────────────┐
                              │ Urgent Issues Task Force  │
                              │ (UITF)                    │
                              │                           │
                              │ The UITF's main role is to│
                              │ assist the ASB in areas where│
                              │ an accounting standard    │
                              │ or Company Act provision  │
                              │ exists, but where         │
                              │ unsatisfactory or conflicting│
                              │ interpretations have developed or│
                              │ seem likely to develop.   │
                              └──────────────────────────┘
```

Source: (ICAEW, 2000, p. 5)

4.3.1.2 In the US:

Interest in accounting standards in the US started with the establishing the Committee of Accounting Procedures (CAP) in 1936. However, King and Waymire (1994) stated that the process of developing accounting standards actually started before that time when the American Institute of Accountants (AIA), in 1917, developed audit guidelines and financial report formats for the Federal Trade Commission[7].

The SEC was established for the purpose of regulating the securities market under the Securities Act of 1933 and the Securities Exchanges Act of 1934. The reduction of the variety of accepted accounting methods was the basic interest of the SEC (Gaa, 1988; Davies et al., 1997). The SEC is concerned with accounting standards because of its mandate to protect investors. Since its establishment, the SEC approach has been to require companies that need to be listed or trade their securities to comply with initial and

continuing disclosure obligations. It aims, through this approach, to prevent misleading or incomplete financial reporting and to facilitate informed decisions by investors (Levitt, 1998).

The process of accounting standards setting started in the mid 1930s when the AIA, now the AICPA, established, in 1938, the CAP. The CAP, which consisted of twenty members including auditors and accounting academics, all of whom were members of AICPA and served in the committee without compensation, issued Accounting Research Bulletins that gave substantial authoritative support for the accounting applications which they recommended by making them acceptable to the SEC. The CAP was active for twenty years (1939-1959) and issued sixty-one Bulletins (Zeff et al., 1992).

Like the CAP, the APB, which was founded in 1959 and existed until 1973, was a committee of AICPA and its members were members of AICPA too, but some of them were practising accountants chosen from industry or the academic field. The APB was established to overcome its predecessor's shortcoming (Alamari, 1989; Moonitz, 1974). AICPA, in 1964, issued a resolution requesting the disclosure of information departures from APB Opinions. This adoption was a vital development in the accounting standards setting process by the private sector in the US at that time. However, this was not sufficient to counter the criticism against APB.

FASB, which was established in 1973, has been responsible for establishing and improving accounting and financial reporting in the US since that time. Its establishing was designed to remedy the perceived flaws in the structure and procedures of APB. Starting from 1978, FASB issued a series of Statements of Financial Accounting Concepts (SFAC).

FASB, which is privately funded and non-governmental entity, is not a government body. Its authority comes from two sources: first, the recognition by SEC of FASB as the standard setting body (see 4.3.2.2 next); second, the designation of FASB by AICPA to be the body responsible for setting accounting standards. Figure 4.2 shows the various organisations that give the FASB its authority.

Figure 4.2 The Sources of the FASB's Authority:

Government Regulators:		Users:

Diagram boxes:

Government Regulators:
- Securities and Exchange Commission
- State Boards of Public Accountancy

Users:
- Securities Industry Association
- Financial Analysts Federation
- Robert Morris Association

FASB

Instructors:
- American Accounting Association

Statement Preparers:
- Financial Executives Institute
- National Association of Accountants
- Trade Associations
- Individual Corporations

Auditors:
- American Institute of CPA
- State Societies of CPAs
- Major Auditing Firms

Source: (Miller and Redding, 1988, p. 19)

There are some points about the new body, FASB, which deserve to be mentioned. These points are:

1- The wide participation. In contrast with members of APB, members of FASB are chosen to be representative of a cross-section of interested groups.

2- The semi-independent status. FASB issues accounting standards in its own right, and there is no need for the professional institutions' agreement for its production. This independence was a direct outcome of the criticism directed to APB, that it was influenced principally by the AICPA.

3- Dependence on research. FASB's outputs should be produced after conducting research. The research activities of FASB are part of the procedures for producing statements.

4- The authoritative status. FASB has authority from which its statements derive power (For more details, see 4.3.2.1).

There is a general note about the process of setting accounting standards in both the UK and the US, that the ASC and ASB in the UK have taken rather different approaches to accounting standards setting from that of the FASB in the US. Also, the UK bodies have both applied a broad fundamental approach. On the one hand, this has

allowed a high degree of flexibility, thereby requiring a considerable measure of judgement to be exercised in the adoption of some standards; on the other hand, the lack of detailed rules results in alike transactions being accounted for in ways which produce materialy different effects (Davies et al., 1997). Mueller et al. (1991) pointed out that financial accounting standards in the US and in the UK are not always the same. Consequently, "A company operating in both countries may find it impossible to satisfy the two sets of standards simultaneously" (p. 6). As we have seen, both the US and the UK have taken various approaches to accounting standards setting. In the next pages, accounting regulation in these two countries will be discussed.

4.3.2 Accounting Regulation in the UK and the US:

To be effective, it is essential that accounting standards be enforced. The mechanism of enforcement of accounting standards can be voluntary (through the agreement among accountants or firms themselves to apply a certain accounting standards) or mandatory (through the use of government power that may be invoked to enforce adherence to certain accounting standards). Regarding the latter mechanism, mandatory enforcement, Robson (1993) argued that the process of regulating accounting standards appears to be ever intensifying with the establishing of professional, governmental and international regulatory organisations.

The method of accounting regulation varies from country to country. While the accounting profession leads the process in some countries, the government leads it in others[8]. The position and effects of the accounting profession are basic elements determining the responsibility for accounting regulation (Alhashim, 1980). Regarding the comparison between private and governmental regulation, Taylor and Turly (1986, p.28) stated that:

> "self-regulation may be seen as a means by which government
> policies may be more effectively implemented, as a complement
> to legal regulation or as an alternative. ... From government's
> point of view, self-regulation may possess the merit of flexibility
> and may be more accurately focused than would be the case with
> statutory regulation. In addition, it may overcome the resistance of
> interest groups to regulation".

Bromwich (1992) argued that governmental regulation minimises the problem of enforcement of accounting standards, while private sector organisations generally lack authority from society. The weakness of such non-public organisations and their lack authority are among the main criticisms of standard-setters.

Cooke and Wallace (1990, p. 81) argued that "where the 'state' principles prevail, regulation of accounting is by the state". In other words, as Arpan and Radebaugh (1985) pointed out, the countries in which the government regulates accounting practices have governments that play an active role in the economic system and have relatively weak accounting professions. A major drawback in these countries is that accounting standards and practices are set by legislators who normally have little or no accounting background or training.

4.3.2.1 In the UK:

UK accounting regulation comes in several major forms that have various powers[9]. These forms are legislation (Company Act enacted by Parliament); the stock exchange (the listing rules); standard setting bodies (Accounting Standards issued by the ASB); and the accounting profession (Professional rules).

The ASB, which is a part of a large structure that includes other accounting bodies such as the Financial Reporting Council, and the Financial Reporting Review Panel (see 4.3.1.1 above), has the power to prepare and issue the FRSs on its own authority. The Companies Act 1981, which was consolidated with previous laws in the Companies Act 1985, later amended by the subsequent Companies Act 1989 and numerous Statutory Instruments, sets out the rules of companies' financial reporting in substantial detail, covering subjects such as the form and content of financial statements to be prepared by limited companies; the valuation rules to be used in the preparation of financial statements; the publication of the accounts; and auditors' function, duties, powers and qualifications (Flower and Ebbers, 2002). Additionally, the Companies Act 1989 presented a requirement to state whether the financial reports have been prepared according to applicable accounting standards, whether there are any material departures

From such standards and, if so, the reasons for them (Glautier and Underdown, 2001).

Companies listed on the London Stock Exchange or quoted on the Alternative Investment Market are required to provide more information, in addition to more frequent information than that required by Companies Acts (e.g., quoted companies are asked to provide an interim reports that contain certain information), and to comply with the accounting standards issued by the ASB[10]. Also, the accounting profession, such as the ICAEW, has its role in the accounting regulation system, as it issues some recommendations to the members on subjects not covered by the law and accounting standards (Flower and Ebbers, 2002). Figure 4.3 below illustrates the UK's system for accounting regulation.

Figure 4.3 The UK System for the Regulation of Financial Reporting:
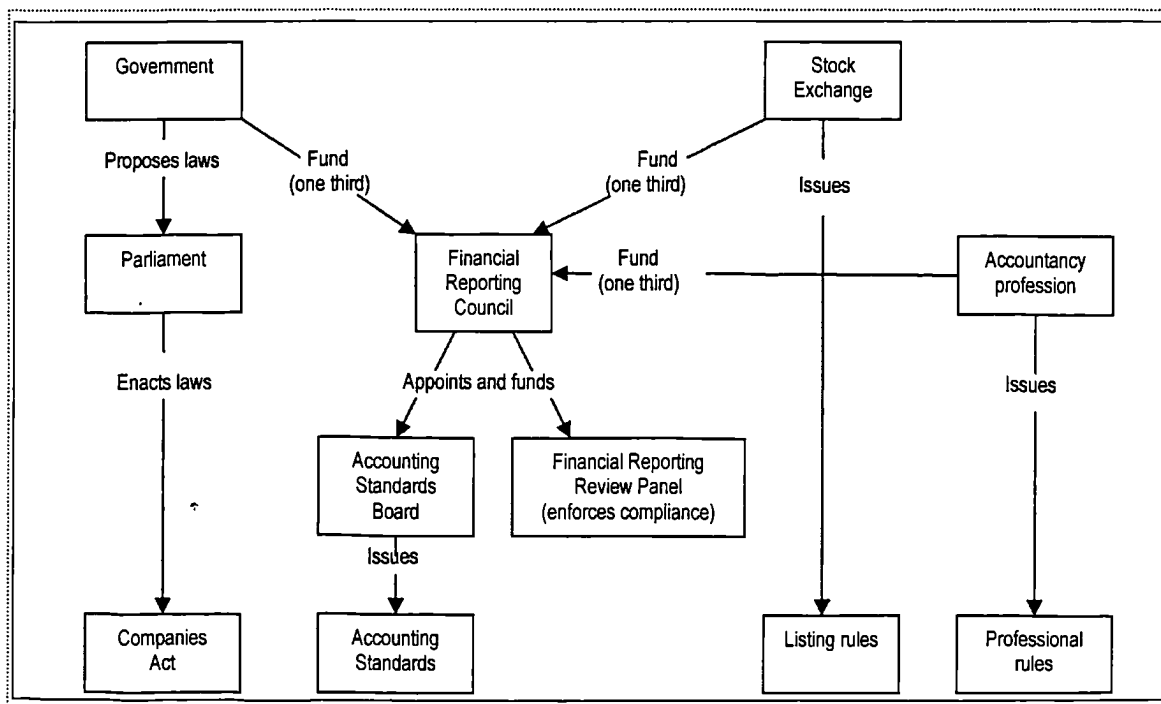
Source: (Flower and Ebbers, 2002, p. 102)

4.3.2.2 In the US:

The SEC, which is a governmental agency, was designated by the US Congress to be responsible for authorising the Generally Accepted Accounting Principles - GAAP for companies listed in the stock exchange (Horngren et al., 1996). The SEC has generally chosen to accept for those purposes those accounting principles generally accepted by the accounting profession in the US (Bromwich, 1992).

Until 1973, the SEC had relied primarily on the CAP (1939-1959) and the APB (1959-1973) for "substantial authoritative support" of what constitutes "GAAP" (Zeff et al., 1992). Later, the SEC has relied primarily on the FASB and has informally delegated much rule-making power to it. The above situation means that the SEC can overrule the FASB, while both of them can be overruled by the US Congress (Horngren et al., 1996).

As we have seen from the above, the accounting regulation system in the US relies on a combination of both government and private authorities. Figure 4.4 below illustrates the US's system for accounting regulation.

Figure 4.4 The US System for the Regulation of Financial Reporting:

Key:
SEC   Securities and Exchange Commission
FAF   Financial Accounting Foundation
FASB   Financial Accounting Standards Board
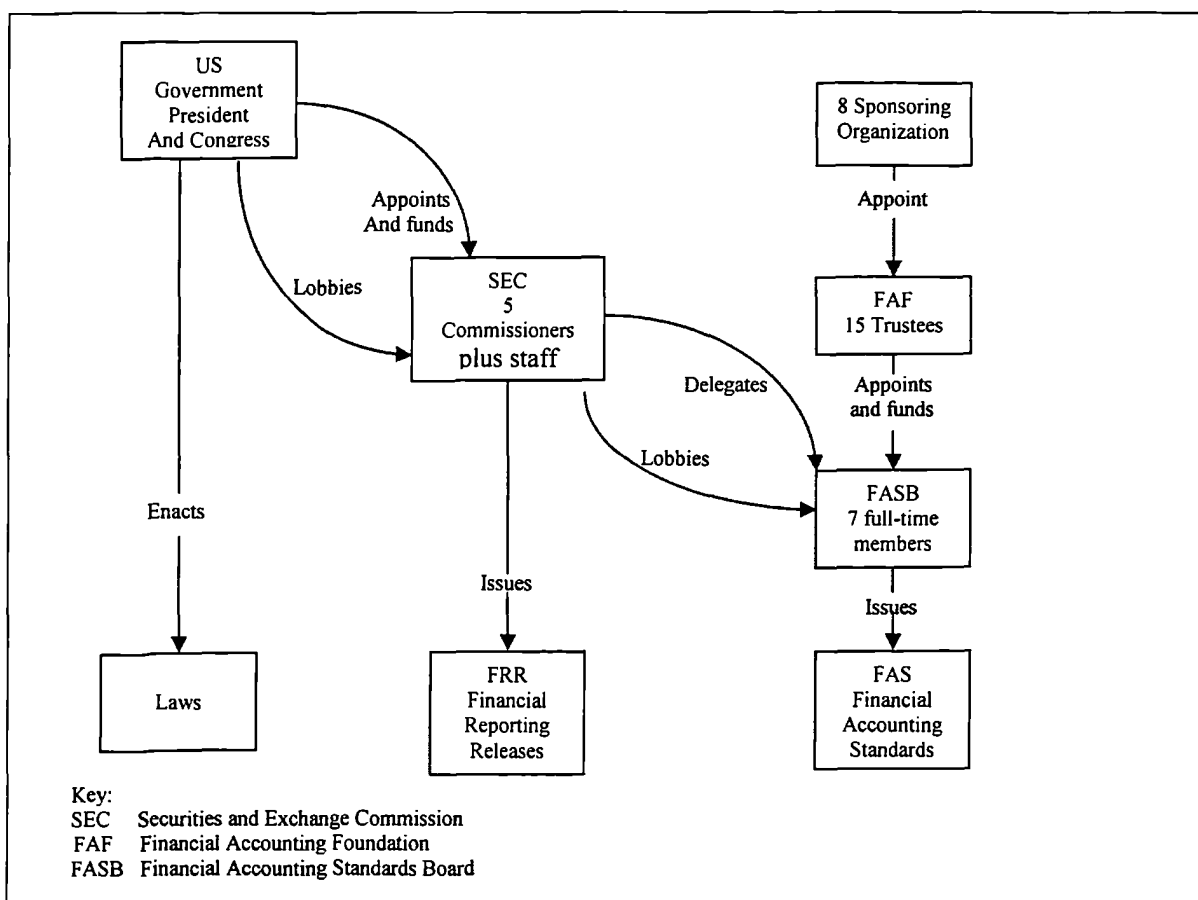
Source: (Flower and Ebbers, 2002, p. 126)

Comparing the UK and the US accounting regulation systems, Alexander and Archer (2000a, pp. 552-553) indicated that:

> "The US system is significantly more 'public sector' than the UK system. In particular, the principal enforcement agency in the US is a body set up by Act of Congress ..., while in the UK it is private-sector body closely associated with the accounting profession that needs to turn either to the government or to the courts if companies refuse to do its bidding".

4.4 International Accounting Standards:

This section of the chapter will deal with accounting standards at the international level (IASs). The need for IASs, the formation and efforts of the IASC, and the application of IASs will be discussed in this section.

4.4.1 The Need for IASs:

During the last few decades, outstanding changes towards what has been known as "the global economy" and "globalisation" have been witnessed. The following are some of those changes (Choi and Levich, 1991; Decker and Brunner, 1997; Evans et al., 1985; Flower and Ebbers, 2002; Perera, 1985; and Wallace,1993):

1- The wide growth in international trade that started since the early 1970s;

2- The emergence of capital markets including some multinational enterprises (MNEs) in some developing countries such as India and some of the newly industrialised countries such as Korea and Singapore;

3- The increasing co-operation among governments of different countries, either at the regional level or at the global level, aiming to enhance the economic growth and development of member states such as the European Community (EC) and the Association of South East Asian Nations (ASEAN);

4- The opening up of markets in previously centrally planned economies to foreign direct investments;

5- The huge development in communication technology and its effect in international trade.

The above changes have increased the need for international accounting standardisation to achieve comparability among financial reports of different countries, as will be shown in the next arguments. Also, to take the right investment decision between alternative investment chances in different countries, especially in the light of accounting diversity among countries, investors should be able to compare financial reports prepared in different countries (Lewis and Pendrill, 2000).

Moreover, users of foreign financial reports face some obstacles when they use those foreign reports, such as differences in basis, terminology, statement format,

accounting measurement rules, and availability and timeliness of financial reports (Bindon and Smith, 1997). In such cases, international standardisation enhances the comparability between financial reports of different countries. Nobes and Parker (2000) refer to the following arguments that elucidate the importance of accounting harmonisation[11]:

- Financial analysts and investors need to be able to understand the financial reports of foreign companies whose securities they might wish to buy and they like to make sure that these financial reports are reliable and comparable.

- In cases where foreign securities are quoted on the local stock exchange of an investor, that stock exchange may require financial reports, which are consistent with local practices.

- Also, companies which wish to issue new securities more widely than on their local markets will see the advantages of standardised practices in the promotion of their issues.

Choi and Levich (1991), who echo the importance of international accounting standards for international investors when using foreign financial reports of different countries, stated that accounting differences make it more difficult to measure decision variables and ultimately affect their investment decisions. Also, the cost of financial analysis of financial reports of different countries may increase. In such cases, financial analysts and other users of financial reports incur extra costs of analysis when the reports are prepared according to different standards in different countries and they may be confused in the interpretation of these financial reports (IASC, 2001).

In the light of the massive changes around the world, such as the transformation of most socialist countries towards the free market system and privatisation programmes, whether in countries that had or still have public sector companies, it is likely that international investors are directing more investment to different countries, so the IASs play an important role in such situations.

On the other hand, as Elsafty (1989) pointed out, users of financial information need financial reports that are comparable, regardless of national origin and which

disclose in usable form the economic and social information required for effective evaluation and decision making.

Regarding this need in developing countries, it has been argued by Evans et al. (1985) that because of the existence of many good investment opportunities in these countries that are not yet fully industrialised, they are of interest to both international investors and multinational corporations considering expansion. All parties need IASs in such a case. Moreover, the IASC stated that its IASs are of great usefulness for developing countries or other countries which have no national standards setting body or no resources to undertake the full process of accounting standards setting (IASC, 2001).

4.4.2 The Formation of IASC:

Interest in the harmonisation of accounting standards is not new; but, what is new is the intensification of efforts to achieve progress toward harmonisation. The early interest was focused on identification of differences in accounting policies and standards between the primary trading countries (Wyatt, 1997). Although the possibility of international standardisation has been debated for the last few decades (Lewis and Pendrill, 2000), the most successful programme started with the establishment of the IASC in 1973.

The first active steps toward establishing the IASC took place in the autumn of 1972 at the Tenth International Congress in Sydney, where senior officers of the Accountants International Study Group' member bodies met to consider the possibility of forming a more broadly-based committee which could establish international standards (see: Benson, 1976; and Mason, 1981). The IASC, which was and still is an independent private sector body, was formed[12] through an agreement of sixteen professional accounting bodies from nine different countries: Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the UK and Ireland, and the US. In May 1974, eight further professional bodies from Belgium, India, Israel, New Zealand, Pakistan and Zimbabwe (formally Rhodesia) were admitted as associate members (Briston, 1981).

The number of members of IASC[13] has increased over the years. By 1983, its membership had increased to be eighty-eight members from sixty-four countries and by

1992 there were hundred and five members from seventy-eight countries (Chamisa, 1994). According to the IASC (2001), its members include 138 member organisations, 11 association members, and 4 affiliate members in 112 different countries of different levels of economic development. Furthermore, the proportion of developing countries with accounting bodies which are members of the IASC has increased conspicuously (e.g.: from 11 percent in 1973 to more than 70 percent by January 2001[14] and the majority of these developing countries which are members of IASC have applied the IASs.

IASC now has a very respected position and its position is increased year by year through the recognition that it has received from some important organisations such as the EC, the International Federation of Accountants (IFAC), and the United Nations, when these organisations recognised the IASC as the body responsible for issuing IASs.

In 1997, the IASC Board, considering the future structure of the IASC after completing the "Core Standards" programme, formed a Strategy Working Party to prepare a report about a broad analysis of the organisational problems facing the IASC and the suggestions to resolve these problems. In December 1999, the Strategy Working Party completed and published its final report titled "Recommendations on Shaping IASC for the Future". As a result of these report, the IASC Board started adopting a revised constitution which came into effect in April 2001, when the International Accounting Standards Board - IASB replaced its predecessor body, the IASC (IASB, 2002).

This new constitution covered many matters, such as a change in its name to be the IASB instead of the IASC; development of the objectives (e.g., to include more emphasis on 'enforceability' of its 'high quality standards' to help in the 'world's capital markets'); and a change in its structure. According to the new structure, the IASC Foundation is an independent organisation containing two main bodies: first, the Trustees, composed of 19 individuals from public who were appointed by the Nominating Committee of the IASC Board (six of them were from North America; six from Europe; four from the Asia/Pacific region; and the remaining three, from any other region). Their function is to secure the independence of the standard-setting body through separating it from outside pressures; second, the IASB, composed of 14 experts (12 of them are full-

time and two are part-time) who were appointed by the Trustees. Its role is to issue

international accounting standards and interpretations on its own authority[15].

The objectives of the IASB in issuing IASs, in the light of the new structure are:

> "(a) to develop, in the public interest, a single set of high quality,
> understandable and enforceable global accounting standards that
> require high quality, transparent and comparable information in
> financial statements and other financial reporting to help
> participants in the world's capital markets and other users make
> economic decisions; (b) to promote the use and rigorous
> application of those standards; and (c) to bring about convergence
> of national accounting standards and International Accounting
> Standards to high quality solutions." (IASB,2002)

4.4.3 The Application of IASs:

The IASC has no direct power to enforce its IASs, but it depends on its members to

persuade the relevant institutions in their countries to adopt and enforce the standards.

Members of IASC work to support the IASC's objectives through undertaking the

following duties:

1- to make sure that published financial reports comply with IASs in all material respects

and disclose the fact of such compliance;

2- to persuade their governments and standard-setting bodies that published financial

reports should comply with IASs in all material respects;

3- to persuade authorities controlling securities markets and industrial and business

community that published financial reports should comply with IASs in all material

respects;

4- to make sure that auditors satisfy themselves that financial reports comply with IASs

in all material respects;

5- to foster acceptance and observance of IASs internationally (IASC, 2000).

The application and the acceptance of IASs can also come from stock

exchanges[16]. For instance, the London Stock Exchange requires that companies coming

from overseas for a listing should comply with IASs or US or UK GAAP (London Stock

Exchange, 2002). Another example of the application and acceptance of IASs comes from

the US, where the SEC requires listed foreign companies, that prepare their home

countries' financial reports using IASs, to provide reconciliation to US-GAAP through form 20-F[17]. Furthermore, recently the SEC in co-ordination with the IASC has been considering a proposal which waives the 20-F reconciliation requirements for foreign companies that prepare financial reports under IASs (Harris and Muller III, 1999; Venkatachalam, 1999).

In other countries (e.g., France and Germany) the stock exchanges accept financial reports based on IASs for foreign listed companies and for the consolidated accounts of local listed companies (Flower and Ebbers, 2002). Also, in others (e.g., Switzerland) the Swiss Stock Exchange permits all listed companies, including foreign, to follow the Swiss GAAP or IASs or their local GAAP (for the foreign listed companies); in the latter case, they may have to add some additional disclosures to comply with Swiss GAAP (Alexander and Archer, 2000b).

In contrast, in other countries (e.g. Brazil, Chile, Indonesia, Iran, and Mexico), IASs financial statements are not allowed for foreign listed companies. For instance, in Brazil, the Rio De Janeiro Stock Exchange and the Sao Paulo Stock Exchange require all listed companies (domestic and foreign) to follow Brazilian GAAP. In Chile, the Santiago Stock Exchange requires domestic listed companies to follow Chilean accounting principles, and foreign listed companies must follow their own national principles and include reconciliation to Chilean GAAP. In Indonesia, the Jakarta Stock Exchange requires all listed companies to follow Statements and Interpretations of the Indonesian Committee on Financial Accounting Standards. In Iran, the Tehran Stock Exchange requires all listed companies to comply with Iranian accounting principles; Lastly, in Mexico, the Mexican Stock Exchange requires all listed companies to follow accounting standards set by the Mexican Institute of Certified Public Accountants (Alexander and Archer, 2000b; IASC, 2000).

By the late 1980s, some developing countries applied the IASC's standards as their national standards (e.g., Botswana, Cyprus, Malawi, Malaysia, Oman, Pakistan, and Zimbabwe). Others – such as Egypt, Fiji, Hong Kong, India, Jamaica, Kenya, Kuwait, Lesotho, Mauritius, Nigeria, Singapore, South Africa, Sri Lanka, and Trinidad and

Tobago – have used the IASC's standards as the basis for developing national accounting standards (Chamisa, 1994)[18].

Furthermore, IASs are gaining widespread use and recognition throughout the world, as a consequence of a programme of convergence. As noted by the IASC (2001), the level of acceptability should increase dramatically over the next few years. Hundreds of companies, largely multinational companies and international financial institutions, state that they prepare their financial reports in accordance with IASs.

4.4.4 Efforts of IASC:

As accounting systems are developed and fostered within a nation's unique environment, many differences exist between IASs and the national standards of the IASC membership (Street and Shaughnessy, 1998). So, in 1990, the IASC initiated a move towards greater compatibility between national accounting requirements and the removal of differences between national requirements and IASs. The IASC completed its Comparability and Improvements Project in 1993 with ten standards becoming effective on 1 January 1995 (Harris and Muller III, 1999).

By early 2002 the number of IASs issued by IASC was 41, but some of them are no longer effective and have been replaced by others (e.g. IAS No.3 was replaced by IASs Nos.27 and 28, while IASs Nos.5 and 13 were replaced by IAS No.1). Furthermore, IASC published a framework of financial statements entitled "Framework for the Preparation and Presentation of Financial Statements" in July 1989. This framework might be useful for standard setters to help in resolving most accounting issues that will be encountered (Lewis and Pendrill, 2000).

With effect from January 1983, the IFAC, whose membership consists of professional accountancy bodies in 85 countries and which aims to develop and enhance a co-ordinated worldwide accountancy profession and harmonised standards, gave the IASC full autonomy to set international accounting and reporting standards (IASC, 2000; Roberts et al., 1998). In 1998, IASC completed the major components of the core set of Standards, as identified in an agreement with the International Organisation of Securities

Commissions (IOSCO) in July 1995[19]. The core standards provide a comprehensive basis

of accounting, covering all the major areas of importance to general businesses.

The July 1995 Agreement said that IOSCO would consider endorsing IASs for

cross-border capital raising and listing purposes in all global markets once the core set of

Standards had been completed. Many stock exchanges accept IASs for cross-border

listing purposes, but notable exceptions are the US and Canada. Furthermore, IASs also

affected European accounting. Alexander and Archer (1998, p.2) argued that:

> "The possibility of conflict between IASs and EU Directives has
> created a certain tension, which, together with the difficulties
> experienced in agreeing and implementing the directives, has led
> to a view that the European Union should issue no more
> Accounting Directives but should support the international
> standard-setting efforts of the IASC".

The following table clarifies some achievements and effective events of the IASC

from its formation in 1973 until 2002.

Table 4.1 Achievements and Effective Events of IASC (1973-2002):

Years	Achievements and Effective Events of IASC
1970s	1974 - First exposure draft published. - First associate members admitted (Belgium, India, Israel, New Zealand, Pakistan and Zimbabwe. - IAS 1, Disclosure of accounting policies. 1976 - Group of Ten Bank Governors decided to work with IASC, and fund IASC project, on bank financial statements. 1977 - Revised constitution adopted (Board expanded to 11 instead of 9 countries). - IFAC formed, IASC continues to be autonomous but with close relationship with IFAC. 1979 - IASC meets Organisation for Economic Co-operation and Development[20] (OECD) – The OECD working group on accounting standards.
1980s	1981 - Consultative Group formed. 1984 - Formal meeting with US SEC. 1985 - OECD forum on accounting harmonisation. - IASC responds to SEC multinational prospectus proposals. 1986 - Joint conference with New York Stock Exchange and International Bar Association on the globalisation of financial markets. 1987 - Comparability project started. - IOSCO joins Consultative Group and supports Comparability project. - First IASC Bound Volume of IASs. 1988 - IASC published survey on the use of IASs. - FASB joins consultative Group and joins Board as Observer. 1989 - Framework for the Preparation and Presentation of Financial Statements approved. - IFAC public sector guideline requires government business enterprise to follow IASs.
1990s	1990 - European Commission joins Consultative Group and joins Board as observer. 1991 - FASB plan supports international standards. - First IASC conference of standard setters, organised in conjunction with the European Federation of Accountants (FEE) and FASB 1993 - Comparability and Improvements project completed with approval of ten revised IASs. 1994 - The US SEC accepted three IAS treatments plus IAS 7.

		- Establishment of Advisory Council approved.
		1995 - Agreement with IOSCO to complete core standards by 1999.
		    - European Commission supports IASC/IOSCO agreement and use of IASs by European Union (EU) multinationals.
		1996 - IASC starts joint project on Provisions with UK ASB.
		    - EU Contact Committee finds IASs compatible with EU directives, with minor exceptions exceptions.
		    - Ministers of World Trade Organisation encourage successful completion of international standards.
		1997 - Standing Interpretations Committee formed.
		    - IASC sets up its Internet web site.
		    - FEE calls on Europe to use IASC's Framework.
		    - IASC Board formed a Strategy Working Party to consider the future strategy and structure of the IASC.
		1998 - New laws in several countries named Belgium, France, Germany and Italy allow large companies to use IASs domestically.
		    - Core standards completed with approval of IAS 39.
		1999 - New IFAC International Forum on Accountancy Development (IFAD) commits to 'support the use of IASs as the minimum benchmark' worldwide.
		    - EC single market plan for financial services includes use of IASs.
		    - FEE urges allowing European companies to use IASs without EC Directives and phase-out of US GAAP.
		    - Strategy Working Party published its final report, Recommendations on Shaping IASC for the Future.

2000s		2000 - SEC concept release regarding the use of IASs in the US.
		    - IOSCO recommends that its members allow multinational issuers to use 30 IASC standards in cross-border offerings and listings.
		    - IASC Board approves new IASC Constitution.
		    - European Commission plans to require IASC standards for all EU listed companies from no later than 2005.
		    - IASC Nominating Committee appoints 19 Trustees of the restructured IASC.
		    - IASC Trustees name the new standard-setting board, the IASB.
		2001 - The Trustees establish the new legal entity, the International Accounting Standards Committee Foundation, as a not-for-profit corporation, registered in the State of Delaware, USA. The IASB's operations are to remain in London.
		    - EC presents legislation to require use of IASC standards for all listed companies no later than 2005.
		    - The Trustees approve a proposal to change the name of the standards to Internationl Financial Reporting Standards (IFRSs).
		    - The IASB approves its first work programme, consisting of nine active projects. The chief aim is the convergence of differing standards on high quality solutions.
		    - The IASB releases its first Exposure Draft, a proposed Preface to International Financial Reporting Standards.
		    - The Trustees also release a proposal for public comment to change the name of the Standing Interpretations Committee (SIC) to the International Financial Reporting Interpretations Committee (IFRIC) and to expand the Committee's mandate.
		2002 - The European Parliament voted to endorse broadly the European Commission's proposals on the use of IASB Standards by publicly-listed companies in Europe.
		    - The IASC Foundation Trustees approved changes to the IASC Constitution (2000).

(Adapted from: IASC, 2001; IASB, 2002)

4.5 Accounting Standards Setting in Developing Countries:

As this study focuses on and is applied in Egypt, which is one of developing countries, this section of the chapter is devoted to the process of accounting standards setting in developing countries. Although accounting standards setting in most developing countries faces some economic, social, political, and institutional problems, the

development of basic accounting systems and procedures and the process of setting accounting standards has accelerated (Riahi-Belkaoui, 2000).

Different strategies have been presented in the international accounting literature to be used for setting accounting standards in developing countries (Riahi-Belkaoui, 2000; Amenkhienan, 1986). These strategies include the following: the evolutionary approach; the development through transfer of accounting technology; the adoption of IASs; and the development of accounting standards based on the analysis of accounting principles and practices in advanced nations, against the backdrop of their underlying environments, known as a "situationist strategy" (Riahi-Belkaoui, 2000) or "Fresh Start" (Scott 1970). A summary[21] discussion will be given below.

4.5.1 The Evolutionary Strategy:

Under this strategy, a developing country will produce its own standards without any influence from other developed countries[22]. In other words, a developing country will construct its accounting standards without any outside interference or influences (Belkaoui, 1988). According to this strategy, induction from the existing practice should be an important foundation for the process of setting accounting standards and a specific developing country determines its own accounting objectives and needs, then proceeds to meet them through developing the techniques, concepts, profession and education in isolation (Belkaoui, 1988; Choi and Mueller, 1978). Accounting development in developed countries, such as the US, the UK, and France, has been characterised by this pattern, where each standard has to meet the criterion of practical business usefulness (Amenkhienan, 1986).

Rahman and Scapens (1988) argued that most developing countries lack an organised mechanism needed for the process of accounting standard setting like those found in developed countries such as the US and the UK. Another point made by Enthoven (1980) is that the professional institutes that might be needed for this process generally tend to be weak in developing countries.

Moreover, Briston (1978) suggested that developing countries should focus upon an assessment of their needs of financial information in the enterprise, government, and national accounting sectors and should seek to establish training programmes to prepare the staff for the provision and use of that information. However, Scott (1970), expressed doubts about this strategy, stating that:

> "In fact, it is doubtful that accounting development in relative isolation is possible for most of today's developing nations. Their accounting is likely to be strongly influenced by the accounting of at least one advanced nation, generally that nation with which the developing nation has had a colonial relationship or now has a trading relationship" (p. 10).

4.5.2 The Strategy of Development through Transfer of Accounting Technology:

In this strategy, a given developing country chooses accounting technology that has already been constructed and applied in a developed country. According to the international accounting literature, many channels may be used in this strategy. Several studies (Amenkhienan, 1986; Riahi-Belkaoui, 2000; and Scott, 1970) indicate that this transfer may result from the activities and operations of international accounting firms[23] (many of them have branch offices in many developing countries), multinationals, or academicians practising in some developing countries, or the various international co-operative arrangements may call for exchanges of information and technology.

Briston (1978, p. 110) gave an example of this when he wrote:

> "Almost all of the large international firms of accountants are American or British, and those have also trained local accountants to service the audits of multinational companies according to American and British concepts. Another factor has been the insistence by the World Bank and other international financial institutions upon the use of an international firm of accountants to audit many of the projects which they finance"

Many developing countries have benefited from using this strategy. Examples of this have been pointed out by Enthoven and Briston. Enthoven (1973) referred to an example of the benefits that developing countries can get from US accounting, when he stated that both the accounting and the accountants in the US had already have had a positive effect on accounting systems, procedures and training in several developing countries. Also, Briston (1978, pp. 107-108) stated the following:

"In a number of countries, of course, the British influence is very long standing, and almost all of the colonial territories in which any substantial degree of industrial development took place under British rule will have had imposed upon them a British Companies Act with the usual reporting and auditing requirements".

The Indonesian case is an extensive illustration of this strategy. Indonesia has been influenced by multinational companies[24] and international accounting firms, and international aid arrangements (Amenkhienan, 1986).

Although this strategy might seem acceptable, there is a major disadvantage to it. Accounting, as one of the social sciences, is affected by the social, economic, political, and cultural environment in which it operates[25] and, as nations have different environments, they also have different patterns of accounting development and accounting systems. Briston (1978, p. 109) referred to the case of Nigeria, as a developing country that had adopted UK principles and systems, commenting that:

"The major criticism of evolution of accountancy in Nigeria and other countries which have adopted the colonial system almost entirely is that due to a mixture of habit, inertia, and vested interests; these countries have adopted accounting principles and systems of accountancy training which originally evolved to meet the needs of U.K. capitalism a century ago. These principles and systems have already been shown to be of dubious relevance for the present-day U.K. economy, and they are, therefore, most unlikely to be appropriate for the entirely different social and economic environments of the developing world"

Furthermore, Scott (1970) argued that special aspects of accounting practice in any given developing country may not be entirely suitable in the dissimilar environments of some developing nations. Thus, as Briston (1978) argued, the most suitable accounting system for each country depends upon a broad variety of different factors such as economic, historical, political and social factors.

Perera (1985) referred to the capability of developing countries to use this strategy when he argued that a specific type of technology that is to be transferred may be not relevant to the recipient country, if the technology package in that country is such that it cannot provide the essential linked techniques or resources or skills for the suitable use of

it. On the contrary, others have argued that this strategy might save a great deal of time and money for the developing countries (Riahi-Belkaoui, 2000; Samuels and Piper, 1985)

4.5.3 The Strategy of Adoption of IASs:

According to this strategy, a given developing country which has no accounting standards of its own can wholly adopt the IASs already issued by the IASC. This strategy might be considered as a short cut solution for developing countries (Alrumaihi, 1997). The rationale behind this strategy may be to reduce the cost of sitting accounting standards; link the international harmonisation drive; facilitate the increase of foreign investment that may needed; and empower its profession to emulate well-established professional standards of behaviour and conduct (Riahi-Belkaoui, 2000).

In spite of the above points that support this strategy, the adoption of the IASs might face some difficulty, especially as the IASs were not determined with the specific needs of many developing countries in mind and they do not address topics that are important to the economic growth of these countries (Amenkhienan, 1986; Wallace, 1993). So, it was argued that the adoption of the IASs could be harmful to developing countries especially as the social, cultural, political, economic environment, and the accounting needs of developing countries differ from those of developed countries (Amenkhienan, 1986; Briston, 1990; and Hove, 1989).

International standards might face some problems in their application and acceptance. Fantl (1971) referred to three difficulties facing international standardisation in general: first, the many differences among countries in their background and traditions; second, differences in the needs of those different economic environments; third, the challenge to the power of some countries in setting and enforcing standards. As Briston noted, IASs very often represent a compromise among the conflicting standards that occur between the different countries that dominate the Committee. Regarding this, he commented that

> "As a result, if there is a major difference between a British standard and a US standard, there is a tendency for the Committee to choose a compromise which would permit either of the two competing rules. As a result, in general, the standards tend to be

rather more flexible than those which are found in the individual member countries, and as a consequence, they do not provide the degree of comparability which the Committee was seeking to achieve (Briston, 1990, p. 202).

Furthermore, Hove (1990) concluded that the US and the UK exerted very significant levels of influence in the process of setting the IASs. However, others argued that this influence of the Anglo-Saxons is not very significant. For instance, Alexander and Archer (2000a, p. 553), discussing the voting process when issuing a new standard in the IASC Board, commented, "To approve a new Standard requires a 75 percent majority, so it is perfectly obvious that no standard acceptable only to 'Anglo-Saxons,' however defined, would or could be issued".

On the other hand, Flower and Ebbers (2002), using their classification of countries of the world according to the characteristics of their national accounting system between the "Anglo-Saxons" and the "Rest", classified countries of the IASC Board into Anglo- Saxons (9 countries) and the Rest (4 countries) and they added that the IASC Board was dominated by countries of the Anglo-Saxon group. Also, criticising the new formation of the IASC (IASB), they argued that this domination by the Anglo-Saxons countries would be continue. They wrote:

> "A further criticism of the IASC was its domination by the developed countries. It is clear that this will be the case with the IASB to an even greater extent. This is even more true with respect to the dominance of the Anglo-Saxons which was such a market feature of the IASC. The two most influential positions in the new structure are occupied by Anglo-Saxons" (Flower and Ebbers, 2002, p. 256).

Samuels (1993) added that the adoption of IASs may be irrelevant to the needs of developing countries. However, he argued that there is a possibility for developing countries to adopt some IASs in their entirety, and others partially, while rejecting others[26]. In the case of Egypt (see section 4.7 in this chapter), some of the IASs are adopted in their entirety (e.g. IAS Nos. 2, 7, 11, 26, 33, and 38), others with some minor changes (e.g. IAS No. 17), while other IASs have no counterpart in the EASs (e.g. IASs Nos. 12, 14, 22, 29, 31, and 41).

Despite, the above arguments, the issued standards can be seen, as Lewis and Pendrill (2000) argued, as a set of ready-made standards that can be applied by countries which have not developed their own mechanisms for standard setting. In addition, others have argued that the adoption of IASs, generally, improves the usefulness of financial information for predicting future earnings (Ashbaugh and Pincus, 1998).

It should be taken into consideration that the application of these ready-made standards is not an easy task, as each country has its own specific social, economic and cultural circumstances, which may make it difficult to adopt the IASs easily.

4.5.4 The Situationist Strategy:

This strategy is also referred to as "Fresh start" by Scott (1970) who considered it the best strategy; and as "Zero-based"; and "Development of accounting standards based on an analysis of accounting principles and practices in the advanced nations against the backdrop of their underlying environment" by Amenkhienan (1986). As Riahi-Belkaoui (2000) stated, this strategy, basically, requires attention to the diagnostic factors that shape the development of accounting in developing countries. These factors can be used for the process of suggesting constraints or thresholds that reflect different environmental factors such as the cultural, political, economic and legal environments, and then determining whether or not the given standard is suitable and useful to the developing country. The accounting regulation system in a given developing country that adopts this strategy will hold standards which are acceptable in the light of the environmental constraints of that developing country.

For the purpose of comparison among these strategies, Alrumaihi (1997) asserted that there is no general formula to guide the choice of a suitable strategy for setting accounting standards in developing countries. However, the adoption of IASs might be seen as the best strategy for most developing countries, provided these countries take into consideration both the various environmental factors and the needs of different user groups. Also, the adoption of this strategy is relevant to many developing countries as it reduces the cost of issuing accounting standards, thereby saving resources which may be

needed in other fields. One more argument supporting this strategy is that the accounting profession in the majority of developing countries in general lacks the organisations needed for the process of setting accounting standards similar to those found in developed countries (Enthoven, 1980; Rahman and Scapens, 1988).

In the light of the above, an important question which may arise is: Which of the above strategies has been followed in Egypt where this study was applied? Since the commencement of the interest in setting accounting standards in Egypt in 1980s, the third strategy, the strategy of adoption of IASs, has been adopted for setting the Egyptian accounting standards. Two separate attempts were made: first, in 1992 by the Egyptian Institute of Accountants and Auditors (EIAA), which in an informal attempt presented 20 standards as a translation of the IASs; second, in 1997 by the Ministry of Economics, which issued 22 EASs generally compatible with the IASs, with the exception of some minor changes to suit the Egyptian environment. These two attempts will be presented on detail in the next sections, sections 4.6 and 4.7 of this chapter. The empirical part of this study, especially Chapters Seven and Nine, will give empirical evidence regarding the suitability and applicability of this strategy in Egypt.

In the next two sections of this chapter the process of setting accounting standards in Egypt, as a developing country, will be discussed.

4.6 Accounting Standards in Egypt:

In most developing countries, accounting standards do not have a position of importance for many reasons. Enthoven (1980) referred to this when he stated that different factors such as former colonial practices, legal systems, tax aspects, and professional and educational conditions have influenced accounting practices in developing countries.

In some countries, accounting standards are set by legislation, while in others the accounting profession sets them. Moreover, accounting standards can be set by both legislation and accounting profession in a given country over time. The main reason for these differences is the differences in environments between countries. In Egypt, the accounting standards setting process depended mainly on legislation, such as the huge

number of laws and decrees, concerning the regulation of accounting profession, issued in and after the 1960s. This means that the government was and still is the main body that has the authority to regulate the accounting practice. Many reasons are behind the absence of an effective role of the professional bodies in regulating accounting practice in Egypt. Economic and political factors are the most important factors that affected in this role especially in the 1960s after the nationalisation decrees, the adoption of socialism and what followed them, such as the very strong role of some governmental bodies like the CAA. Further, among those reasons is that accounting researchers, as well as accounting education in general, were not interested in the problems of accounting regulation.

The Charter of the Accounting and Auditing Professions, issued in August 1958 by the Syndicate of Accountants and Auditors - SAA, can be regarded as a first attempt towards setting some standards that regulate accounting practices in Egypt. Article No. 5 of chapter one of this charter indicated that the auditor should check if the company management has adopted acceptable accounting principles (Syndicate of Accountants and Auditors, 1958).

In 1966, the CAA, a governmental accounting body, introduced the Uniform Accounting System (UAS)[27] by Law No. 4723 of 1966, to be adopted by all companies of public sector with the exception of bank and insurance companies. The UAS, which was introduced to meet the need for uniformity for planning and control purposes, reflects the uniformity of several aspects such as the financial period, the chart of accounts, and the disclosure system (Briston and El-Ashker, 1984). Another attempt was made between 1975 and 1981 when a uniform basis of preparation of the financial reports of public banks 1975 and 1981 when a uniform basis of preparation of the financial reports of public banks in Egypt was introduced.

Interest in setting accounting standards commenced in the early 1980s. In June 1980, at the National Conference of Accounting and Auditing held in Cairo, some recommendations were made regarding the accounting profession in general, and accounting regulation in particular. A committee was set up, which had as one of its main purposes the preparation of a list of accounting standards applicable in Egypt in

conformity with the IASs. The conference recommended the possibility of establishing an institute of accounting and auditing for representing qualified accountants and auditors (Syndicate of Commerce Professions, 1980).

The First International Conference on Accounting and Auditing in Cairo was held in December of the same year and included speakers from many international accounting firms. This conference asserted the recommendations of its predecessor and asserted the importance of the process of setting accounting standards that should take into consideration both the environmental factors and the needs of different user groups. In addition, it was suggested that accounting standards should be in conformity with accounting standards issued by international accounting bodies such as the IASC.

According to Al-Henawy (1990), the Second Cairo International Conference on Accounting and Auditing, held in Egypt in 1986, may be seen as the first real interest in accounting standards setting in Egypt. This conference, organised by the Egyptian Society of Accountants and Auditors (ESAA), discussed many questions regarding the process of setting accounting standards in Egypt and the possible alternatives that might be adopted.

Many alternative strategies were suggested for setting accounting standards in Egypt by the Secretary General of the IASC. These suggested strategies were: developing national standards based on and linked to the IASs; full adoption of the IASs; developing national forewords that deal with the application of the IASs in Egypt; adopting the European Community's Fourth Directive and adding some accounting standards; or using the IASs but adopting them to the national environment (Cairns, 1986).

Moreover, several recommendations were also introduced regarding setting accounting standards in Egypt, such as the following (The Egyptian Society of Accountants and Auditors , 1986):

- An independent board should be established that would be responsible to formulate, establish and monitor accounting standards and auditing guidelines.

- The accounting standards prepared by this board should be mainly based on the IASs after taking into consideration the Egyptian environment.

In addition to the above recommendations, several researchers[28] interested in setting accounting standards in Egypt recommended that environmental factors should be taken into consideration when setting accounting standards in Egypt. In April 1992, the EIAA presented 20 EASs in an informal attempt at setting accounting standards. This attempt, however, did not achieve the desired success, for many reasons, such as translation difficulties, informality in preparation and presentation, and the absence of a body responsible for setting accounting standards in Egypt.

Furthermore, Article 58 of the ERs of CML No. 95 of 1992, indicated that every company offering its securities for public subscription should provide the CMA with financial reports prepared and audited according to IASs (this continued until 1997 when the EASs were issued) and the International Auditing Standards. This means that the Egyptian Accounting Standards of 1992 were not recognised by the CML, which recognised the IASs as a base for preparation of the financial reports of companies offering securities for public subscription.

In 1996, a Ministry Decree No. 323 was issued regarding the formation of a permanent national committee for issuing EASs. The committee's chairman was the Chairman of CMA and its members were from several important organisations such as: The EIAA; the Arabian Association for Costs; the CAA; the Egyptian Association of Accountants and Auditors - EAAA; the Syndicate of Accountants and Auditors - SAA; the General Authority for Investment - GAFI; the CMA, the Central Bank of Egypt - CBE; Accounting Departments in some Egyptian Universities. Three sub-committees were formed from professional accountants, academics and other experts for preparing both the EASs and the Egyptian Auditing Standards[29].

In September 1997, another Ministry Decree No. 478 was issued replacing the previous year's decree (No. 323 of 1996) and, also, regarding the formation of a permanent committee for issuing Egyptian accounting standards. The new decree was the same as its predecessor, except that it provided for the formation of a committee, which was chaired by the Minister of Economics and included the following:

- The Chairman of CMA, as a member.

- The Chairman of the Companies Authority, as a member.

- Representatives from CAA, ESAA, and EIAA, as members.

This new committee did not make any changes and kept everything the same including the three sub-committees. Later, in September 1997, EASs, which are generally compatible with the IASs with the exception of some minor changes to meet the Egyptian environment, started to be issued by Ministry Decree No. 503 of 1997 to be adopted from the following year (1998) by all companies offering securities for public subscription, including the companies listed in the CASE.

In addition to the issued EASs, Ministry of Economics, in October 2000, issued six Egyptian Auditing Standards, mainly based on International Auditing Standards.

Initially, 19 accounting standards were issued in October 1997. Another one, the accounting standard for leases, was issued separately earlier in September 1997, two more accounting standards were issued in July 1998, and recently in June 2002, another EAS was issued. Table 4.2, below, shows the EASs and their issue dates.

Table 4.2 A List of EASs and Their Issue Dates:

EAS No.	Title	Issue Date
1	Disclosure of Accounting Policies	Oct. 1997
2	Inventories	Oct. 1997
3	Information to be Disclosed in Financial Statements	Oct. 1997
4	Cash Flow Statements	Oct. 1997
5	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	Oct. 1997
6	Research and Development Costs	Oct. 1997
7	Events after the Balance Sheet Date	Oct. 1997
8	Construction Contracts	Oct. 1997
9	Presentation of Current Assets and Current Liabilities	Oct. 1997
10	Fixed Assets and Depreciation Accounting	Oct. 1997
11	Revenue	Oct. 1997
12	Accounting for Government Grants and Disclosure of Government Assistance	Oct. 1997
13	The Effects of Changes in Foreign Exchange Rates	Oct. 1997
14	Borrowing Costs	Oct. 1997
15	Related Party Disclosure	Oct. 1997
16	Accounting for Investments	Oct. 1997
17	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	Oct. 1997
18	Accounting for Investments in Associates	Oct. 1997
19	Disclosures in the Financial Statements of Banks and Similar financial Institutions	Oct. 1997
20	Leases	Sep. 1997
21	Accounting and Reporting by Retirement Benefit Plans	July 1998
22	Earnings Per Share	July 1998
23	Intangible Assets	June 2002

(Adapted from: Ministry of Economics, 1997)

4.7 The Relationship between IASs and EASs:

In general, there are no important differences between the 22 EASs and their IASs counterparts with exception of EAS No. 20 (Accounting for leases). As mentioned above, the EASs are compatible with the IASs, with the exception of some minor changes to meet the Egyptian environment

In addition to the notes mentioned in the table, the following points might help in understanding the relationship between the IASs and the EASs:

- There are many IASs that have no counterpart in the EASs such as Income Taxes (IAS 12), Segment Reporting (IAS 14), Business Combinations (IAS 22), Financial Reporting of Interests in Joint Ventures (IAS 31), Financial Instruments: Disclosure and Presentation (IAS 32), Interim Financial Reporting (IAS 34), and Agriculture (IAS 41). The Ministry Decree No. 503 of 1997, which introduced the EASs, required companies to follow the IASs in matters not included in the EASs, but, unfortunately, there is no formal translation into Arabic of these IASs and, also, copies of these IASs which have no counterparts in the EASs are not available to many listed companies and accounting firms.

- Many of the IASs have been revised or superseded and withdrawn, while this was not the case for the EASs, meaning that some of the EASs have not followed the IASs in their development for many years. For instance, until mid 2002, EAS 1 (Disclosure of Accounting Policies) remained the same as the superseded and withdrawn IAS 1 (Disclosure of Accounting Policies), although the latter had been replaced in 1997 by IAS 1 (Presentation of Financial Statement).

- Although most EASs are almost the same as their IASs counterparts, EAS 20, Leases, differs from IAS 17. This difference is because the EAS is affected by legal and tax factors, as the government issued a special law for leases, Leases Law No. 95 of 1995, that affects the accounting treatment for leases. For example, the EAS requires that leases should be shown as an asset in the balance sheet of the lessor, and the lessee should show the lease value in the income statement. In contrast, the IAS requires the lessor to show

the lease as a debt account or a receivable in balance sheet, and the lessee to show the lease as an asset in the balance sheet.

- There are some differences between IASs and EASs in disclosure requirements. The presentation requirements of EASs were issued as an appendix of the ERs, of the CML No. 95 of 1992 which was amended in 1997 with the appendix No. 3 of the Ministry Decree No. 503 of 1997, while these requirements were issued as a separate IAS (IAS 1 Presentation of Financial Statements). Later in June 2002, EAS No. 1 was revised to be compatible with its counterpart, IAS No. 1. Another difference is in the required financial statements. While the IASs require a company to present the following: (1) Balance sheet, (2) Income statement, (3) Statement of changes in equity, (4) Cash flow statement, and (5) Accounting policies and explanatory notes, the EASs require the same financial statements with the exception that they require a "Statement of suggested dividends" instead of statement number 3 (Statement of changes in equity).

- The ERs, of the CML No. 95 of 1992 required extensive details, especially of assets and inventories, to be presented in the face of the balance sheet, while it is better to introduce these details in the "Notes to the accounts" section. Also they require the market value of both long-term investments and marketable securities to be presented in the face of the balance sheet, if their values differ from the carrying amount in the financial statement.

Table 4.3 below shows the relationship between the EASs and the IASs. This table displays each IASs and its status compared to the similar EAS, and also focuses on the comparability between the two groups and the subjects which are not covered by the EASs.

Table 4.3 EASs Comparable to IASs:

No	IAS Title and Status	EAS No.	EAS Title and Status	Comparability Comments
1	**Presentation of Financial Statements** Revised 1997, Supersedes IAS 1 (1975), IAS 5 (1976), and IAS 13 (1979)	1	**Presentation of Financial Statements** Revised June 2002, Supersedes EAS 1 (1997), EAS 3 (1997), and EAS 9 (1997).	EAS 1 is comparable to the IAS 1 that revised in 1997
2	**Inventories** Revised 1993, Supersedes IAS 2 (1977)	2	**Inventories** Issued Oct. 1997	—
3	**Consolidated Financial Statements** Superseded by IAS 27 and IAS 28		—	—
4	**Depreciation Accounting** Issued 1976, Portion superseded by IAS 16 (revised 1993) and IAS 38 (issued 1998)	10	**Fixed Assets and Depreciation Accounting** Issued Oct. 1997	The EAS 10 is comparable to both IAS 4 and IAS 16.
5	**Information to be Disclosed in Financial Statements** Superseded by IAS 1	3	**Information to be Disclosed in Financial Statements** Superseded by EAS 1 (2002)	—
6	**Accounting Responses to Changing Prices** Superseded by IAS 15		—	—
7	**Cash Flow Statements** Revised 1992, Supersedes IAS 7 (1977)	4	**Cash Flow Statements** Issued Oct. 1997	—
8	**Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies** Revised 1993, Supersedes IAS 8 (1978). Part superseded by IAS 35 (1998)	5	**Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies** Issued Oct. 1997	—
9	**Research and Development Costs** Superseded by IAS 38	6	**Research and Development Costs** Issued Oct. 1997	—
10	**Event after the Balance Sheet Date** Revised 1999, Supersedes IAS 10 (1978).	7	**Event after the Balance Sheet Date** Issued Oct. 1997	—
11	**Construction Contracts** Revised 1993, Supersedes IAS 11 (1979)	8	**Construction Contracts** Issued Oct. 1997	—
12	**Income Taxes** Revised 1996, Supersedes IAS 12 (1979).		—	There is no EAS relevant to this IAS.
13	**Presentation of Current Assets and Current Liabilities** Superseded by IAS 1	9	**Presentation of Current Assets and Current Liabilities** Superseded by EAS 1 (2002)	—

No.	EAS	No.	IAS	Comments
14	**Segment Reporting** Revised 1997, Supersedes IAS 14 (1981).		—	There is no EAS relevant to this IAS.
15	**Information Reflecting the Effects of Changing Prices** Issued 1981. Made non-mandatory in 1989.		—	There is no EAS relevant to this IAS. Inflation rates in Egypt, 1998 - 2000, under 3%.
16	**Property, Plant and Equipment** Revised 1993, Supersedes IAS 16 (1982). Further amended in 1998.	10	**Fixed Assets and Depreciation Accounting** Issued Oct. 1997	—
17	**Leases** Revised 1997, Supersedes IAS 17 (1982).	20	**Leases** Issued Sep. 1997	This is the only EAS that has major differences from the IAS 17. This is due to Egypt has a new special law for leases (Law No. 95 of 1995)
18	**Revenue** Revised 1998, Supersedes IAS 18 (1982).	11	**Revenue** Issued Oct. 1997	—
19	**Employee Benefits** Revised 1998, Supersedes IAS 19 (1993).		—	Egypt has a special law for its benefit plan, which is governmentally financed.
20	**Accounting for Government Grants and Disclosure of Government Assistance** Issued 1983	12	**Accounting for Government Grants and Disclosure of Government Assistance** Issued Oct. 1997	
21	**The Effects of Changes in Foreign Exchange Rates** Revised 1993, Supersedes IAS 21 (1983).	13	**The Effects of Changes in Foreign Exchange Rates** Issued Oct. 1997	—
22	**Business Combinations** Revised 1998, Supersedes IAS 22 (1993).		—	There is no EAS relevant to this IAS although the Egyptian economic environment has witnessed many business combinations in last years.
23	**Borrowing Costs** Revised 1993, Supersedes IAS 23 (1984).	14	**Borrowing Costs** Issued Oct. 1997	—
24	**Related Party Disclosure** Issued 1984	15	**Related Party Disclosure** Issued Oct. 1997	—
25	**Accounting for Investments** Issued 1986. Part superseded by IAS 39 and IAS 40	16	**Accounting for Investments** Issued Oct. 1997	—
26	**Accounting and Reporting by Retirement Benefit Plans** Issued 1987	21	**Accounting and Reporting by Retirement Benefit Plans** Issued July 1998	—
27	**Consolidated Financial Statements and Accounting for Investments in Subsidiaries** Issued 1989. Amended by IAS 39	17	**Consolidated Financial Statements and Accounting for Investments in Subsidiaries** Issued Oct. 1997	—

No.	IAS	No.	EAS	Comments
28	Accounting for Investments in Associates Revised 1998. Amended by IAS 39	18	Accounting for Investments in Associates Issued Oct. 1997	—
29	Financial Reporting in Hyperinflationary Economies Issued 1989		—	This IAS does not suit the Egyptian economic environment
30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions Issued 1990. Amended by IAS 39	19	Disclosures in the Financial Statements of Banks and Similar Financial Institutions Issued Oct. 1997	—
31	Financial Reporting of Interests in Joint Ventures Issued 1990. Amended by IAS 36		—	There is no EAS relevant to this IAS.
32	Financial Instruments: Disclosure and Presentation Revised 1999. Supersedes IAS 32 (1995). Amended by IAS 39		—	There is no EAS relevant to this IAS.
33	Earnings per Share Issued 1997.	22	Earnings per Share Issued July 1998	—
34	Interim Financial Reporting Issued 1998.		—	There is no EAS relevant to this IAS.
35	Discontinuing Operations Issued 1998. Supersedes part of IAS 8 (1993)		—	There is no EAS relevant to this IAS, but EAS 5 is similar to IAS 8 revised (1993)
36	Impairment of Assets Issued 1998. Supersedes part of IAS 9 (1993), IAS 16 (1993).		—	There is no EAS relevant to this IAS, but EAS 6 is similar to IAS 9 revised (1993), and EAS 10 is similar to IAS 16 (1993)
37	Provisions, Contingent Liabilities and Contingent Assets Issued 1998. Supersedes part of IAS 10 (1978).		—	There is no EAS relevant to this IAS. but EAS 7 is similar to IAS 10 reformatted (1994)
38	Intangible Assets Issued 1998. Supersedes IAS 9 (1993)	23	Intangible Assets Issued June 2002	—
39	Financial Instruments: Recognition and Measurement Issued 1999. Supersedes part of IAS 25 (1986).		—	There is no EAS relevant to this IAS. EAS 16 is similar to IAS 25 reformatted 1994.
40	Investment Property Issued 2000. Supersedes part of IAS 25 (1986)		—	There is no EAS relevant to this IAS. EAS 16 is similar to IAS 25 reformatted 1994.
41	Agriculture Issued 2000		—	There is no EAS relevant to this IAS.

(Adapted from: Alexander and Archer, 2000b; IASC, 2000; Ministry of Economics, 1997)

4.8 Summary:

In this chapter, some issues related to accounting standard setting have been considered. The discussion was divided into several sections. Section 4.2 was devoted to the nature of accounting standards, explaining their features and importance especially for developing countries such as Egypt, where there is much need for financial information to serve in different areas mentioned in the section.

The following section concerned the process of accounting standards in both the UK and the US. In section 4.4, the IASs and their importance for achieving the comparability among financial reports of different countries were discussed. Also, attention was drawn to the usefulness of IASs for developing countries, which might have no national standards setting bodies or no resources to undertake the full process of accounting standards setting. Strategies of setting accounting standards suitable for developing countries were presented in section 4.5.

Lastly, EASs and their relationship with the IASs were discussed in the last two sections, 4.6 and 4.7. Generally, as the IASs are the basis of the EASs, there are no important differences between the 23 EASs and their IASs counterparts, with the exception of EAS No. 20 (Accounting for leases). However, there are many IASs that have no counterpart in the EASs, and there are some IASs that have been revised or withdrawn, while corresponding changes have not been made in some of the EASs.

While the IASs require a company to provide the following: (1) Balance sheet, (2) Income statement, (3) Statement of changes in equity, (4) Cash flow statement, and (5) Accounting policies and explanatory notes, the EASs require the same with the exception that they require a Statement of Suggested Dividends instead of a Statement of changes in equity.

Notes to the chapter:

[1] - See: Al-Henawy, 1990; Briston, 1981.

[2] - Accounting regulation is defined as "The imposition of constraints upon the preparation, content and form of external financial reports by bodies other than the preparers of the reports, or the organisation and individuals for which the reports are prepared" (Taylor and Turley, 1986, p.1).

[3] - The term Anglo-Saxon is commonly applied to the US, the UK, Canada, and Australia. All four countries are not only (in the main) English-speaking but they also share a similar legal system and business environment and are linked by many economic ties, including those of trade and investment. For more details, see, Alexander and Archer (2000a); Flower and Ebbers (2002).

[4] In this regard, it has been argued that "Anglo-American" influence weighs heavily on international accounting practice and on the foundation and operation of the IASC (Scheid and Standish, 1989). Flower and Ebbers (2002) applied their classification of countries of the world, into the 'Anglo-Saxon' and the 'Rest', to members of the IASC's Board. They conclude that clearly the board of the IASC was dominated by the 'Anglo-Saxon' countries, and they also claim that this will be the case with new Board of the IASB.

[5] - For example, there has been some kind of association between some of the largest Egyptian accounting firms and their UK counterparts (Briston and El-Ashker, 1984). This association is still continuing.

[6] - In both the UK and the US the word "standard" was used instead of the word "principle" after establishment of both the ASSC in the UK and the FASB in the US.

[7] For more details about this period and earlier, see Flower and Ebbers (2002).

[8] - As we will see in section 4.6 of this chapter, in Egypt, the Egyptian government enforce companies to adopt the EASs by Law.

[9] - For more details about these four forms, see for example: Alexander and Britton (1999); Blake (1995); Flower and Ebbers (2002); Glautier and Underdown (2001); Lee (1976); Lewis and Pendrill (2000); Taylor and Turly, (1986); Taylor and Underdown (1991).

[10] - Companies from outside the UK are required to provide their financial reports normally according to the IASs, US or UK GAAP (London Stock Exchange, 2002).

[11] - For more discussion about harmonisation in accounting practice, see for example: Chamisa (1994); Hove (1986); McComb (1979); and Wallace (1990).

[12] - For more details about the formation of IASC, see: Benson (1976); Brennan (1981); and Mason (1981).

[13] - All Member bodies of IFAC are automatically members of IASC, see: Alexander and Archer (2000b).

[14] - The Egyptian Society of Accountants and Auditors became a member of the IASC in 1980.

[15] - For more details about this new formation, see: Flower and Ebbers (2002); IASB (2002).

[16] - For full details about the application of IASs around the world, see: Alexander and Archer (2000b); IASC (2000); IASB (2002).

[17] - The US-SEC disclosure regulations of foreign companies vary across three degrees as follows:
- The first class of foreign companies in the US is Canadian companies, majority of that faced the same reporting regulations as US issuers in 1989.
- The second class is foreign companies registered under the 1934 Act that use form 20-F for annual reports and form 6-K for interim reports.
- The third class is foreign issuers exempt for SEC regulations (Frost and Pownall, 1994).

[18] - For more details about the recent use of IASs in countries around the world, see: Alexander and Archer (2000b); IASB (2002).

[19] - For more details about this project, see: Flower and Ebbers (2002); IASC (2001); Roberts et al (1998).

[20] - The OECD includes 24 governments of almost all industrialised countries named: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the UK, and the US (Mueller et al., 1991).

[21] - For more details about these strategies, see: Riahi-Belkaoui (2000); Amenkhienan (1986).

[22] - In the accounting literature, there are some major approaches for setting accounting standards, namely, the Constitutional approach, the common Law or Legal Approach, and the Empirical or Scientific Approach, but it is beyond the scope of this study to deal in detail with these approaches.

[23] - These are considered the most important means for the process of transmission of accounting practices of developed countries to developing countries, see: Scott (1970). For more details about the role of these firms, see for example, Briston (1990); Hove (1986); and Perera (1989).

[24] - Multinational companies are defined as that companies with foreign operations in two or more countries and therefore across several accounting systems. (For more details, see: Alhashim and Arpan (1988); Gray and Roberts (1989).

[25] - It is beyond the scope of this study to deal in detail with the environmental factors. However, for more about the effect of these environmental factors on accounting development in developing countries, see for instance: Al-Melegy (1998); Cooke and Wallace (1990); Mueller et al. (1991); and Radebaugh, (1975).

[26] - As we will see in section 4.7 in this chapter, some IASs are adopted in their entirety (e.g. IAS Nos. 2, 7, 11, 26, 33, and 38), others with some minor changes (e.g. IAS No. 17), while other IASs have no counterpart in the EASs (e.g. IASs Nos. 12, 14, 22, 29, 31, and 41).

[27] - A uniform accounting system is defined as "A system of accounts common to similar organizations, such as those developed or promoted by trade association, And those promulgated by federal and state regulatory bodies such as public-utility commissions" (Kohler, 1975, p. 482). For more details about the Egyptian UAS, see also 5.2.2 of the next chapter.

[28] - See for instance: Osman (1989); and Hamed (1997); Almelegy (1998).

[29] - For more details about this committee and its sub-committee, see: Almelegy (1999).

CHAPTER FIVE

Egyptian Economic Changes and Accounting Regulations

5.1 Introduction:

In Chapter Three, a set of QCOAI was selected that could be used to investigate the usefulness of accounting information provided in corporate annual reports by listed companies in Egypt. On the other hand, the economic environment and the financial reporting practice in Egypt have witnessed massive changes since the early 1990s. The Egyptian government has started a stage of economic reform since 1991 including reform of the public sector through a programme of privatisation.

In the light of the above, the purpose of this chapter is to present the development of economic and accounting practice in Egypt including the disclosure requirements whether by EASs, the CASE, or by other related laws. So, section 5.2 will deal with the development of economic and accounting practice in Egypt, and section 5.3 will present the Egyptian privatisation programme. Section 5.4 will be devoted to the Egyptian stock market. Lastly, section 5.5 will present the disclosure requirements of CASE, EASs, CML No. 95 of 1992, and other related laws.

5.2 Development of Economic and Accounting Practice in Egypt:

This section of the chapter summarises the historical background of the economic environment and accompanying accounting practices in Egypt. This economic and accounting development may be divided into four main stages: the period before 1956, the period between 1956 and 1974, the period between 1974 and 1990, and the period after 1990. This division is based on the major changes in the governmental orientation during recent Egyptian history.

5.2.1 The Period before 1956:

Accounting in Egypt has been known for thousands of years. It has been noted by Enthoven (1973) that the recording of economic transactions was known in ancient Egyptian civilization. However, the first major national development of accounting in

Egypt was the Decree of Commerce enacted in 1883. According to this decree, merchants were obliged to keep some accounting records such as a journal for recording daily transactions; a book of goods for recording the goods controlled by the enterprise at the end of every financial period; and a record of correspondence for keeping copies of the enterprises' correspondence with debtors and creditors (Briston and El-Ashker, 1984).

After this decree, until 1939, little change was made to the accounting regulation in Egypt. Act No. 14 of 1939 required companies to prepare financial statements making their profit or loss clear for the purposes of taxation, but this act did not affect the accounting system, as it did not include any specific provisions concerning accounting regulation (Zafer, 1994).

In 1954, a special act to regulate administrative system in corporations and limited companies was issued. This act presented a reporting system for these companies and gave them the freedom to choose a bookkeeping method, providing that the chosen method satisfied the requirements of this act. The act also required the appointment of an auditor and laid down conditions for ensuring his competence and independence. Furthermore, this act required the auditor to give, in his/her report, an opinion on the company's bookkeeping method and on whether its accounts were correct (Briston and Al-Ashker, 1984). This act, Act No. 26 of 1954, remained in force until the early 1980s, when the CMA, attempting to reactivate the Egyptian capital market, applied a draft law with a view to its amendment. The suggested amendments were effected in the Law No. 159 of 1981 (Zafer, 1994).

In the period before 1954, the Egyptian economy was dominated by private capital and was a free market economy, characterised by limited intervention and regulations by the government (Ibrahim, 1990). Moreover, in this period, the UK's economic and political influence was evident in the organisations of the accounting profession and in Egyptian financial reporting practices, both of which closely followed those of the UK. Samuels and Oliga (1982) noted that the prevailing Egyptian accounting system was based largely on the British accounting system and that the training of accountants, disclosure standards and the law regulating them were based on those of the UK.

5.2.2 The Period between 1956 and 1974:

As a result of the adoption of socialism, followed by a series of nationalisations, the Egyptian economy was changed to be an almost completely planned system. The government put most of the nation's resources under its control and established a massive public sector (Ibrahim, 1990). With the aim of eliminating the dominant role of foreign and local private capital, the government issued a package of laws and decrees, one of the most important of which was Law No. 119 of 1961 which nationalized all companies with capital in excess of LE 10,000.

As a consequence the private sector was relegated to a peripheral role. This new situation produced a mixed economy with a governmental public sector, which was owned, operated, and highly regulated by the government, and a subordinate private sector subject to miscellaneous types of direct governmental control and regulations (Evans et al., 1985).

This new situation required dramatic changes in accounting in Egypt. Arpan and Radebough (1975) stated that a country's stage of economic development and the main economic orientation are two of the main economic factors that influence accounting development and practices in a given country.

In 1964, Law No. 129 introduced the CAA as an independent institution reporting directly to the president of the country. The CAA became the public organisation authorised to audit the public sector enterprises and government institutions, and supervise the functioning of the various accounting control boards[1]. During this period, every accounting control board tried to design an accounting system that, that it was hoped, might be the best for that sector, but as a result, many different accounting systems could have been introduced (Shohaieb, 1990).

Moreover, starting from the 1960s, there was a heavy demand for accounting information to be used as a tool in providing the necessary inputs for planning and evaluating economic projects. After much effort by the CAA, the UAS was introduced in 1966 by Law No. 4723, to cover all companies of public sector, with the exception of banks and insurance companies (Central Accounting Agency, 1966).

The UAS was designed to achieve the following objectives: First, to provide the main accounting information needed for several purposes such as planning, implementation and control at all levels of the economy, on both an internal and an external basis. Second, to achieve the desired link between financial accounting at the enterprise level and social accounting at the national level. Third, to help the enterprise in the process of collecting, tabulating and storing data, so that it may easily provide governmental bodies with the required information (Central Accounting Agency, 1966).

Many studies were carried out to evaluate the UAS, and a few conferences were held for the same purpose. The following comments were made on the UAS:

- Some studies indicated that, in addition to freezing the accounting profession in Egypt, it failed or partly failed to achieve its most important object, since its ability to provide the necessary accounting information for planning and control was affected by its valuation methods (Al-Henawy, 1987; Zafer, 1994).

- The second International Conference on Accounting and Auditing in Cairo held in 1986 recommended that UAS should be completely reviewed and accounting uniformity in general should be reviewed too[2].

- The Second National Conference on Accounting and Auditing, held in 1987 by the EIAA, recommended accounting uniformity should be ended, since it had many disadvantages for accounting measurement and reporting, and that Egypt should adopt standardisation.

5.2.3 The Period between 1974 and 1990:

By the late 1960s and the early 1970s, it had become clear that the economic policies of the central planned economy were inefficient and needed to be reviewed, so the government decided to change towards a free market economy. Many objectives were set by the government, including reorganising the public sector to improve its performance and encouraging the private sector to increase its participation and play an active role in the development of the economy.

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During this period, the government paid attention to recent legal developments in both private and public sectors, the foreign trade, the stock market, and exchange control system (Ibrahim, 1990). Hence, the government adopted various economic policies encouraging the participation of the private sector in the economy.

The following table shows the percentage of participation of the private sector in development plans during this period.

Table 5.1 Private Sector Participation in Development Plans (1973-1988):

Year	Private S. (%)	Public S. (%)	Year	Private S. (%)	Public S. (%)
1973	8.5	91.5	1981/82	20.8	79.2
1974	9.9	90.1	1982/83	22.5	77.5
1975	16.0	84.0	1983/84	21.3	78.7
1976	20.6	79.4	1984/85	22.8	77.2
1977	19.8	80.2	1985/86	26.6	73.4
1978	17.5	82.5	1986/87	33.1	66.9
1979	23.1	76.9	1987/88	27.5	72.5
1980/81	21.0	79.0			

(**Adapted from: Central Bank of Egypt, Annual Report, Different Issues**)

The above table shows that the participation of private sector in the developing plan increased during this period, from 8.5 per cent in 1973 to 9.9 per cent in 1974 and to 17.5 per cent in 1978, averaging 16.8 per cent in the first five years (1974-78) of the new economic policies. This percentage rose to 33.1 per cent in 1986/87, and 27.5 per cent in 1987/88, averaging 26.3 per cent in the last five years of the table (1983/84 - 1987/88).

By its new policy, the open-door policy or "Infitah" introduced in 1974, the government aimed to bring technological development and rapid industrialisation, raise exports and improve the standard of living (Evans et al., 1985). The cornerstone of these new policies was the Investment Law No. 43 of 1974. This law was amended by Law No. 32 of 1977 and later replaced by Investment Law No. 230 of 1989, aiming to attract Arab and foreign investments to place business in Egypt and to establish free zones (Abd-Elsalam, 1999).

By then, multinational companies such as Coca-Cola, Cadbury, Schweppes, and General Motors, encouraged by the free-market policies, as well as by the peace agreement with Israel, had begun to set up new manufacturing and assembly plants in Egypt (UNIDO, 1994).

These political and economic changes in the structure of the Egyptian economic system required many changes in the legislation and the Egyptian accounting system. Consequently, many accounting firms were established to meet the growing demand in accounting services. The international accountancy firms came back to Egypt through Egyptian correspondents (Briston and El-Ashker, 1984). Furthermore, a few years after the adoption of the new economic policy, a new tax law, Tax Law No. 157 of 1981, and a new Companies Act, Companies Act No. 159 of 1981, were presented to encourage and regulate the formation of new private sector companies and to encourage listing in the stock exchange.

In the early 1980s, the Egyptian accounting profession joined the IASC and became a member of the IFAC. Later, after the mid 1980s, attention was given to accounting practice in Egypt, including evaluating the UAS and considering the possibility of setting accounting standards in Egypt. Several local and international conferences were held in this period regarding this purpose. The recommendations of these conferences asserted the necessity of setting accounting standards in Egypt[3].

5.2.4 The Period after 1990:

Since 1991, Egypt has begun a comprehensive programme for economic reform and privatisation under the supervision of the International Monetary Fund (IMF) and the World Bank (UNIDO, 1994). This programme has included reform of the public sector, including restructuring and privatising public sector companies; a macro economic framework, which includes maintaining a competitive exchange rate and reducing budget deficit; liberalised foreign trade regulations; reduction of subsidies for energy and basic foods; allowing market forces to determine the prices of many products; introduction of a package of incentives to encourage foreign investment; private sector reform; reform of the legal framework; exchange rate policies; and allowing competition in banking (Abd-Elsalam, 1999; UNIDO, 1994).

To achieve the above objectives, the government issued a package of important laws. In 1991, Public Business Sector Law No. 203 of 1991 was introduced to reorganise

the public sector and to facilitate the adoption of the privatisation programme. This law was followed by the issue of some amendments on the UAS such as the Decree of the chairman of CAA No. 1179 of 1992, which expanded the disclosed information by public sector companies, followed by Decrees No. 215 of 1994 and 216 of 1994 for the same purpose, and No. 2036 of 1993 which changed the form and contents of financial reports prepared by public business companies.

The CML No. 95 issued in 1992 is one of the most important features of this period. After the issue of the CML and its ERs, there were two accounting systems in Egypt: first, the UAS, after its amendment, which is applied in the public business sector; second, the system presented by issuing the CML and its ERs. The issue of the EASs, which are applied in companies working under the CML, completed the latter system[4].

In addition to the above laws, several laws were issued such as the Investment Law No. 8 of 1997 which replaced Law No. 230 of 1989, the Uniform Tax Law No. 187 of 1993, and Leases Law No. 95 of 1995.

This period witnessed an attempt at setting accounting standards when the EIAA, in 1992, introduced 20 accounting standards by translating the IASs. In 1997, the EASs were introduced by the Ministry Decree No. 503 of 1997 and come into use in 1998[5].

Many companies working in the stock market were established in the 1990s, such as brokerage companies, underwriting companies, securities portfolio managers, firms that participate in the formation of companies that issue securities, venture capital firms, investment funds, investment fund managers, bookkeepers, credit rating agencies, valuation and financial analysis firms, market information dissemination services, clearing and settlement.

Also, this period witnessed notable increase in the trading volume in the CASE, especially in the period after 1994. This increase in trading volume was accompanied by the flow of privatisation shares and improved efficiency of companies working in the stock market (Hegazy, 1998).

5.3 The Egyptian Privatisation Programme:

Privatisation is in progress in many countries around the world: Europe, North America, Japan, and numerous developing and newly industrialised countries. Privatisation is not a goal in itself, but it is just a specific approach to encourage better results in terms of costs, quality and innovation; the idea behind it is to improve economic efficiency (Salama, 1995).

5.3.1 What Is Meant by Privatisation:

Privatisation is defined as: "the transfer from the public into the private sector of entitlements to residual profits from operating an enterprise, coupled with any accompanying changes in regulatory policy" (Yarrow, 1986, p. 325). Also, some definitions of privatisation referred to its aim in improving the public sector performance. For example, it was defined as follows: "Privatisation is on occasion used to describe almost any attempt to improve public-sector performance" (Domberger and Piggott, 1996, p. 32). Furthermore, it was indicated that privatisation can mean many things such as "increased competition", "joint venture", or "ownership transfer" and can be defined as follows:

> "As a general concept privatisation conveys an ideology in which the desirability to reduce the size of the public sector and its involvement in the market economy is expressed. It denotes the desirability to allow private individuals and enterprises to undertake economic activities to the greatest possible extent for reasons of efficiency". (Dhiralayakinant, 1989, p. 2)

5.3.2 Reasons behind the Privatisation Programme in Egypt:

By the mid 1970s, growth and performance indicators of the private sector, which was established in the same period, indicated that a continued control of the public on economic activities would lead to more deficit and disturbance, resulting in a burst of debts and decrease of growth ratios as a result of the inefficiency of public projects[6] and the limited opportunities for the much needed development of the private sector (Khattab, 1997).

In 1991, the Egyptian government started a wide policy of economic reform when it signed a Letter of Intent in April 1991 with the International Monetary Fund (IMF). Within the framework of a comprehensive and thorough economic reform programme, the government implemented an ambitious programme (the privatisation programme) aiming to transfer public sector enterprises to the private sector in several ways, among them the transfer of ownership, the leasing, or the transfer of management.

This new situation required some changes in the legal environment. Consequently, many new laws and decrees were issued. As a result of these legal changes, public sector enterprises were governed by a new law named the Public Business Sector Law No. 203 of 1991. According to this law, a new ministry was established to oversee public business sector enterprises, and 17 holding companies were set up to control a number of a public business sector enterprises termed the "followed enterprises".

Furthermore this new law allowed a change in the management of public enterprises to private management and the sale of the followed enterprises, either wholly or in part. In addition, Law 191 of 1998, transformed some authorities into joint-stock companies. For instance, the National Telecommunication Authority was turned into a joint-stock company named the Egyptian Communication Company.

Undoubtedly, the success of both the privatisation programme and the change towards the free-market economy had many requirements, among them an effective capital market, one of its most important requirements of which is the availability of useful information for investors, financial analysts, and other user groups.

To start its privatisation programme, the government selected 314 of the 399[7] public business sector companies to be privatised. The first few years of this programme were characterised by slow adoption of the programme and, by the end of 1995, just 31 companies had been privatised. During 1996, the government accelerated the privatisation programme when it decided to sell 75 companies. In addition to those 314 companies in the programme, the government sold about 1600 small public projects.

5.3.3 Achievements of the Privatisation Programme:

Many different methods, such as majority or minority through the stock market or public offering of shares; sale to anchor investors or private sale of shares; sale to employees; sale as production assets; and leases and management contracts, have been used for privatising the public enterprises; the government has tried to choose the most suitable method for each individual company. This is one of the positive features of the Egyptian privatisation programme. However, the initial method adopted was public offering of profitable public sector companies.

The Egyptian government divided its privatisation programme into several stages. The first stage, between 1993 and 1997, witnessed the privatisation of 84 public companies representing 26.7 per cent of the companies in the programme, resulting in the following (Ebaed, 1997):

- The annual budget deficit decreased from 20 per cent before starting the programme to 3.5 per cent after this stage;

- The total annual resultant of the public sector companies improved from total losses of LE 42 million (year 1992-93) to total profits of LE 2,800 million (1997-98);

- The inflation rate which had been around 20% in the early 1990s, was controlled and reduced to 7.2% in 1996, and 4.6% in 1997.

The second stage, which started in 1998, aimed to continue privatising the remaining companies of the original 314 public companies. This stage is running more slowly than expected. Many reasons are behind this delay such as that some of these companies already have financial, productivity and liquidity problems. Other reasons are related to the economic situation in Egypt, which has faced a minor economic stagnation and lack of liquidity during the period.

Table 5.2, below, shows methods of privatisation used since 1993, the first year of the programme, until 30/06/2002 and indicates the number of privatised companies for each method and for each year. This table indicates that during the first three years of the privatisation programme, just 31 public companies were sold, while in 1996, when the government decided to accelerate the programme, 25 public companies were sold. By

30/06/2002, a total of 190 public companies had been sold, representing about 60.5% of the original 314 companies. The sales proceeds were LE 15,766 million until 31/12/2001. Also, the table indicates a reliance on public offerings as the preferred method of privatisation.

Also, Figure 5.1 below shows the percentage of each method used to achieve the privatisation programme and shows that about 28 per cent of the privatised companies were sold either through majority or minority public offering.

Figure 5.1 Companies Privatised by Each Method (1993-2002):
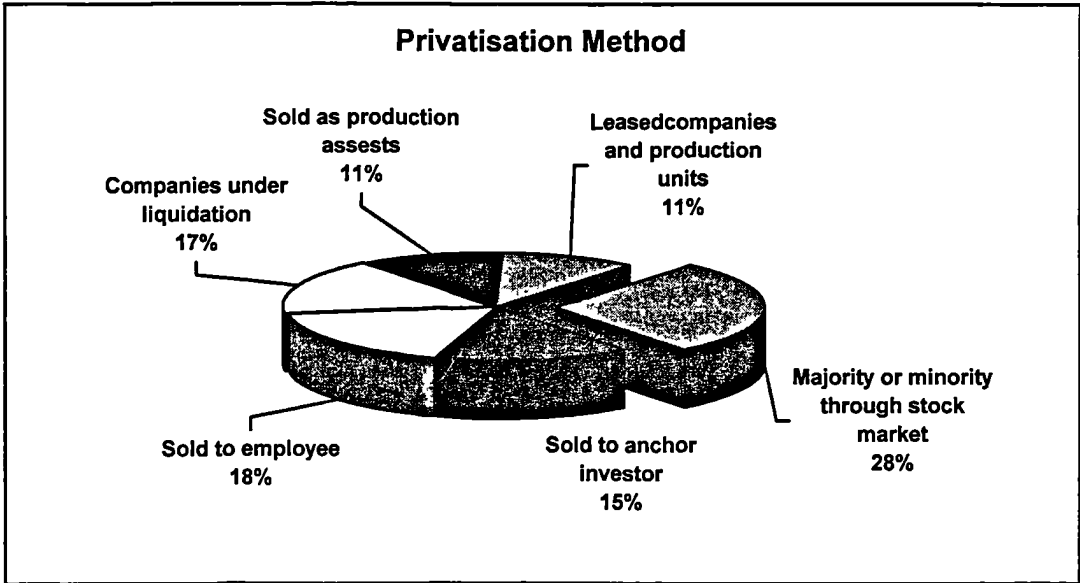
Adapted from: (The Technical Office of the Minister of Public Business Enterprise, Cairo, 2002)

Table 5.2 Companies Privatised by Each Method (1993-2002):

Privatisation Method	Years										Total
	1993*	1994	1995	1996	1997	1998	1999	2000	2001	2002**	
1- Majority through the stock market	0	0	1	14	14	8	0	1	0	0	38
2- Sold 40 % or 50% through the stock market	0	1	6	6	2	1	0	0	0	0	16
3- Sold to an anchor investor	0	3	0	3	3	2	9	6	1	0	29
4- Sold to employee shareholder associations	0	7	3	0	3	12	5	0	0	2	34
5- Companies under liquidation	6	2	2	1	3	6	7	3	2	0	32
6- Sold as production assets	0	0	0	1	1	3	2	5	3	3	21
7- Leased companies and production units	0	0	0	0	2	0	6	10	0	0	20
Total	6	13	12	25	28	32	29	25	8	5	190

Adapted from: (The Technical Office of the Minister of Public Business Enterprise, Cairo, 2002)
* Other five companies were liquidated from 1990 to 1992.
** Until 30/06/02.

The next stage of the Egyptian privatisation programme will entail large size issues, including financial services, electric utilities, telecom, ports, maritime and inland transport. Furthermore, the Egyptian government is resorting to the private sector to set up projects through Build - Operate - Transfer (BOT) and Build – Own – Operate – Transfer (BOOT) systems.

5.4 The Egyptian Stock Market:

The stock market, as an important part of the economy, affects in and is affected by the surrounded economic environment, so, the Egyptian stock market has witnessed a lot of developments especially after the government started the economic reform programme in the early 1990s. The CML No. 95 of 1992 and its ERs, which regulates the Egyptian capital market, specified the CMA as an official supervisory authority when it devoted a special section of the law to the CMA. The second part of the ERs of this important law concerns the stock exchanges and the third part concerns the companies allowed to work under this law in the stock market.

This section of the chapter will be divided into three parts, discussing the CMA, the CASE, and companies working in the stock market.

5.4.1 The Capital Market Authority – CMA:

The CMA, established in 1979 by Presidential Decree No. 520, is the capital market regulatory public agency attached to the Ministry of Economy. It is responsible for assuring the development of transparent and secure market activities and for facilitating capital growth by improving required disclosure, encouraging more secure institutions for trading securities, and promoting the introduction of markets for new investment instruments (CMA, 2001b).

The CMA's mandate covers four areas (CMA, 2001b):

1- Facilitating growth and development of the capital market in Egypt.

2- Enforcing the CML No. 95 of 1992 and its ERs, and related decisions.

3- Conducting market surveillance to assure transparent and fair trade in securities and deter fraud.

4- Supervising the production of accurate and adequate information about the market.

The following figure shows the organisation of the CMA, where 10 departments and sub-departments work under the direction of the Board of Directors, the Chairman, and the Deputy Chairman.

Figure 5.2 CMA's Organisation:
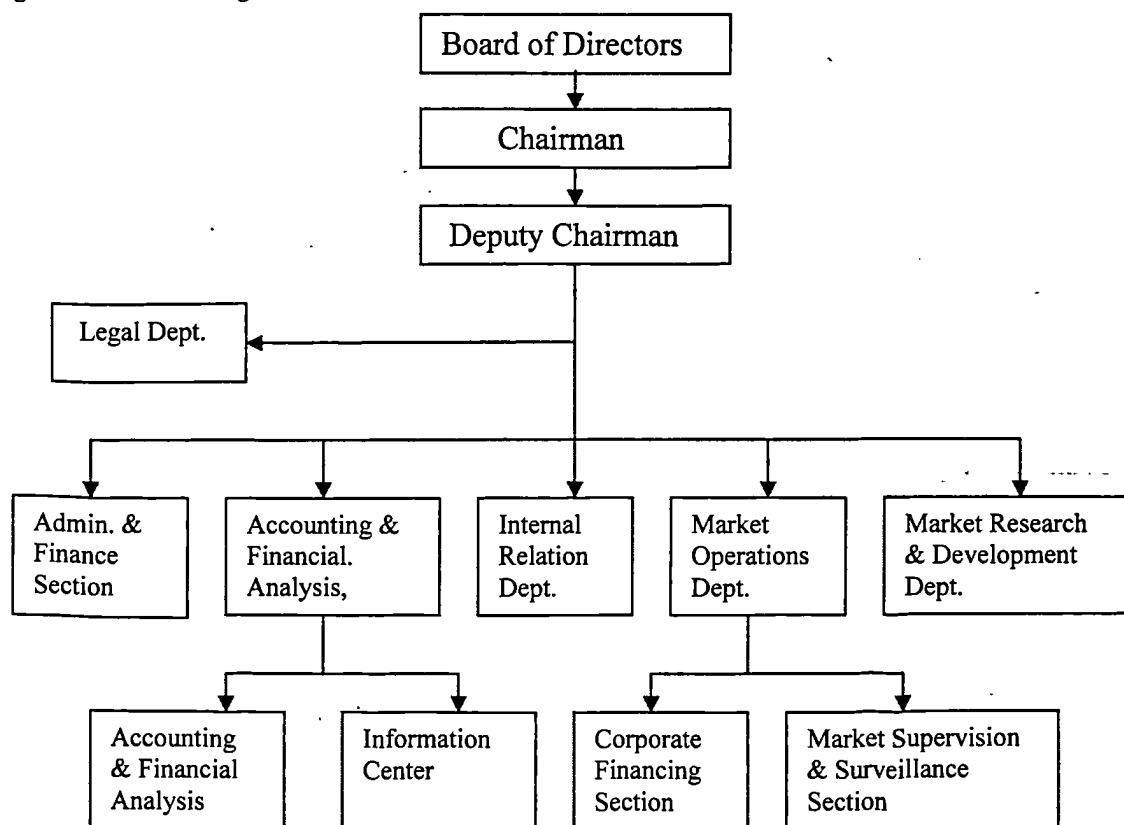
Source: (CMA, 2001b).

According to the CML No. 95 of 1992 and the listing rules of the CASE, listed companies should provide the CASE and the CMA with a copy of their annual reports. accompanied by the Board of Director's report and auditor's report, not more than three months after the end of the financial year.

As stated by the Chairman of CMA, both the CMA and the CASE together have reached an agreement by which quarterly financial information about the listed companies, especially the most 100 active companies, will flow and be available to all users at the same time (Al-Ahram International, 2000a). According to this agreement,

the 100 most active companies should send their quarterly financial information to CMA. The aim is to prevent some users getting this information before others. The information is presented by CMA to be available for all brokerage companies and their customers and other users at the same time.

5.4.2 The Cairo & Alexandria Stock Exchange – CASE:

The Egyptian capital market has been known since the second half of the 19th century, following the collapse of the state monopolies and increase in business activities conducted by aliens who made direct investments and created joint stock companies and banks (National Bank of Egypt, 1992).

The CASE, called the Egyptian stock exchange as it comprises two exchanges, Cairo and Alexandria, which are governed by the same board and share the same trading, is one of the world's older stock exchanges. The Alexandria Stock Exchange was officially established in 1883, followed by the Cairo Stock Exchange in 1903.

A Supreme Decree was issued, in November 1909, to regulate the stock exchange, covering all types of stock exchanges, whether concerned with goods or with securities, and the first ERs were published in 1910 (Kayed, 1990). The CASE was abrogated in the early days of the First World War (1914-1918) but it was restored in 1931. Two Royal Decrees were issued, the first in 1933 and second in 1940, to promulgate and approve the general regulation of the stock exchanges.

The CASE was very active before the 1960s (CASE, 2001), but the nationalisation and socialist policies and what followed them, such as central planning, led to demise of the CASE's activity.

After the government decided to change to a new economic policy, the free market economy in the mid 1970s, it worked to encourage new investments of both Arab and foreign capital in the new projects of the country. So, Law No. 121 of 1981 was issued to amend specific provisions of Law No. 161 of 1957 concerning the general regulation of the stock exchanges to correspond with the new economic legislative measures taken following the adoption of the free market economy in the country, which

started from 1974 (Hegazy, 1998). The following table shows the effects of the above

economic changes, during the period between 1956 and 1985, on the market value of

stock trading in the Cairo stock exchange.

Table 5.3 Value of Stock Trading in the Cairo Stock Exchange (1956-85):

Year	LE million	Year	LE million	Year	LE million
1956	57.3	1966	4.0	1976	7.6
1957	32.7	1967	6.5	1977	5.9
1958	66.7	1968	2.8	1978	4.9
1959	43.9	1969	6.3	1979	6.4
1960	38.4	1970	3.8	1980	9.8
1961	. 23.4	1971	3.6	1981	9.1
1962	12.2	1972	3.9	1982	8.4
1963	5.1	1973	4.3	1983	25.1
1964	4.3	1974	4.1	1984	107.5
1965	2.8	1975	7.4	1985	114.6

Adapted from: (CASE, Fact Book, Different Issues)

Table 5.3 provides a summary of the huge difference in the value of trading

securities in the periods prior to and after the nationalisation and socialist policies. The

table indicates that this value decreased from LE 57.3 million in 1956 to LE 12.2 million

in 1962 (the first year of nationalisation) and this reduction continued until the end of the

1970s, but few years after adoption of the free market economy, this value started to

increase slightly in the early 1980s and strongly in 1984, when it reached LE 107.5

million, and 1985 when it reached LE 114.6 million. Also, Figure 5.3 below shows this

development in the value of securities trading in the stock market.

Figure 5.3 Value of Stock Trading in the Cairo Stock Exchange (1956-85):
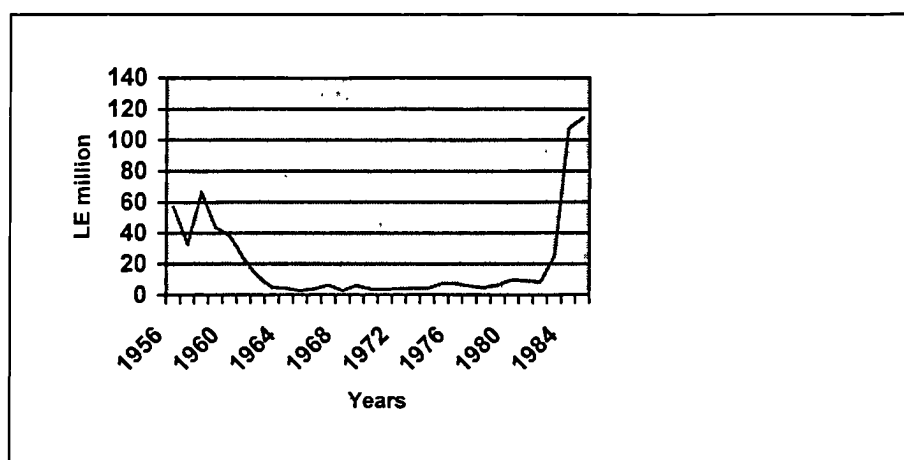
(Adapted from: CASE, Fact Book, Different Issues)

In addition, the number of listed companies dropped from 275 companies in 1958 to just 55 companies by 1975 (Abd-Elsalam, 1999). In the early 1990s, when the Egyptian government started a restructuring and economic reform programme, the government undertook the implementations needed to move towards the economic reform, but this programme required a package of economic decisions and a new capital market law. So, the CML No. 95 of 1992 was issued and the stock exchange resumed its importance in the economy. Since that time, the CASE has witnessed important development[8]. Also, since the government commenced its programme for privatisation, the CASE witnessed a growing development in trading in comparison with the first years of the free market economy period.

In 1994, the government decided to privatise some public companies by selling them in the CASE, and, in the same year, the number of mutual funds increased too. During this period, the mid 1990s, there was a sharp increase in the annual value of stock trading and the number of listed companies also increased. Nevertheless, many criticisms were directed towards the listed companies and the CASE about the lack of financial information needed for investors, financial analysts, and other users of financial information. For instance, the American Chamber of Commerce in Egypt (ACCE) pointed out that the CASE, in that period, faced some problems, among them the lack of financial information available to various users and lack of market depth, as closed companies represented 70 per cent of listed companies (ACCE, 1995).

In addition, many studies asserted that listed companies provide neither enough nor regular financial information about their activities and financial position and the CASE should compel all listed companies to provide financial reports at a specific time. It has also been said that the disclosure requirements of the related laws are not adequate to meet users needs[9].

Table 5.5 shows the massive development of the activity of CASE for the period 1986 – 2000 including the growth in the value of annual trading of stock, number of annual transactions, number of listed stock, number of listed companies, and number of listed companies with traded stock.

Table 5.4 Developments of the Activity of CASE (1986 - 2000):

Years	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Value of Stock Trading (Million)*	122.1	186.7	134.3	229	341.5	427.8	596.6	568.6	2,557.2	3,849.4	10,967.5	24,219.8	23,364	39,086.1	49,493.7
No. of Transactions	3,876	5,927	4,267	7,271	7,858	10,305	12,503	11,934	94,742	469,615	2,316,364	1,225,351	687,213	905,200	1,286,370
No. of Listed Stocks (Million)	260.6	334.9	347	357.6	372.8	394.1	405.7	424	451	1,116.7	1,387.9	1,854.2	3,354	4,393	4,672.8
No. of Listed Companies**	387	430	484	510	573	627	656	674	700	746	646	650	861	1,033	1,076***
No. of Listed Companies with Traded Stock***	135	151	169	179	199	218	239	264	300	252	354	416	551	663	659

Adapted from: (CMA, 2001a)

* Some of the increases in the value of stock trading might be returned to the inflation rates, but it should be noted that the inflation rates were not significant to cause these progressively increases. For instance, they were around 20% in the late 1980s and the early 1990s, and less than 10% starting from 1994 until 2000.

** These numbers include companies listed in both official list and unofficial 1 and 2 lists.

*** Listed companies in year 2000 is divided into the different schedules as follow: 141 Companies are listed in the official schedule, 696 companies are listed in the unofficial schedule No. 1, and 239 companies are listed in the unofficial schedule No. 2. In addition there are 129 governmental bonds and 31 company bonds.

The above table shows the massive development of activity that the CASE has witnessed during the period between 1986 – 2000, which occurred as follows:

1 - The value of stock trading was just LE 122.1 million and became LE 427.8 million in the first year of the economic reform. This value grew rapidly to be LE 2,557.2 million in 1994 when the government offered some public companies in the stock market. By 1996 it was LE 10967.5 million, representing more than four times the level of 1994, when the government decided to accelerate its privatisation programme. This value continued to grow rapidly in the following years to reach LE 49,493.7 million in 2000.

2 - The number of annual transactions increased during this period from 3,876 in 1986 to 10,305 in the first year of the privatisation programme. It increased rapidly to become 94,742 in 1994 and continued in its high rate of growth in the following years to reach 2,316,364 in 1996, when the government decided to sell 75 public companies in the stock market, it reached 1,286,370 transactions in 2000.

3 – The numbers of both listed companies and listed companies with traded stock also grew during this period. The number of listed companies increased from 387 in 1986 to 627 in 1991 and reached 1,074 in 2000. Furthermore, the number of listed companies with traded stock increased from 135 in 1986 to 218 in 1991 and became 312 in 2000. Of these 312 companies, there are around 120 companies that are considered companies with the most active shares in the securities market.

The Egyptian stock market has a good rank among the emerging stock markets. The UK has identified Egypt as one of the top 10 emerging markets, thus encouraging investments in the Egyptian market. Moreover, many investment and brokerage houses are now operating in Egypt, such as HSBC, James Capel, Citibank, Fleming and ABN-AMRO, which acquired a local brokerage firm (CASE, 1999).

Significant changes in the structure of CASE have taken place since 1997, when a new board of directors was elected[10]. The CASE has now an active board of directors and a number of board committees.

In 2000, the CASE issued new listing rules aiming to accelerate the listing of companies and at the same time to protect investors by providing them with needed

financial information for their investment decisions. According to the new rules, there are two main schedules, official schedules (1 and 2) and unofficial schedules (1 and 2), each with its own listing rules. For instance, a company wishing to be listed in the official schedule No. 1, should have no less than 150 shareholders, including foreigners, provided that 30 per cent of its shares are sold in a public offering and the company should have issued financial reports for at least the last three years.

The listing rules in official schedule No. 2 differ from those for schedule No. 1. The official schedule No. 2 includes companies whose shares were sold by public offering whatever the number of shareholders, and public sector companies working under Law No. 97 of 1983 and/or Law No. 203 of 1991, with no conditions as to the percentage of shares sold in a public offering or a specific number of shareholders.

Moreover, the CASE adopted new trading rules in May 2001 to improve trading performance. It has also established a new department concerned with providing financial information about listed companies in a reasonable time, to various parties interested in these companies. However, some criticisms have been directed to the new department because it just publishes financial information as received from its sources (listed companies) and in some cases this information is incomplete[11]. According to the Chairman of the CASE, to improve the disclosure of financial information of listed companies, the CASE, with the agreement of companies' management, has prepared a timetable of the times when companies are expected to provide their annual and quarterly financial reports(Al- Torgoman, 2001).

5.4.3 Companies Working in the Stock Market:

According to Article 120 of the ERs of the CML, companies allowed to work in the field of stock market are those engaged in one or more of the activities that include, but not limited to, the following (ERs of CML, Article No. 120):

5.4.3.1 Underwriting and Promotion of Stock:

According to Article 121 of the ERs of CML, this new activity, underwriting and promotion of stock, in the Egyptian stock market includes the following (ERs of CML,

Article No. 121):

1- Management of the business of stock underwriting, promoting the sale and distribution of stock and encouraging investment therein, as well as the activities related to mass media publicity and required for this purpose;

2- Underwriting of stocks, whether or not offered to the public, and re-offering them for public subscription or for direct placement in the same terms and conditions set fourth in the prospectus as filed, within a period of not more than one year from date of certifying the prospectus by the CMA, and regardless of the nominal value of the stock.

Companies working in this activity should conduct their business in accordance with the provisions of the CML, the decrees issued regarding this activity and the agreement they conclude with the concerned parties.

5.4.3.2 Establishing Companies Which Issue Stock, or Sharing Their Capital Increase:

According to the CML, the company will be considered a holding company if it falls within the following categories if the primary purpose of the company is to conduct such business; the company alone or together with its founders holds more than half of the capital of five or more joint stock, or limited partnership companies; the company alone or together with its founders has control over the formation of the board of directors of five or more of joint stock or limited partnership companies; and the company conducts the business of establishing joint stock or limited partnership companies, or sharing their capital increase in a manner which makes such a business one of its primary objectives. (ERs of CML, Article No. 122)

5.4.3.3 Venture Capital:

This activity includes the financing of companies issuing stock, supporting them, or rendering them technical and management services, or taking part in projects and establishments and their development with a view to converting them into joint stock or

limited partnership companies if these projects and establishments are of a high risk nature, or suffering from financial deficit (ERs of CML, Article No. 123).

5.4.3.4 Clearance and Settlement of Securities Transactions:

These activities are regulated by central Securities Depository and Registry Law No. 93 of 2000. According to Article No. 2 of this law, Central depository activity means every activity related to the depository of stock, clearing, settlement of financial positions resulting from stock transactions, and the transfer of stock ownership through book entry, including the deposit of securities with the company or with any licensed entity; the transfer of ownership by book-entry of securities traded among central depository members; the pledge of securities recorded by book-entry; and the clearance and settlement of financial positions resulting from securities transactions.

Also, Article No. 3 indicates that central registry activity means every activity related to the bookkeeping of securities ownership, and of pledge of securities, including the maintenance of records with the names of owners of securities, the rights thereto, and the disposal thereof; the distribution of entitlements of securities deposited with the Company, including the principal amount, the proceeds, dividends, redemption value, and restructuring payments; the publishing of any information and reports disclosed by issuers of securities, be it general or related to their securities; the offering of services related to the issuance of stock on behalf of the issuer; and the exchange of stock upon the restructuring of the issuing entity.

For carrying out this activity, Misr for Clearing, Settlement and Depository – MCSD, which obtained a licence from the CMA to carry out its activities in 1994 and started activities in 1996, is the only firm in Egypt that is authorized to undertake clearing and settlement operations for transactions executed on CASE. It is also Egypt's only licensed central depository (MCSD, 1999).

In addition to the above activities, this law regulates the activity of custodians. Article 30 of the law refers that no firm may act as a custodian unless it is a bank, or an entity specified by the ERs. The activity of a custodian shall be any activity pertaining to

the holding, dealing in, and management of securities in the name and for the account of a beneficial owner or a registered owner on behalf of a beneficial owner subject to the instructions of the client.

5.4.3.5 Formation and Management of Securities Portfolios, and Formation of Investment Funds (Mutual Funds):

This activity includes several sub-activities such as:

- Formation and Management of Securities Portfolios:

This activity is carried out by companies that form and manage securities portfolios, which include a package of various stocks, whether owned by the company itself or by other investors (companies or individuals). Companies manage the securities portfolios according to their clients' direct orders, or the company staff make decisions with the client's authorisation. These companies should keep a separate portfolio for every client.

- Formation of Investment Funds (mutual funds):

Investment Funds (Mutual Funds) aim to invest savings in stock. They should not carry out any banking activities, particularly lending or guaranteeing any third party or activities related to currencies or bullion speculations.

- Fund Managers:

According to Article No. 163 of the ERs of CML, all funds should entrust an experienced entity to manage the investment of their assets. Such entities are called Investment Managers. A fund manager has to satisfy some conditions; for example, it should be a joint-stock company incorporated in Egypt, and its paid up cash capital of shall not be less than LE 1,000,000; or it may be a specialized foreign entity in accordance with what shall be determined by the Board of Directors of the CMA in this respect; and the responsible staff who will conduct such business should have the experience and qualifications needed for managing the Fund's investment.

5.4.3.6 Brokerage in Securities:

This activity is carried out by one type of companies, brokerage companies, that sale and purchase the securities on behalf of their clients on CASE. Clients of this companies are all those trading in securities, including individuals, various companies, funds, etc. whether Egyptian or foreign.

Article No. 18 of the CML requires that dealing in stock listed in the stock exchange should be through one of the companies authorised to carry out such transactions; a transaction not carried out thereby will be considered null and invalid (CML, Article No. 18). Some of the brokerage companies carry out the activity of bookkeeping when provide bookkeeping services for client's securities.

According to Article 90 of the ERs of CML, the brokerage firm is prohibited from adopting any policy or taking any action that causes damage to those dealing with it, or that jeopardizes their rights. The firm is also prohibited from trading for its own account or for the account of its board members, its directors, or any of its employees.

5.4.3.7 Other Activities Related to Securities Intermediation:

In addition to the above activity, there are other activities related to securities intermediation as may be defined by the Minister of Economy, after approval of the CMA's Board of Directors. Among these activities are: credit rating agencies, valuation and financial analysis firms, and market information dissemination services.

5.5 Regulations of Accounting Disclosure:

This section of the chapter deals with disclosure requirements. The aim is to outline the relevant regulations for mandatory disclosure of listed companies in Egypt, which are relevant to this research's subject. These regulations come from the following sources: the CASE, the CML, other related laws (e.g. Investment Law No. 8 of 1997, Tax Law No. 157 of 1981), and the EASs.

5.5.1 The Cairo & Alexandria Stock Exchange - CASE:

Disclosure requirements by CASE are presented in the new listing rules that were adopted in 2000[12]. All companies listed or wishing to be listed, in any schedule of CASE whether the official 1 and 2 or the unofficial 1 and 2, must follow these new listing rules. Disclosure rules might be categorised into three groups, general disclosure rules (all listed companies), general requirements (all listed companies) and special requirements (companies listed in specific schedules).

5.5.1.1 General Rules of Disclosure:

The new listing rules of CASE include numerous general disclosure rules. The most important among them are the following:

1- Companies must not exaggerate in disclosing financial information. For example, companies must not disclose more information than that normally needed for users to make rational decisions. Overstatement or excessive disclosure includes publishing irrelevant financial information, overestimating forecasting information, and other information that misleads the investors and leads to a deceptive share price.

2- The company should assign a senior level officer to act as its contact person with the CASE and the shareholders[13]. His/her main responsibility is to answer any queries with regard to any information pertaining to the performance of the company.

3- Companies must not disclose financial information for any specific user group such as financial analysts, financial institutions, or any other group, before that information is available for the public.

4- The Board of Directors of the company is responsible for establishing an internal control system and other needed procedures to ensure that normal information is published in the market according to the listing rules.

5- Companies must inform the CASE of important financial information that will be given to the financial press and may affect in the share price in the market.

6- CASE has the right to ask listed companies to disclose additional information about the company management and the equity and other documents that CASE may require.

5.5.1.2 General Requirements:

According to the new listing rules, all companies listed[14] in the CASE should abide by the following rules:

1- The company must send, by the end of each year, a copy of its annual financial reports to both the CASE and CMA accompanied by an audit report from its auditor and annual report of the Board of Directors, after a maximum of 3 months from the end of the financial period.

2- The company must provide the CASE with quarterly financial reports of its transactions and financial results, including an audit report from its auditor, after a maximum of 45 days from the end of the quarter.

3- Financial reports should be prepared according to the EASs, and both the company and its auditor are responsible for disclosing, according to the relevant IAS, any important event that may affect the financial reports and not be required by the EASs.

4- Financial reports should be audited according to the International Auditing Standards and the auditor should refer to this in his report.

5- The company must disclose its internal organisation structure, including whether the company is a holding company or followed company, and its equity structure.

6- The company should disclose any unusual circumstances or events, which could affect its activities or its financial position, by a confirmation report presented to the CASE. Companies listed in the official schedule No. 1 and unofficial schedule No. 1 should publish an adequate summary of these events or circumstances in a mass-distribution daily newspaper.

5.5.1.3 Special requirements:

These rules related to specific listed companies are as follows:

1- Companies listed in the official schedule No. 1 and the unofficial schedule No. 1 must publish their annual and semi-annual financial reports including notes to the accounts in two mass-distribution daily morning newspapers, at least one of them in the Arabic language, according to Article 6 of CML No. 95 of 1992. In addition, they must publish

the quarterly financial reports in a mass-distribution daily morning newspaper, no late than a week from their issuing.

2- Companies listed in the official schedule No. 1 and the unofficial schedule No. 1 must provide the CASE with the Chairman's report signed by the auditor, explaining reasons for increases in reserves.

Many points could be made regarding the new listing rules, among them:

1- The new rules indicate that the financial reports should be prepared according to the EASs, but they do not specify the required financial statements.

2- Although there is a penalty applied when the company does not comply with some disclosure requirements[15], there is no penalty if the company discloses financial information for a specific user group before that information is available for other groups or the public.

3- Although listed companies may designate a contact person to communicate with the CASE and the shareholders, this contact person will receive orders from the company's management, meaning that he or she will not provide the shareholders with financial information that the management does not wish to disclose.

5.5.2 CML No. 95 of 1992[16]:

The importance of this law and its ERs comes from the fact that it presented a package of disclosure requirements that applied for the first time in the Egyptian environment. However, a criticism may be directed toward this law, that it did not require companies offering their shares for public subscription to be listed in the stock exchanges[17].

Article No. 6 of this law required that:

1- All companies floating securities thereof public subscription must submit, on its own responsibility, semi-annual reports on its activities and results of its work, to the CMA, providing these reports should comprise the data announcing its genuine financial standing.

2- The balance sheet and other financial returns and other statements of the company should be prepared according to the accounting standards and auditing rules to be determined or referred to in the ERs.

3- The company must present the CMA with its balance sheet, other financial statements, the report of the board of directors, and the auditor's report thereon, one month before the date scheduled for convening the general assembly.

4- The company must publish an adequate summary of the semi-annual reports and annual financial reports, in two mass-distribution morning daily newspapers, of which one at least should be in Arabic.

5- All companies facing unforeseen substantial circumstances affecting its activities or financial position should announce them forthwith and publish an adequate summary thereof in two mass-distribution morning daily newspapers, one of which should at least be in Arabic.

In addition to the above, Article No. 58 of the ERs required:

1- Every company offering its shares for public subscription must present to the CMA, at its responsibility, any amendments to its statutes, the percentages of capital shareholding immediately on their occurrence together with semi-annual reports on its performance and the results of its business within the month following the expiry date of such a period. These reports should include the balance sheet and the income statement verified by the company's auditor and in accordance with the forms attached to these regulations.

2- The company's financial statements and its audit report should be prepared in accordance with the provisions stipulated in these regulations and according to the IASs[18] and the international auditing standards, and in conformity with the forms included in appendix No. 3 (of the ERs which include forms of the financial statements).

The following points could be mentioned regarding disclosure requirements of the CML and its ERs:

- This law and its ERs provide with a comprehensive package of disclosure requirements when present new requirements including new statements, such as suggested dividends

statement, providing the investors and other users more information needed for their decisions.

- Four main statements should be prepared by the company, namely: the balance sheet; the income statement; the cash flow statement; and the suggested dividends statement.

5.5.3 Other Related Laws:

Although some of the following laws do not affect directly in accounting practices, it is helpful to mention brief words about them as they affect the Egyptian stock marke

5.5.3.1 Tax Laws:

Neither the Tax Law No. 157 of 1981 nor the Uniform Tax Law No. 187 of 1993 required companies to prepare a separate group of financial reports for tax purposes. They only required some adjustments to be made to reconcile the published profits with taxable profits. These two laws gave tax exemptions to companies listed in the stock exchange. Although the first law gave this exemption only to more widely owned companies, the Uniform Tax Law No. 187 of 1993 has given this exemption to all listed companies.

5.5.3.2 Leases Law No. 95 of 1995:

Chapter No. 4 of this law provides the accounting rules related to leases and according to Article No. 25 of the law, the lessees should show in their financial reports detailed information about leases. Also, the lessees should explain, in the notes to the accounts, current leases and what was paid for each lease and what will be paid in future[19].

5.5.3.3 Central Securities Depository and Registry Law No. 93 of 2000:

This law is a major step in developing the activity of depository and central registry. It regulates the clearing and settlement of financial transactions. According to this law, all listed companies should register with the central depository. Although this law does not include direct provisions related to accounting disclosure, it takes part in improving the accounting disclosure in the stock market. According to Article No. 3 of the law, the

central depository and registry company have the right to publish publicly any information and reports disclosed by issuers of securities. Consequently, this law might improve accounting disclosure and transparency and work to get rid of rumors.

5.5.3.4 Investment Guarantees and Incentives Law No. 8 of 1997:

This new investment law was issued to replace No. 230 of 1989 and all previous laws relating to foreign investment. To encourage new foreign investments, this law presents the guarantees and incentives for investments in Egypt. Several reasons were behind the issue of this law, one of them being that the Law No. 43 of 1974 was too generous toward foreign investments, as it gave tax holidays to all capital in investment projects and for profits realised during the periods provided for in that law, and the legislator wanted to be less generous (Alamedin, 1998).

Like its predecessor, Law No. 8 of 1997 did not require any special accounting disclosure from companies working under it, because it left the regulations of accounting disclosure in financial reports to other related laws according to the specific case. This law encourages listing in the stock exchanges through giving some tax exemptions to companies listed in CASE (Articles 21 and 22 of Investment guarantees and Incentives Law, 1997).

5.5.3.5 Environment Law No. 4 of 1994:

This law does not include direct provisions related to financial reports prepared by companies, but according to Article 33 of it, companies should disclose whether they comply with the Environment Law's provisions in the field of protecting the environment and should present their efforts protecting the environment.

5.5.4 Egyptian Accounting Standards - EASs:

As mentioned in 4.6 of the previous chapter, EASs, which are generally compatible with the IASs, with the exception of some minor changes to meet the Egyptian environment, were issued by the Ministry Decree No. 503 of 1997 to be adopted from the next year

(1998) by all companies offering securities for public subscription (including the listed companies in the CASE).

EAS No. 1 (Presentation of Financial Statements) sets out overall consideration for the presentation of financial statements and provide with guidelines for the structure and minimum requirements for the contents of financial statements. EAS No. 1 does not specify information requirements to be provided outside the financial statements, although it encourages companies to present a financial review as supplementary information to the financial statements. According to EAS No. 1, issued in 2002, a complete set of financial statements includes the following components:

1- A balance sheet.

2- A income statement.

3- A cash flow statement.

4- A suggested dividends statement.

5- Notes to the accounts

Last, but certainly not least, it can be seen from the above that accounting disclosure of listed companies is regulated by various sources, including the CML No. 95 of 1992, the EASs, and the listing rules of CASE. In the light of the above regulation, listed companies, which of course offer shares for public subscription, should provide financial statements as follows:

1- They should provide the CASE with quarterly financial reports of the company's activities and financial results including an audit report, after a maximum of 45 days from the end of the quarter (listing rules of CASE). In addition, listed companies in the official schedule No. 1 and the unofficial schedule No. 1 must publish the quarterly financial reports in a mass-distribution daily morning newspaper after maximum of a week from their issuing (listing rules of CASE).

2- After a maximum of 3 months from the end of each financial period, a copy of the annual financial reports accompanied by an audit report and annual report of the Board of Directors should be sent to the CASE and the CMA (listing rules of CASE) and a copy of their semi-annual financial reports sent to the CMA (Article 58 of ERs of CML).

3- An adequate summary of the semi-annual reports (Article No. 6 of CML) and annual financial reports (Article No. 6 of CML & Ministry Decree No. 471 of 1997) should be published in two mass-distribution morning daily newspapers, of which one at least should be in Arabic. In addition, companies listed in the official schedule No. 1 and the unofficial schedule No. 1. should publish their annual and semi-annual financial reports including notes to the accounts in two mass-distribution daily morning newspapers, at least one of them in Arabic language (listing rules of CASE).

4- Most listed companies in CASE publish the following: a balance sheet; an income statement; a cash flow statement; a suggested dividends statement; a directors' report; an auditor's report; a review of operations and notes on accounts.

5.6 Summary:

This chapter discussed, in section 5.2, four development stages of economic and accounting practices in Egypt, including the period before 1954, the period between 1954 and 1974, the period between 1974 and 1990, and the period after 1990. Also, it presented, in section 5.3, the Egyptian privatisation programme, reasons behind this programme, and methods used for selling the public companies.

Section 5.4 was devoted to the Egyptian stock market, which, has witnessed many changes after issuing the CML No. 95 of 1992. Since the government commenced its programme for privatisation, the CASE has witnessed a growing development in trading in comparison with the first years of the free market economy period. Also this section showed the massive development in trading value and in number of listed companies.

Section 5.5 of this chapter outlined the relevant regulations for mandatory disclosure of listed companies in Egypt, which are relevant to this research's subject. These regulations come from various sources including the CASE, the CML No. 95 of 1992, other related laws (e.g. Investment Law No. 8 of 1997, and Tax Law No. 157 of 1981), and the EASs.

Notes to the Chapter:

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[1] The Egyptian government established a number of state agencies, called public organisations, for each similar group of public companies performing to one kind of activity or providing similar products. An accounting control board was established in each public organisation (Evans et al, 1985).

[2] - For more details about this conference, see 4.6 of the last Chapter.

[3] - See section 4.6 of the last chapter.

[4] - As all listed companies are governed by CML No. 95 of 1992, public business sector companies listed in CASE have to use the two systems and provide two groups of financial reports, one as a requirement of Public Business Sector Law No. 203 on 1991 and the other as a requirement of CML No. 95 of 1992.

[5] - For further details, see 4.6 of the last chapter.

[6] - It has been argued that 94 of 117 manufacturing public sector companies had liquidity difficulties at that time. Many studies argued the reasons pushed the government for privatising public sector companies in the 1990s, see for instance: Sabh (1999).

[7] - Available data indicates that the number of companies belonging to the public business sector as at June 30 1991 amounted to 399, with a total capital of LE 9,300 million and LE 7,500 million of accumulated reserves (The Public Sector Information Centre, 1991).

[8] - For more details about this development, see: Hegazy (1998).

[9] - These studies include, for example: Nada (1997); Shawki (1996); Yakout (1993).

[10] - Six of the board members are elected by the brokerage and investment community, two are elected by the banking association, while the government appoints the chairman and two other board members representing the CBE and the CMA.

[11] - These criticisms were repeated several times in the interviews conducted by the researcher in the first half of 2001.

[12] For more details regarding these new listing rules, see: Al-Ahram Iktisadi (2000).

[13] - A few months before the new listing rules were issued, it was stated, in a meeting about disclosure and information, that companies, especially the most active 100 companies, should appoint a formal spokesman to help in responding to any queries about the company (Al –Ahram International, 2000a).

[14] - Foreign companies whose shares are registered in CASE are governed by the same rules. In addition their shares should be listed in a foreign stock exchange supervised by an organisation similar to CMA and also the foreign company should prepare and audit its financial reports according to accounting and auditing standards that internationally accepted. Also, the foreign company should publish its financial reports including the auditor's report in a mass-distribution morning daily newspaper.

[15] - According to these rules, there is a penalty of LE 500 when the company does not provide the CASE and CMA with its required financial reports on time, if the delay is less than a week, and the company will be deleted from the schedules if the delay is more than one month.

[16] - The researcher has devoted a separate section to the CML and another section to the other laws, as CML is considered a outstanding landmark in the accounting practice in Egypt. It should be noted also that, after the issue of the CML, the Companies Act No. 159 of 1981 was no longer concerned with companies that issue securities, whether or not publicly held.

[17] - The Companies Act No. 159 of 1981,to help to activate the stock exchange, required companies offering their shares for public subscription to be listed in the stock exchanges within a year of their establishment. Differently, the company will be listed after the third year of publishing their financial reports. However, according to Article No. 16 of CML No. 95 of 1992, listing in the stock exchange is not mandatory and the listing is a company's decision. This Article, No. 16, includes the following: "Listing of securities on the stock exchange shall be made upon the request of the issuer".

[18] - Later, since the EASs were issued, a change has taken place in this Article, whereby companies should use the EASs in preparing their financial statements.

[19] - See also 4.7 of the previous chapter.

CHAPTER SIX

Research Methodology

6.1 Introduction:

In this chapter, the research questions and hypotheses are set out, and the methodology used in conducting the research survey is described in detail. The chapter concentrates on discussing the methods adopted in carrying out the survey and the processing and analysing of the data collected. Section 6.2 of the chapter presents the research questions and hypotheses which are grouped into five groups, while section 6.3 deals with the survey methodology including the questionnaire method, the interview method and the relevant method to the study. Section 6.4 presents the five groups to be surveyed (the respondents). Section 6.5 is devoted to explaining the process of designing the questionnaire, including the different parts of the questionnaire, question wording, order, type, and the pre-test of the questionnaire. Section 6.6 explains the sample selection procedures, and section 6.7 describes the procedures for conducting the main fieldwork, including data collection, response rates, coding, data processing and analysis. Lastly, section 6.8 contains a summary.

6.2 Research Questions and Hypotheses:

As mentioned earlier, in Chapter One, the main objective of the study is to examine empirically users' perceptions of the usefulness of financial information which could be provided in corporate annual reports of listed companies in Egypt. This investigation is conducted in the light of the changes in the financial reporting practice in the Egypt during the last decade. The aim of this section is to present the research questions which are related to issues discussed in previous chapters. As we will see in the following paragraphs, some of these research questions can be answered through testing some related research hypotheses. Therefore, this section also presents the research hypotheses. Chapter Two of the thesis showed that the literature contains different findings which have been drawn from the previous studies, whether in developed or developing countries including some previous studies focused on Egypt.

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The literature (refer to Chapter Two) provides evidence that some previous studies found that there are significant differences among different user groups in their perceptions (e.g. Wallace, 1988; Solas and Ibrahim, 1992; and Ali, 1992), while others reported that there are no significant differences among user groups (Firth, 1978). On the other hand, other studies used the background information of respondents to examine whether the difference in background characteristics of users result in differences in their perceptions. For example, Ali (1992) used information on level of education as a background factor and found that there were significant differences among user groups in their perceptions of four of six QCOAI, while there were no significant differences in their perceptions of the usefulness of corporate annual reports. Another study, Al-Mubarak (1997), used information on years of experience as a background factor and reported that years of experience have no effect on users' perceptions of the importance attached to various sources of financial information. In the current study, background information (occupation, level of education, and years of experience) is used to examine whether differences in background characteristics of users result in differences in their perceptions. Therefore, for this purpose, in each section of the empirical sections (Chapters Seven, Eight, and Nine) research hypotheses related to the background characteristics are formulated.

The findings of previous studies reviewed in Chapter Two suggest, in some respects, that there is conflicting evidence among some studies focused on developed countries, on the one hand, and similar ones focused on developing countries, on the other. For instance, corporate annual reports were perceived as the most important source of financial information by users in most studies focused on developing countries, while they were not so perceived in many studies focused in developed countries. Therefore, a comparison will be made between the empirical findings of this study and the findings of previous studies conducted in both developed and developing countries.

Since one of the objectives of the current study is to identify whether the contemporary changes in the financial reporting practice in Egypt, such as the issue of CML No. 95 of 1992, the adoption of EASs that based on the IASs, and the issue of new listing rules in the CASE, affect users' perceptions regarding the corporate annual reports

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and other sources of financial information, sections of corporate annual reports, some selected QCOAI, and financial information items, it is important to compare the findings of the current study with those of other previous studies carried out in Egypt before these changes took place.

To accomplish the objectives of this research, a series of research questions and hypotheses are formulated. Various findings drawn from previous studies, together with what has been discussed in the above chapters, are used in generating questions and formulating hypotheses for the present study. These research questions and hypotheses are divided into five groups as follows:

6.2.1 The Importance of Corporate Annual Reports and Other Sources of Financial Information:

Looking at the findings of previous studies, whether in developed or in developing countries, it was found in many studies that the corporate annual reports are the most important source of financial information (Chang and Most, 1977; Anderson, 1981; Shohaieb, 1990; Ali, 1992; Epstein and Pava, 1993; and Al-Razeen, 1999). Conversely, other studies reported that corporate annual reports are perceived as having less importance (Baker and Haslem, 1973; and Bartlett and Chandler, 1997). Previous studies reported mixed findings about other sources. For instance, newspapers and magazines were perceived as an important source of financial information in some studies conducted in developed countries (Chang and Most, 1977; Anderson and Epstein, 1996; and Bartlett and Chandler, 1997), while they were perceived as a less important source in other studies focused on Egypt and conducted in the early 1990s (Shohaieb, 1990; Mohamed, 1991; and Ali, 1992), and in those studies in other developing countries such as Abu-Nassar and Rutherford (1996) in Jordan and Al-Razeen (1999).

In the light of the purpose of this study, the previous discussion, and discussion in Chapter Two and Chapter Five, the following questions were generated:

1- How do the corporate annual reports stand in relation to other sources of financial information?

2- Are respondents' perceptions equally distributed among the levels of perceptions of the importance of various sources of financial information?

3- Are there significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the importance of sources of financial information?

4- Do changes in the financial reporting practice in Egypt during the last decade affect the importance given to corporate annual reports?

5- Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?

Question 1 can be answered using the descriptive statistics in section (7.3.1.1); questions 4 and 5 can be answered through comparing the results of this study with relevant parts of other similar studies (section 7.3.3), while the other two questions (questions 2 and 3) can be answered by testing the following null research hypotheses:

$H1_0$ There are no significant differences in respondents' choice of answers on the perceptions of the importance of various sources of financial information.

$H2.1_0$ There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the sources of financial information.

$H2.2_0$ There are no significant differences among respondent groups (according to their level of education) regarding the importance attached to each of the sources of financial information. .

$H2.3_0$ There are no significant differences among respondent groups (according to their experience) regarding the importance attached to each of the sources of financial information. (Section 7.3 in Chapter Seven presents the results of the data analysis related to the above research questions and hypotheses).

6.2.2 The Importance of Sections of Corporate Annual Reports:

The literature provided a large body of evidence that the income statement and balance sheet are perceived as the most importance sections whether in developed or developing

countries (Witton and Tabb, 1978; Mohamed, 1981; Epstein and Pava, 1993, Almelegy, 1998; and Al-Razeen, 1999). Notes to the accounts were perceived as less important than the above two sections (Anderson, 1981; Shohaieb, 1990; Ali, 1992; and Bartlett and Chandeler, 1997). The literature provides conflicting evidence about the auditor's report as a section of corporate annual reports because it was perceived as an important section in some studies (e.g. Shohaieb, 1990; Ali, 1992; and Al-Razeen, 1999), while in other studies it was perceived as a less important section (e.g. Bartlett and Chandler, 1997).

Among sections of corporate annual reports presented by listed companies in Egypt, there is a new statement, the suggested dividends statement, that is mandatorily required to be prepared by listed companies starting from 1998 (see Chapter Five). Bartlett and Chandler (1997) reported that, in the UK, few individual investors read the newer sections of corporate annual reports. They concluded that users need more time to become familiar with the new statements. This conclusion leads the researcher to examine the usefulness of the new section, the suggested dividends statement, in corporate annual reports of listed companies in Egypt, especially as to the best of the researcher's knowledge, there is no empirical evidence about this new statement.

In the light of the above discussion, the following questions are generated:

1- Are there significant differences in respondents' choice of answers on perceptions of the importance of sections of corporate annual reports?

2- Are there significant differences among respondents of different occupation, education and experience regarding their perceptions of the importance of sections of corporate annual reports?

3- Do changes in the financial reporting practice in Egypt during the last decade affect the importance given to each section of corporate annual reports?

4- Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?

Comparing the results of the current study with relevant parts of similar studies carried out in Egypt in the early 1990s and in other countries can help in answering

questions 3 and 4. The other questions (questions 1 and 2) can be answered through testing the following null research hypotheses:

H3₀ There are no significant differences in respondents' choice of answers on the perceptions of the importance of sections of the corporate annual reports.

H4.1₀ There are no significant differences among respondents (according to their occupation) regarding the importance attached to each section of corporate annual reports.

H4.2₀ There are no significant differences among respondents (according to their level of education) regarding the importance attached to each section of corporate annual reports.

H4.3₀ There are no significant differences among respondents groups (according to their experience) regarding the importance attached to each section of corporate annual reports. (Section 7.4 in Chapter Seven presents the results of the data analysis related to the above research questions and hypotheses).

6.2.3 The Suitability of the Selected Set of QCOAI:

In Chapter Three, thirty qualitative characteristics proposed in the literature were presented. Among them, eleven characteristics are selected, in hierarchy, to be used in the current study[1]. Aiming to examine empirically the suitability of the selected set of QCOAI, the following research questions are formulated:

1- What are the users' perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports?

2- Are there significant differences in respondents' perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports?

3- Are there significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports?

Descriptive statistics will assist in answering question 1, while the other two questions (questions 2 and 3) can be answered by testing the following null research hypotheses:

$H5_0$ There are no significant differences in respondents' choice of answers on the perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports.

$H6.1_0$ There are no significant differences among respondent groups (according to their occupation) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports.

$H6.2_0$ There are no significant differences among respondent groups (according to their level of education) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports.

$H6.3_0$ There are no significant differences among respondent groups (according to their experience) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports. (Section 8.2 in Chapter Eight presents the results of the data analysis related to the above research questions and hypotheses).

6.2.4 The Importance of Each of the QCOAI:

Findings from previous studies suggest that there is contradictory evidence of the users' perceptions of the importance attached to QCOAI. For instance in several studies timeliness is perceived as an important characteristic (i.e. Shohaieb, 1990; Ali, 1992; and Abu-Nassar and Rutherford, 1996), while in others timeliness is perceived as a less important characteristic (i.e. Joyce et al., 1992; and Stamp, 1982). Furthermore, another characteristic, relevance, is perceived as an important characteristic in most studies (i.e. Joyce et al.,1982; Stamp, 1982; Shohabieb, 1990; and Ali, 1992). In addition to investigating the users' perceptions of the importance attached to each of the selected QCOAI, it is interesting to examine the agreement among users in their ranking of the

selected characteristics. In the light of the above discussion and what has been discussed in Chapter Three, the following research questions and hypotheses are formulated:

1- What are the users' perceptions of the importance attached to each of the QCOAI selected earlier in the study?

2- What is the amount of agreement among respondents, whether of the overall sample or of different occupation, qualification or experience groups, regarding their ranking of the QCOAI?

3- Are respondents' perceptions equally distributed among the levels of perceptions of the importance attached to each of the selected QCOAI?

4- Are there significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the importance attached to each of the selected QCOAI?

5- Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?

Descriptive statistics can help in answering questions 1 and 2 above, while comparing the results of this section of the study with relevant sections of other similar studies carried out in Egypt can help in answering question 5. The other two questions (questions 3 and 4) can be answered by testing the following null research hypotheses:

$H7_0$ There are no significant differences in respondents' choice of answers on the perceptions of the importance attached to each of the selected QCOAI.

$H8.1_0$ There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the selected QCOAI

$H8.2_0$ There are no significant differences among respondent groups (according to their level of education) regarding the importance attached to each of the selected QCOAI.

$H8.3_0$ There are no significant differences among respondent groups (according to their experience) regarding the importance attached to each of the selected QCOAI.

(Section 8.3 in Chapter Eight presents the results of the data analysis related to the above research questions and hypotheses).

6.2.5 The Importance of Financial Information Items:

Reviewing the literature (see Chapter Two) shows that there is similarity in the findings of previous studies about the importance of some financial information items, while there are contradictory findings about other items. For example, there is evidence that information about future expectations is perceived as important (i.e. Baker and Haslem, 1973; Lee and Tweedie, 1975; Mohamed, 1991; and Shohaieb, 1990). Similarly, previous studies found that information about companies' employees is among the least important information items (i.e. Chandra, 1974; McNally et al., 1982; Ibrahim and Kim, 1994; and Al-Razeen, 1999). Previous studies reported that information on the social impact of the company's activities is found among the least important items (Wallace, 1988; McNally et al., 1982; and Firth, 1978). Conversely, other information items are seen differently in previous studies. For instance, Ibrahim and Kim (1994) reported that users in Egypt do not attach great importance to the earnings per share information. Wallace (1988) reported that this information, earning per share, is not very important to Nigerian users. In contrast, earnings per share information was found to be the most important item in Chandra's study (1974).

Another example of contradictory results is information about long term debts. Several previous studies (Ibrahim and Kim, 1994; Wallace, 1988; and Firth, 1978) reported that information about long term debts is not among the very important items, while in other previous studies, this information is perceived as an important item of information (i.e. Shohaieb, 1990; and Al-Razeen, 1999). More details about the financial information items examined in this study are provided in section 6.5 of this chapter. The following research questions and hypotheses are formulated in the light of the above discussion:

1- What are the respondents' perceptions of the importance attached to each of the selected financial information items for the purposes of securities investment?, and which characteristics are served as a result of disclosing each item?

2- Are respondents' perceptions equally distributed among the levels of perceptions of the importance attached to each of the selected financial information items?

3- Are there significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the importance attached to each of the selected financial information items?

The first question can be answered by using descriptive statistics, while the other two questions can be answered by testing the following null research hypotheses:

H9$_0$ There are no significant differences in respondents' choice of answers on the perceptions of the importance attached to each of the selected financial information items.

H10.1$_0$ There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the selected financial information items.

H10.2$_0$ There are no significant differences among respondent groups (according to their level of education) regarding the importance attached to each of the selected financial information items.

H10.3$_0$ There are no significant differences among respondent groups (according to their experience) regarding the importance attached to each of the selected financial information items. (Sections 9.2 and 9.3 in Chapter 9 presents the results of the data analysis related to the above research questions and hypotheses).

Non-parametric statistics are used for testing the above hypotheses. For example, the Chi-square Test is used to test hypotheses H1$_0$, H3$_0$, H5$_0$, H7$_0$, and H9$_0$; the Mann-Whitney U Test is used to test hypotheses about differences between two groups of level of education and experience (hypotheses H2.2$_0$, H2.3$_0$, H4.2$_0$, H4.3$_0$, H6.2$_0$, H6.3$_0$, H8.2$_0$, H8.3$_0$, H10.2$_0$, and H10.3$_0$); the Kruskal-Wallis Test is used to test hypotheses about differences between five occupation groups (hypotheses H2.1$_0$, H4.1$_0$, H6.1$_0$, H8.1$_0$, and H10.1$_0$).

6.3 The Survey Methodology:

There are several strategies, which are considered as general plans of how the researcher will go regarding answering his/her research questions, which can be followed. So a researcher has to make a decision as to the relevant strategy from the variety of alternative

strategies. Saunders et al. (2000) reported several strategies, some of which clearly belong to the deductive approach while others belong to the inductive one. Among these strategies are survey, case study, experiment, action research, grounded theory, and ethnography. Survey is defined as "a procedure in which information is collected systematically about a set of cases (such as people, organisations, objects)" (Thomas, 1996, p. 115). Survey research has been used in various investigations in previous studies in many countries whether developed or developing (e.g. Abu-Nassar and Rutherford, 1996; Almelegy, 1998; Al-Razeen, 1999; Anderson and Epstein, 1996; Barker, 1997; Bartlett and Chandler, 1997; Epstein and Pava, 1993; Ibrahim and Kim, 1994; and Shohaieb, 1990)[2].

The purposes of survey research are varied. For instance, large- scale government surveys (such as the British General Household Survey) collect a wide range of socio-economic data, on a routine basis, while more local surveys may be used, for instance, to find out the housing needs, or extent of disability in a locality (May, 1997). In survey research, there are several available methods, and the researcher can choose the most suitable method(s) for his/her research. Among these methods are questionnaires, interviews, analysis of documents and observation.

In this study, as one of its main objectives (see Chapter One) is to investigate empirically the users' perceptions, it would be difficult to conduct the research other than by survey, as the data sources are the users themselves, rather than any other source. So the survey was chosen to be the strategy of this research. Questionnaire surveys are the most frequently used method of collecting data in research on corporate annual reports and other disclosure issues. For example, Ball and Foster (1982, p. 201) wrote that "a common design is to ask respondents to rank individual financial statement items on a scale of importance to their decisions".

The following section will deal with the survey research methods. In business research, there are several research methods available for carrying out a research survey. This section will discuss questionnaires and interviews as important research methods applicable in business research surveys.

6.3.1 The Questionnaire Method

A questionnaire survey is a highly structured data collection method where each respondent is required to answer the same set of predictive value-formulated written questions. There are a number of ways of administering the questionnaire. It could be administered personally or mailed either electronically, via the e-mail or the Internet, or normally by post to the respondents whereby the questionnaire is presented to the respondents with an explanation of the purpose of the inquiry (Oppenheim, 1992; Ibert, et al.,2001).

6.3.1.1 Personally Administered Questionnaires:

When a study is applied in local areas and/or the researcher is able to assemble groups of respondents to respond to the questionnaire, personally administering the questionnaire is the best way of collecting data. The main advantages here are (Ibert et al., 2001; May, 1997; Sekaran, 2000):

- The researcher will be able to collect all the responses in a short period of time.

- It also enables the researcher easily to check that the sample is representative.

- It enables the researcher to explain directly any comments regarding to the questionnaire and to introduce the study topic and motivate the respondents to give honest answers.

- It ensures a high response rate within a short period of time.

- Also, it is noted that "administering questionnaires to large numbers of individuals simultaneously is less expensive and less time-consuming than interviewing; it also does not require as much skill to administer the questionnaire as to conduct interviews". (Sekaran, 2000, p.234)

Although confidence that the right person has responded is low in comparison, with "On line" questionnaires or "Telephone" questionnaires, this can be checked at collection (Saunders et al., 2000). In this study every possible effort was done to ensure that the right person had responded.

6.3.1.2 Mailed Questionnaire:

A mailed questionnaire, which is auto-administered by the respondents themselves, can be used to cover a wide geographical area. In this case, the questionnaire will be mailed to the respondents at their addresses, to complete and return them to the researcher. The rates of return in this sort of questionnaire are not as high as might be desired. Nevertheless, the use of the mailed questionnaire is extensive.

There are several advantages of using the mailed questionnaire in doing a survey. The following are some of these advantages (Frankfort-Nachmias and Nachmias, 1992; May, 1997; Sekaran, 2000):

- Wide geographical area. It can reach isolated areas and respondents whom interviewers find it difficult to catch at home.

- Like personally administered questionnaires, mailed questionnaires are a less costly method of data collection when compared with interview surveys.

- It is impersonal.

- It reduces the bias error that may result from the personal characteristics of interviewers and the variability in their skills.

Although the questionnaire method, whether managed personally or managed by mail, has a lot of advantages, there are a number of disadvantages attached to it, especially to mailed questionnaires. It requires simple questions and it can be used as an instrument for data collection only when the questions are straightforward enough to be comprehended solely on the basis of printed instructions and definitions (Frankfort-Nachmias and Nachmias, 1992).

As no personal contact is involved, mailed questionnaires present the difficulty of boring questions and non-response, and there is no opportunity to correct misunderstandings, or to offer explanation or help (Oppenheim, 1992). Furthermore, it has been argued that the answers in mailed questionnaires have to be accepted as final; there is no opportunity to probe beyond the given answer, to clarify ambiguous answers, or to appraise the non-verbal behaviour of the respondents (Frankfort-Nachmias and Nachmias, 1992). Because of the common use of the questionnaire in survey, it is very important to

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know how to design an effective questionnaire and its design must be suitable to the study objectives. A good questionnaire should be clear and unambiguous and encourage the respondents.

6.3.2 The Interview Method:

Interviews are one method of obtaining data; they are a reliable method of collecting data from the persons who are interviewed by the interviewer upon a specific topic. Rubin and Rubin (1995, p. 1) described the role of interview data collection, thus: "Every step of an interview brings new information and opens windows into the experiences of the people you meet. Qualitative interviewing is a way of finding out what others feel and think about their worlds". For this reason, the interview, as a research method, has become a very common method that is used to gather the data needed for research.

There are different types of interviews, and typically, a distinction is made between postal, telephone, and personal interviews (Moutinho and Evans, 1992). A further distinction can be made between a wide range of types of interview, including structured, semi-structured, and unstructured interviews.

Personal interviews differ from other interviews in that the interview is completed by face to face communication between the interviewer and each respondent. They have a high response rate and can be used to obtain a large amount of information. Although these interviews offer a great deal of flexibility and control, they may pose problems of bias and error, in addition to their high costs.

In this type of interview, there are many forms of structure, including fully structured, semi-structured, and unstructured interviews. For example, in the latter, unstructured interviews, questions may be open-ended to allow the respondent to answer in his/her own words, without the constraints of pre-determined optional answers in closed questions, and the interviewer can ask the respondent to expand on a point by using various probing techniques.

As opposed to the unstructured interview, which contains open questions, the structured interview contains closed questions, as the interviewer has a specific set of

questions to ask the interviewee. The semi-structured interview, which falls in the middle between the above two types of interviews, has both open and closed questions, and respondents are free to respond in their own words. In this type of interview, questions are usually specified, but the researcher has the freedom to probe beyond the answers in a manner that would appear prejudicial to the aims of standardisation and comparability. Also, the interviewee may answer more on his/her own terms than in the structured interview (May, 1997).

Generally, there are some advantages and disadvantages of the personal interview. The following are some of them (Morgan, 1997; Moutinho and Evans, 1992; and Frankfort-Nachmias and Nachmias, 1992):

- Flexibility. The personal interview may give high flexibility in the process of questioning, and the greater the flexibility, the less structured the interview. The interviewer has the chance to determine the wording of the questions, and to clarify terms that are unclear.

- High response rate. The personal interview, in contrast to the mail questionnaire, enables the researcher to obtain a large number of answers.

- Control of the interview situation. The interviewer can exert a greater control over the interview situation.

- The interviewer's presence gives the chance to vary the degree of structure of the interview.

- Collection of supplementary information. The interviewer has the opportunity to collect supplementary information about respondents, such as personal characteristics or background information about respondents. However, this method has some disadvantages, such as its high cost, interview bias, and lack of anonymity.

6.3.3 Relevant Method to the Study:

As there are many data collection methods available and some of them are better adapted than others for collecting a given type of data, and also each of them has its advantages and its disadvantages, it is important for the researcher to choose the most suitable method

among them for his/her research. Abdolmohammadi and McQuade (2002, p. 117) stated that "methods of collecting data for the purpose of investigating an issue vary depending on the nature of the research issue. They differ primarily in the degree to which they generate internal and external validity". Furthermore, de Vaus (2001) noted that the selection of a specific data collection method will depend on different factors including the sample size, the extent to which they are clustered, the available time, the degree of sensitivity of material being collected, and the available resource.

Although the addresses of most respondents were known and the mail service is relatively good in Egypt, the main instrument adopted in this study was a personally administered questionnaire, which was considered to be an effective method to collect the data needed for this study. In addition to the above-mentioned advantages of a personally administered questionnaire, there were two main reasons for using it as a main data collection method. The first reason was that more than 90 % of the population of this study, with the exception of "Academics", are situated in one city, Cairo, and the rest (less than 10 %) situated in another city, Alexandria. In this situation, it was practical to use this method for collecting the data. The second reason is that experience of this population indicates that this method is more effective than others are, because the face to face meeting with respondents has a great effect in encouraging them to complete the questionnaire and hence increases the response rate. The above method was supported by another method, that is, semi-structured interview. The interview method was used here to gather data that would give supporting evidence to the findings and could not be gathered by the questionnaire method.

6.4 Groups to be Surveyed (The Respondents):

First of all, this study was restricted to Egypt (refer to 1.4 in Chapter 1). This does not mean that it was restricted to Egyptian users, but it means that it was restricted to users, Egyptian or foreigners, of financial reports presented by the listed companies in Egypt. Furthermore, the population was defined as external users of financial reports for the purpose of securities investment. The population of this study includes five groups of users

to gain a general insight, rather than focusing on one particular group of users of financial reports.

In the light of the recent developments that the Egyptian securities market has witnessed, more demand for financial information about listed companies was generated by a wide range of external user groups including individual and institutional investors, financial analysts in various firms working in the market, academics, stockbrokers, and those working in the observatory and regulatory bodies in the market.

Most previous studies interested in the use of financial reports in the field of investment decisions focused basically on some specific types of external user groups, such as financial or investment analysts, individual or institutional investors, and perhaps professional accountants. Furthermore, when the Egyptian authorities decided to establish a permanent committee in 1996 to be responsible for setting the EASs, the committee included various members, among them some academics, professional accountants, and some other experts.

In the light of the above, taking into consideration the similar studies carried out in Egypt and the main purpose of this study, it was important that a study such as the present one should not ignore, in its empirical work, some main user groups like investors, financial analysts, and academics. Also, for the purpose of this study, stock brokers and staff of the observatory and regulatory bodies needed to be included in the survey. So, the sample selected for this study's survey included five user groups, namely, financial analysts; decision makers; academics; stock brokers; and staff of the observatory and regulatory bodies, who will be named as "others".

The following are some details about the target population and the respondents chosen for the survey:

6.4.1 Financial Analysts:

Financial analysts' perceptions are of interest because they regularly use the corporate annual reports to make financial assessments and to advise other user groups, especially investors. Also, financial analysts are considered to be sophisticated users (Christopher and Hassan, 1999). Furthermore, financial analysts were chosen to be one of the groups

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targeted in this study for several reasons. They, as a sophisticated group, are working at financial or investment analysis departments in firms working in the Egyptian capital market, commercial banks, and accounting firms which have a significant influence in the capital market. Such firms are growing rapidly in Egypt especially during the last decade. Useful information to be provided to this group of users will help them in carrying out rational analysis and so enable them to provide helpful information or advice for investment decisions in the Egyptian securities market. Another reason is that financial analysts' perceptions were examined by previous studies in Egypt (e.g. Shohaieb, 1990) and comparing their perceptions in the current study with those reported in previous studies in Egypt will help in achieving one of this study's objectives.

Financial analysts were surveyed in several previous studies (i.e. Chang and Most, 1985; Wallace, 1988; Ibrahim and Kim, 1994; Al-Mubarak, 1997; and Al-Razeen, 1999). For example, Ibrahim and Kim (1994) investigated the perceptions of 170 financial analysts in Egypt regarding the importance attached to 42 financial information items. Also, Al-Mubarak (1997) surveyed 249 financial analysts in Saudi Arabia, while Buzby (1997) mailed a questionnaire to a random sample of 500 financial analysts.

6.4.2 Decision Makers (Investors[3]):

For the purpose of this study, decision makers are defined as those who take the investment decision, whether individual investors, who sell and buy shares directly by themselves through brokerage firms, or institutional investors such as managers of investment departments in fund management firms or in firms that form and manage securities portfolios. Their decisions include not only whether to sell or buy shares, but also the time of the decision.

Traditionally, researchers seeking to examine financial needs and perceptions have primarily used either financial analysts (the previous group) or investors, whether individual or institutional, as subjects. Investors were surveyed in several studies (i.e. Chang and Most, 1985; Wallace, 1988; Epstein and Pava, 1993; Ibrahim and Kim, 1994; Anderson and Epstein, 1996; and Al-Razeen, 1999). For instance, Anderson (1981) mailed

a total of 300 questionnaires to institutional investors in Australia to examine their perceptions about the usefulness of corporate annual reports.

In some previous studies, especially those carried out in Egypt, individual investors were excluded (e.g., Shohaieb, 1990; Ali, 1992; and Almelegy, 1998). It was reported that the exclusion occurred due to several reasons, among them that individual investors are difficult to reach and that their response rate has been very low in similar studies. Shohaieb (1990) reported other reasons, for instance, the advanced level of most of his questionnaire, which required respondents with a commercial background; and the absence of an organised society or association for individual investors which could provide the researcher with a random sample to be used in such studies. These reasons are no longer valid in Egypt, as an association of those investors in the stock market, the Egyptian Capital Market Association, was established in 1996. Members of this association, in the year 2000, numbered more than 250, representing different levels of Egyptian investors (Egyptian Capital Market Association, 2000). The Association runs seminars and free courses for those who need to improve their knowledge regarding the financial reports and to learn how to understand financial reports effectively. One more reason to encourage the inclusion of individual investors in the current study is that the Egyptian securities market is partially dominated by individual investors who sell and buy shares by giving orders to brokerage firms. For example, during the last few years (1998-2000) between 20% to 40% of the trading transactions in the market was made by individual investors (Al-Ahram International, 2000c).

However, it should be noted that it was learned in a meeting with the Secretary General of the Association, that the majority of its members are staff of firms working in the Egyptian stock market. This means that it is possible to find a member (individual investor) who is at the same time an investment manager in a fund management firm or financial analyst in another firm. So, it was decided to exclude those members, whose selection could cause unwanted repetition. Using the Association Guide, which includes a record of all members, thirty individual investors, not included in any other group of respondents, were randomly chosen for the survey.

6.4.3 Academics:

Academics have been defined in this study as those who are employed by Egyptian universities and whose main duties are to undertake research and teach various accounting subjects. Although there is an argument that academics would assess situations from a theoretical rather than practical point of view, as a result of their being usually concerned with the theoretical aspects (Cürük and Cooke, 2000), this is not the case in Egypt, for various reasons. Many academics in accounting in Egyptian universities have other jobs beside their main job, teaching accounting subjects, as they are members of boards of companies working in the securities market, such as brokerage firms and other financial firms. Other academics have their own accounting firms or are partners or working in other accounting firms. These additional jobs give academics very good background knowledge regarding the securities market in general and financial reporting practice by listed companies in particular. Therefore, the inclusion of academics in this study was based on the large experience that most of them have about the market and the financial reporting practice in this market.

Another argument to support the inclusion of academics in the current study is that, as the findings of this study could be useful to standard setters, academics are a very important group to survey. Schipper (1994) argued that academics and their scholarly inquiries can have a positive impact in the standard setting process. Moreover, Belkaoui (1990) argued that it is very important for a country to have the support of its academics, managers and professional accountants in order to improve its financial disclosure adequacy. For instance, when the Egyptian authorities established the Permanent Committee responsible for setting accounting standards, the Egyptian authorities appointed a number of academics to be members in this committee.

Academics were included in other previous studies (Shohaieb, 1990; Abu-Nassar and Rutherford, 1996). For example, the financial analysts included in Shohaieb's questionnaire survey included 75 academics. Also, Abu-Nassar and Rutherford (1996) distributed a total of 36 questionnaires to all academics in Jordan to examine their perceptions about the corporate annual reports.

In the light of the above arguments, a study of user perceptions in Egypt which neglected the viewpoint of academics would be incomplete.

6.4.4 Stock Brokers:

In this study, stock brokers have been defined as those who work in brokerage firms and execute various operations related to both sale and purchase of stock on behalf of their firms' clients on the CASE. Clients here are all those trading in stock, including individual and institutional investors, whether Egyptians or foreign. In practice, stockbrokers are asked, especially by individual investors, to give advice regarding listed companies and their shares. This group of users was used in several previous studies (i.e. Ali, 1992; Abu-Nassar and Rutherford, 1996).

6.4.5 Staff of Regulatory and Observatory Bodies (Others):

The reason for including the staff of these regulatory and observatory bodies and also staff in Misr Clearing, Settlement and Depository Company in the selected sample is that they, by the nature of their work, make extensive use of the information provided in corporate annual reports, for the purpose of supervising and controlling the market.

As mentioned in 5.4.1 in the previous chapter, the CMA, which is the main governmental body responsible for regulating the whole Egyptian capital market, includes several departments, such as the Accounting and Financial Analysis Department, the Market Research & Development Department, and the Market Supervision & Surveillance Section of Market Operation Department, that have staff who are relevant to this study. Also, the CBE, which supervises all activities of varied banks working in Egypt[4], has a special department, namely, the Capital Market Department, which is generally concerned with the activities of the capital market. The reason behind including staff in Misr for Clearing, Settlement and Depository Company in this group is that it is the only firm in Egypt that is authorised to undertake clearing and settlement operations for transactions executed on CASE and Egypt's only licensed central depository activity. Furthermore, the company has played an important role in raising the efficiency of the Egyptian securities

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market by developing several programmes to be used by bookkeeping companies (MCSD, 1999).

This group of users was selected on the assumption that they have an active role in affairs of the securities market in general and in controlling the companies' obligation of the financial reporting regulations. They are assumed to have a regulatory and observatory role in the stock market. They determine the compliance of listed companies with the law and regulations (staff of CMA and CBE) and with the listing rules (staff of CASE). As Cooke (1989, p. 92) commented, "securities market regulators can have an important influence over the disclosure of information to users". Staff of regulatory and observatory bodies were chosen to be surveyed in several previous studies (i.e. McNally, Eng, and Hasseldine, 1982; Almelegy, 1998; and Al-Razeen, 1999).

6.5 The Questionnaire Design:

To gather the data needed for answering questions and testing hypotheses stated in chapter one of the thesis, a questionnaire was designed. It was argued that even though questionnaires may look simple to use and analyse, they are not the same to design (Easterby-Smith et al., 2002). Therefore, in designing the questionnaire, the aim was to achieve both conciseness and completeness. In the meantime, every effort was made to keep the questionnaire simple and understandable, and, at the same time, to design a questionnaire that covers all areas of interest to this study. To achieve that, broad review of the literature was undertaken (e.g., de Vaus, 2001; Drucker-Godard et al., 2001; Easterby-Smith et al., 2002; Frankfort-Nachmias and Nachmias, 1992; Kumar, 1999; May, 1997; Oppenheim, 1992; Remenyi, et al., 1998; Saunders et al., 2000; Sekaran, 2000). Moreover, over than a period of about five months, the questionnaire was drafted and revised many times.

In general, the major source of ideas for these questions, in addition to the theoretical part of the current study, was a wide investigation of the available studies for significant ideas relevant to this topic in Egypt whether by individuals or governmental and private bodies. The following sub-sections give more details regarding the design of the

questionnaire. The full text of both the English and Arabic versions is included in Appendix A.

6.5.1 Parts of the Questionnaire:

The questionnaire started with a covering letter, which included the nature and the purpose of the study and an explanation of why respondents were included in the study. Furthermore, in this letter, it was assured that all collected data would be confidential. Saunders et al. (2000, p. 304) advised: "At the start of your questionnaire, you need to explain clearly and concisely why you want the respondent to complete the survey". In addition to the covering letter, the questionnaire included four parts. Details of each part are presented as follows:

6.5.1.1 Part One:

The first part of the questionnaire was devoted to background questions. Remeyi et al. (1998, p. 154) stated that "background questions provide demographic and socio-economic information on the individual or firm. At the individual level these include evidence on age, gender, occupation, income, education level, ...".

Respondents were asked to state their name (optional), occupation, and their employer. Besides, respondents were asked to select the category that they felt best described their level of education and their years of experience. Also, they were asked to give a correspondence address if they wished to receive a copy of the final findings of the study.

6.5.1.2 Part Two:

This part of the questionnaire contained two questions as follows:

6.5.1.2.1 Question 2.1:

This question was about respondents' perceptions about the importance of each of several possible sources of financial information on listed companies in Egypt, for the purpose of securities investment. Respondents were asked to indicate the level of importance they

attached to each of the given information sources from which they could obtain the financial information needed for the purpose of securities investment. A five-point response scale was used in this question, with "1" meaning completely unimportant and "5" meaning very important. (Refer to Appendix A, part two, question 2.1)

Several purposes were behind asking this question: first, to identify the main source (s) of financial information about listed companies in Egypt and to know how the corporate annual reports stand in relation to other sources of financial information; second, to investigate statistically if there are significant differences among respondents of different occupation, qualification or experience, regarding their perceptions of the importance of sources of financial information; third, to know whether contemporary changes in financial reporting practice in Egypt affect the importance given to corporate annual reports.

Sources presented in this question are: corporate annual reports; newspapers and magazines; direct contact with the company management; prospectuses; tips and rumours; advisory services; and advice of friends and /or relatives. The selection of these sources was based on two factors: first, they are applicable in Egypt; second they are frequently investigated in the literature (see for instance: Abu-Nassar and Rutherford, 1996; Ali, 1992; Alrazeen, 1999, and Shohaieb, 1990).

6.5.1.2.2 Question 2.2:

Question 2.2 was about respondents' perceptions about the importance of each of sections of corporate annual reports. Respondents were asked to evaluate the level of importance they attached to each section of corporate annual reports. Again, a five-point response scale was used in which "1" means completely unimportant and "5" means very important. (Refer to Appendix A, part two, question 2.2).

The purposes of this question were: first, to investigate respondents' perceptions about the importance of each section of various sections of corporate annual reports; second, to investigate statistically if there are significant difference among respondents of different occupation, qualification or experience regarding their perceptions; third, to know

if contemporary changes in financial reporting practice in Egypt affect the importance given to each section of corporate annual reports.

Sections included in this question were: income statement; balance sheet; cash flow statement; suggested dividends statement; director's report; auditor's report; review of operations; and notes to the accounts. The selection of these sources was based on the typical corporate annual reports of the listed companies in Egypt.

It should be noted that to the best of the researcher's knowledge, this was the first time one of these sections, the suggested dividends statement, had been investigated in Egypt, as it listed companies were first required to prepare this statement in 1997 (for the corporate annual reports of 1998)

6.5.1.3 Part Three:

This part included the following four questions:

6.5.1.3.1 Question 3.1:

Question 3.1 was about a set of QCOAI selected earlier, in chapter three of the thesis. Respondents were asked to indicate the level of agreement regarding the suitability and applicability of the selected set of QCOAI (Refer to Appendix A, part three, question 3.1). A five-point response scale was used in this question, with "1" meaning strongly disagree and "5" meaning strongly agree.

The purpose of this question was twofold: first, to investigate respondents' perceptions of the suitability or applicability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports; second, to investigate statistically if there are significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the suitability and applicability of the selected set of QCOAI. The findings of this question could suggest whether the selected QCOAI are suitable to and applicable in the Egyptian environment.

6.5.1.3.2 Question 3.2:

This question was about the respondents' perceptions of the importance attached to each of the selected QCOAI. Respondents were asked to rate the level of importance they attached to each of the QCOAI and a five-point response scale was used in this question, with "1" meaning completely unimportant and "5" meaning very important. (Refer to Appendix A, part three, question 3.2).

The purpose of this question was to investigate the importance attached to each of the selected QCOAI and to investigate statistically if there are significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the importance of these characteristics. The selection of these characteristics was based on the QCOAI selected earlier in chapter Three.

6.5.1.3.3 Question 3.3:

Question 3.3 was about the respondents' ranking of the perceived importance of the selected QCOAI. In this question, respondents were asked to rank the four most important characteristics that can be used for judging the usefulness of information appearing in corporate annual reports; 1 for the most important characteristic, 2 for the next characteristic, and so on until 4. (Refer to Appendix A, part three, question 3.3). Three reasons were behind asking respondents to choose only 4 from 11 characteristics. First, it was found that ranking all the characteristics may increase the likelihood of making mistakes by respondents; second, it is too difficult and tiring for respondents to rank such a large number of characteristics; third, in the selected set of QCOAI that was in hierarchical form, 4 of the 11 characteristics are main characteristics (including understandability as a basic characteristic, relevance and reliability as first level characteristics, and materiality as a threshold characteristic).

It was desired to know whether respondents agreed with this study regarding consideration of these four as main characteristics. Therefore, the purpose of this question was to measure the amount of agreement among respondents, whether of the overall

sample or of different occupation, qualification or experience user groups, regarding their ranking of the importance of each of the QCOAI.

6.5.1.3.4 Question 3.4:

This question concerned respondents' opinions about specific QCOAI, whether or not included in the selected QCOAI. Respondents were asked about the extent of their agreement with five different statements related to some specific characteristics. Statements 1, 2, and 3 were about the importance attached to three specific characteristics presented in the selected set of QCOAI as basic and first level characteristics, namely relevance, reliability and understandability. The aim was to investigate the extent of respondents' agreement with this study regarding the importance of these three characteristics.

The other two, were about characteristics that are not presented in the selected QCOAI, namely, uniformity and prudence. Also, the aim was to investigate the extent of respondents' agreement with this study about excluding these two characteristics. The choice of these two characteristics was based on their being mentioned in the EASs and suggested by similar other studies. For instance, Shohaieb (1990) suggested that a further research is required about users' perceptions of uniformity (see Chapter 2). A five-point response scale was used in this question, with "1" meaning strongly disagree and "5" meaning strongly agree (Refer to Appendix A, part three, question 3.4).

6.5.1.4 Part Four:

This question concerned respondents' perceptions about the importance of some financial information items in enhancing the usefulness of corporate annual reports for the purposes of securities investment, and also about the relationship between these items and the selected QCOAI.

Respondents were asked to indicate the level of importance they attached to each of the given financial information items, and to indicate which of the QCOAI, if any, they thought would be served through disclosing each of these items. A three-point response

scale was used in this question, with "1" meaning unimportant, "2" meaning neutral, and "3" meaning important, (refer to Appendix A, part four). The reason behind using a three instead of five point scale, is that many comments were received in both stages of the pre pre-test and the pre-test asking that the scale be reduced to three points because the question was too complicated with a five-point scale, together with eleven characteristics.

Several purposes were behind asking this question: first, to identify respondents' perceptions of the importance attached to each item in improving the usefulness of corporate annual reports, especially as there were some items that, to the best of the researcher's knowledge, were being tested for the first time in Egypt (No. 10 "Authorised, issued, and paid-up capital; and types of shares and share book value", No. 18 "Maintenance of dividends rate", No. 24 "Enterprise's reputation and its competitive capability", No. 25 "The position of individual enterprises within a group", and No. 26 "Retained earnings for the last few years), and others were being tested for the first time after the important changes in the financial reporting practice in the Egypt (No. 16 "Movement of shares prices for the last 12 months", No. 17 "Information on present return earned on share prices", and No. 23 "Information on anticipated cash flow"); second, to determine if any of the selected QCOAI is served as a result of disclosing each of these items; third, to investigate statistically if there are significant differences among respondents of different occupation, qualification or experience regarding their perception of the importance of these items.

Thirty-two information items were selected to be investigated in this question, representing two separate groups: items disclosed by most listed companies and at the same time most of them required by the EASs, the CML and/or other related laws, the first group, and items not disclosed by most listed companies, whether mandatorily required or not, the second group. Investigation of more than 50 corporate annual reports of companies whose shares were most actively traded in the CASE for two years, 1998 and 1999, revealed that only a few listed companies disclosed some of these items, such as "Estimations of future gains, profits or losses and future sales and purchases", "Present and anticipated earnings per share", and "Information on leases and hire purchase contracts",

and did so irregularly. To prevent respondents' bias for one group against the other, the sequence of the items was deliberately varied up in the arrangement of the questionnaire.

Although there are many studies in the literature (i.e. Baker and Haslem, 1973; Chandra, 1974; Lee and Tweedie, 1975; McNally et al., 1982; Shohaieb, 1990; Mohamed, 1991; Ibrahim and Kim, 1994; and Al-Razeen, 1999) that investigate user perceptions of sets of financial information items, there is no agreed upon set of such information in those studies (see 2.8 of Chapter Two).

The sources of the selected items were: first, the literature as the majority of these items have been tested before in previous studies (see Chapter Two) including those carried out in Egypt (see for example: Shohaieb, 1990; Mohamed, 1991; Ali, 1992; Ibrahim and Kim, 1994; and Almelegy, 1998); second, the various requirements of the EASs, the CML, other related laws, and the listing rules of the CASE (see Chapter Five); third, discussions with some users of corporate annual reports in companies working in the Egyptian securities market. These discussions were conducted in several informal meetings, one year before the survey.

The number of possible items for selection is obviously large. The chosen list of 32 items was selected by applying the following criteria:

1- The time available for a Ph.D thesis does not permit a very large number of items to be used.

2- The length of the questionnaire has to be limited if respondents are to be willing to properly complete it.

3- Representative items from each of the different sources discussed in the previous paragraph should be included.

4- The selection should include both items regarded in earlier surveys as being important, and also items regarded in earlier surveys as not important.

It is recognised, however, that the final selection of the 32 items is to some extent arbitrary within these parameters. The researcher believes that the chosen list includes examples of all necessary types of disclosure items and possible requirements. The following table shows more details about each of the selected financial information items.

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Table 6.1 Financial Information Items Used in the Study:

Financial Information Items	Details
1- Consolidated financial statements	Required by the EAS No. 17. This information reflects the whole of the parent's investments in its subsidiaries. According to the listing rules in the CASE, the company should disclose if it is a holding company or followed company. Holding companies are required to prepare consolidated financial statements according to the EAS No. 17.
2- Interim information	Required by listing rules of the CASE and the CML No. 95 of 1992. Could be presented in semi-annual statements. This information provides financial information for a period of less than one year, offering more timely information. The interim financial statements help to improve the process of forecasting and protect investors by disclosing the current position of the enterprise's business activities (Cooke and Kikuya, 1992). Also, interim information keeps investors up-to-date, especially for those who need to make decisions in a short interval.
3- Inventory and its types and valuation methods	Required by EAS No. 1 and 2. According to EAS No.1 companies should disclose the measurement basis used in preparing the financial statements in the notes to the accounts section. This information is presented in the balance sheet (inventory value) and in notes to the accounts (valuation methods).
4- Tax position	The EAS No.1 requires companies to disclose information on income tax expenses on the face of the income statement. This information, which gives an indication of the enterprise's capability to pay its different obligations is disclosed by many listed companies in the notes to the account section, and a few companies provide it in the directors' report.
5- Assets types and applied depreciation methods	Required by EAS No. 1 and 10. Disclosed on the face of the balance sheet (assets value) and notes to the accounts (applied depreciation methods). Total assets used to calculate ratio of profitability or the ability of a company to generate revenue in excess of expenses
6- Forecasts of contingent liabilities and anticipated future investment	Not mandatorily required. This information is more important to financial analysts and investors as this information affects the future financial position and the ability to continue of an enterprise.
7- Extraordinary items and their impacts	Required by the listing rules of the CASE and the EAS No. 1. Should be disclosed in the income statement and notes to the accounts section.
8- Post balance sheet events and their impacts	Required by the EAS No. 7. Disclosed in notes to the accounts section. This information includes events that occur between the balance sheet date and the date of finalization of financial statements or the date when the financial statements are authorized for issue.
9- Revenue recognition policy	Required by the EAS No. 1 and 11. EAS No.1 requires companies to disclose the measurement basis used in preparing the financial statements in the notes to the accounts section. Financial analysts are interested in this type of information because of their capability to interpret results of changes in accounting polices.

10- Authorised, issued, and paid- up capital; and types of shares and share book value	Required by the EAS No.1. Disclosed in the income statement, the face of the balance sheet or income statement notes to the accounts section. This information, together with other information of shareholders' equity, are essential elements of capital structure ratios.
11- Amount of long-term debts, their breakdown, and their interest rates	Required by the EAS No. 1 and 14. Disclosed in income statement the face of balance sheet (amount of long-term debts) and income statement notes to the accounts (other related information). This type of information helps in determining the financial position of an enterprise. Amount of long-term debts is a fundamental element in capital structure ratios. Furthermore, the annual interest payment is an essential component when calculating the debt service coverage (Foster, 1986).
12- The enterprise's efforts in protecting the environment	Required by the Environment Law No. 4 of 1994. Could be disclosed in the directors' report. This type of information is more disclosed by companies whose activities affect the environment (e.g. cement and chemical sectors)
13- Capitalisation policy of debts cost	Required by EAS No. 1 which ask listed companies to describe the measurement basis used in the preparation of financial statements in the notes to the accounts section.
14- Detailed information on the enterprise's transactions with related parties	Required by EAS No. 1 and 15. Disclosed in notes to the accounts. This information enables users to be aware of lack of independence and its effects.
15- Estimation of future gains, profits or losses and future sales and purchases	Not mandatorily required. Could be disclosed in the directors' report. This information helps users to anticipate the future performance and profitability of a given company. Also, it gives indications about the company's ability to pay future dividends and the ability to generate enough cash to meet its future obligations. A few large listed companies disclose this type of information, while most small and medium companies do not.
16- Movement of share prices for the last 12 months	Not mandatorily required. Could be disclosed in the directors' report. Although this information can be collected from daily stock exchange information, users may not be able to collect it themselves. On the other hand, companies might find it easy to provide this type of information.
17- Present return earned on share prices	Not mandatorily required. This information, which is known as Price / Earnings (P/E) ratio, provides a basis of comparison among listed companies. This information helps investors to choose between alternative investment decisions. The P/E ratio can be calculated as market price per share divided by earning per share (EPS) (foster, 1986).
18- Maintenance of dividends rate	Not mandatorily required, but the EAS no 1 states that companies are encouraged to disclose, in supplementary information, their policy for investment to maintain and enhance performance, including dividend policy. This type of information might assist users to assess the stability and profitability of a given company.
19- Present and anticipated earnings per share	Partly required by the EAS No. 1 and 22. The EAS No. 22 do not require companies to disclose anticipated EPS. Disclosed in notes to the accounts. According to the EAS No. 1, a company should disclose, either

	on the face of the income statement or in the notes to the accounts, the amount of dividends per share. However, only large companies disclose such information. This item of information includes the amount of dividends per share (EPS), paid and proposed, for the period covered by the financial reports. Such information assists investors in determining the return provided by their investment, and helps them to compare the performance among different companies in the same period and among different accounting periods for the same company. This information is an essential component in the P/E and it is probably the most widely available and commonly used company performance statistic for publicly traded firms (White et al., 1994). EPS, in the basic form, can be calculated through dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary share outstanding during the period (Alexander and Archer, 2000b).
20- Classification of sales revenue by geographical areas, major product lines, and customer classes	Not mandatorily required. Although this information is more relevant to internal use, it might help financial analysts in doing their analysis. Day (1986) reported that financial analysts required this type of information to be disclosed in corporate annual reports.
21- Internal transfer prices	Not mandatorily required. This type of information is more important for internal uses than for external uses. However, Almelegy (1998) reported that 61. 4% of users in his study perceived it as an important information item.
22- Leases and hire purchase contracts	Required by both Leases Law No. 95 of 1995 and the EAS No. 1 and 20. Although this information is mandatorily required, only a few companies provide it. This type of information is about new activities in Egypt and many companies do not do them. EAS No. 20 requires both the lesser and the lessee to disclose leases information in their financial statements (see also Chapter 4).
23- Anticipated cash flow	Not mandatorily required. However, the EAS No. 4 requires companies to disclose cash flow information of the year. This information helps users to evaluate the company's activities and to assess its liquidity and solvency.
24- Enterprise's reputation and its competitive capability	Not mandatorily required. Could be presented in the directors' report. This type of information may be important especially for individual investors. Some respondents met in the survey reported that this type of information is important for many individual investors.
25- The position of individual enterprises within a group	Not mandatorily required. Might be disclosed in the notes to the consolidated financial statements or in the directors' report. In the 1990s, many groups of companies were established in Egypt. Although the EAS No. 17 required the parent company to disclose, in the consolidated financial statements several items about the subsidiaries (i.e. the name, country of incorporation or residence, proportion of ownership interest ,and if different, proportion of voting power held), it did not require such information, on the position of individual enterprises within a group.
26- Retained earnings for the last few years	Not mandatorily required. Could be disclosed in notes to the accounts. It is a part of equity that companies invest in their business.

27- Financing structure	Required by the CASE. A few large listed companies disclose this type of information in the notes to the accounts section. Capital structure ratios provide insight into the extent to which non-equity capital is used to finance the company's assets. This information is useful in assessing how successful the company has been in managing the available resources, its requirement for future finance and its ability to raise finance (ASB, 1999b).
28- The enterprise's transaction with abroad	Not mandatorily required. Could be presented in the directors' report or in the notes to the accounts section. This information gives an indication of the company's ability to export and get foreign currency, especially as the whole society, including users of financial reports, is generally interested in exportation.
29- Present and future goals of the enterprise	Not mandatorily required. Could be presented in the directors' report. This information item was perceived as an important item in previous studies. For instance, in Ali's study (1992) the item received a mean score of 4.3, while in Almelegy's study (1998), 85.5% of user thought this item is important or very important.
30- Employees and their productivity	Not mandatorily required. Could be presented in the directors' report. This item was perceived as of little importance in Shohabieb's study (1990), while 75.9% of users in Almelegy's study (1998) thought this item is important or very important.
31- The social impact of the enterprise's activities	Not mandatorily required. Could be presented in the directors' report. This information item was perceived as being of moderate importance by users in Shohaieb (1990) and Almelegy (1998).
32- The enterprise's efforts on research and development	Required by the EAS No. 1 and 6. The EAS No. 6 requires companies to disclose in their financial statements the accounting policies adopted for research and development cost and the amount of research and development costs recognized as an expense in the period. Some local manufacturing companies, especially chemicals and high-tec companies, buy trade marks from foreign companies. This leads to a very small budget for this activity.

The following table summarises the aim of each of the above questions:

Table 6.2 Summary of the Questions and Their Aims:

Part	Aim of the Question	Question No.
1	- Gathering respondents' background (demographic data).	1.1 – 1.6
2	- Investigate the importance the various sources of financial information.	2.1
	- Investigate the importance of sections of corporate annual reports.	2.2
3	- Investigate users' perceptions of the applicability of the selected QCOAI to evaluate the usefulness of financial information Presented in the corporate annual reports.	3.1 and 3.4
	- Rating the importance of each of the QCOAI in evaluating the usefulness of financial information provided in corporate annual reports.	3.2
	- Ranking the four most important QCOAI in evaluating the usefulness of financial information provided in corporate annual reports.	3.3
4	- Investigate users' perceptions of the importance of selected items of financial information whether included or not in the corporate annual reports, and the relationship between these items and the QCOAI.	4

6.5.2 Question Wording:

The questions included in a questionnaire should be worded so that the respondents can understand them (Frankfort-Nachmias and Nachmias, 1992). Poor question wording might be one of the factors responsible for unreliable measure or instrument, as it may cause a respondent to understand the question differently on different occasions (de Vaus, 2001). According to Kervin (1992), good question wording helps to ensure measurement validity, minimise measurement errors (bias and unreliability), and minimise item non-response. Several points have been suggested, which should be considered when writing the questions, in order to make the questions clear (see: May, 1997; Oppenheim, 1992). In this study, every possible effort was made to improve the question wording (see section 6.4.5.1 later in this chapter).

6.5.3 Question Order:

Ibert et al. (2001, p. 174) stated the following regarding question order: "The questions should, as far as possible, follow a logical order that uses thematic groupings and facilitates

the passage from one theme to another". One of the objectives of the pre pre-test was to make sure that the questions were ordered well.

In addition, the questions should be free of ambiguity, precise and clear. Also, each question should represent a single idea. This means that the questionnaire should translate the research objective into a set of questions. The main considerations involved in formulating the questions are their content, structure, format, and sequence (Frankfort-Nachmias and Nachmias, 1992). Furthermore, it is recommended that the questionnaire should begin with relatively easy, simple, and closed questions (Ibert et al., 2001). So, the researcher started the questionnaire with the easiest section, the questions of personal background that collect the demographic data.

To avoid the halo effect, which might occur from associating a large group of similar successive questions using the same scale, various forms of questions were included, such as question no. 3.3 and question no. 4. Moreover, for the same purpose, in question 4, the 32 financial items of two separate groups were mixed.

6.5.4 Question Type:

Two alternatives are available with respect to type of questions: closed and open-ended questions. Each type has its advantages and disadvantages. For example, closed questions are easy to answer and analyse, and also they save the respondents' and the researchers' time. Remenyi et al. (1998, p. 152) reported that "closed-ended questions are difficult to design but simplify the collection and analysis of evidence making the task of the respondent easier. Such questions are typically used in studies involving large samples". However, Easterby-Smith et al (2002, p. 133) criticised this type of questions as "the data obtained may be very superficial".

Open-ended questions are easy to ask and give more information to the researcher, but on the other hand, they may lead to collection of irrelevant information. Also, completion and analysis of this type of questions can be difficult and time-consuming (Easterby-Smith et al., 2002). Therefore, in the light of the above, closed questions were used in this study. However, 5% of respondents were personally interviewed, using semi-

structured interviews, which included some open-ended questions, for obtaining more explanation. In addition, spaces for additional views were provided, where relevant, and a blank paper was attached at the end of the questionnaire.

6.5.5 The Pre-test:

The pre-test is an important step in the questionnaire design process. On the one hand, the quality of conclusion of an empirical research depends heavily on the quality of the data collected for such a research (Huck and Cormier, 1996). Also, the quality of the data depends heavily on the instrument by which the data is collected. It has been noted that a research instrument or measure should be both valid and reliable (de Vaus, 2001). It is reported that "ideally, tests for validity and reliability should be made at the pilot stage of an investigation, before the main phase of data collection" (Easterby-Smith et al., 2002, p. 135). In other words, once the first draft of the questionnaire is prepared, the researcher needs to carry out a pre-test that will help to evaluate his/her work regarding the criteria of validity and of reliability (Drucker-Godard et al., 2001).

Also, as Saunders et al. (2000) reported, the purpose of the pre-test is to refine the questionnaire to enable respondents to answer the questions easily, and to enable the researcher to obtain some assessment regarding the questions' validity and the likely reliability of the collected data.

Generally, to assess the overall validity of a research and the measuring instruments used, several types of validity[5] should be considered. Oppenheim (1992, p. 160) noted that "in principle, validity indicates the degree to which an instrument measures what it is supposed or intended to measure". So, to be valid, the measuring instrument, on the one hand should measure what it is expected to measure, and on the other hand it should give exact measures of the studied object (Drucker-Godard et al., 2001).

The validity of an instrument is related to the degree of non-random error that it contains or to any bias presented by the use of the instrument or by the act of measuring (Drucker-Godard et al., 2001). Content validity, which seeks to establish that the items or questions included in the questionnaire are a well-balanced sample of the content domain

to be measured (Oppenheim, 1992), could be a relevant way to assess the validity of an instrument through validating its application on the basis of a consensus within the research community as to its application (Drucker-Godard et al., 2001).

Reliability of the measurement instrument relates to the question of whether the research results are repeatable (Bryman, 2001). In other words, it indicates the extent to which the measure is without bias and hence presents consistent measurement across time and across the different items in the instrument (Sekaran, 2000). Oppenheim (1992, p. 159) indicated, "We need to be sure that the measuring instrument will behave in a fashion which is consistent with itself". On the other hand, de Vaus (2001, p. 30) reported that "a reliable measure is one that gives the same 'reading' when used on repeated occasions". Several methods can be used in assessing the reliability of the measurement instrument including[6]: Test-retest, Parallel-forms, Split-half, and Internal consistency (Sekaran, 2000).

The outcome of the pre-test might lead the researcher to reformulate or modify the questionnaire or interview guide with no effect on the design, to define new hypotheses or modify the research questions; or to alter the research approach completely (Royer and Zarlowski, 2001a). It has been noted that the pre test could be fairly informal where a researcher consults friends, colleagues, and experts, or it could be more formal, where the researcher carries out a pilot study involving a small number of respondents of the main study (Remenyi, et al., 1998).

In this research, the pre-test was carried out in two stages. First, the pre pre-test stage was carried out by distributing both the English and the Arabic versions of the questionnaire to Egyptian students studying for the Ph.D. in accounting at UK universities. Second, the pre-test stage was carried out by sending the Arabic version of the questionnaire to some respondents from the target population in Egypt.

6.5.5.1 The Pre Pre-test:

After the first English draft of the questionnaire had been completed and corrections made according to the supervisor's comments, the questionnaire was translated into Arabic, the

official language in Egypt, and both the English and the Arabic versions were ready for the pre test.

As a result of a discussion with the study supervisor, it was decided to do a pre pre-test of the two versions by distributing them to the Egyptian students who doing Ph.D. in accounting in the UK universities. The reason for choosing students whose mother tongue is Arabic, is that they would have a very good idea about the Egyptian practice environment as the majority of them had master degrees from Egyptian universities. Also, they would be able to help in correcting the questionnaire translation from English to Arabic language. Also, they had some experience in research in general, as they were working as assistant lecturers or researchers in Egyptian universities They might therefore have the experience needed for accomplishing this pre pre-test. A pre-test may have several aims. For instance, "Questionnaires can be 'pre-tested' on a small sample population, mainly to check that the wording of the questions is not ambiguous" (Royer and Zarlowski, 2001a, p. 126). In this test, respondents (the students) were asked to:

1- provide constructive criticisms on all aspects of the questionnaire, including question wording, question order, redundant and missing questions, and any ambiguous questions, inappropriate or inadequate questions, and poor scale items;

2- give comments about whether the English and the Arabic versions are similar and report any translation problems between the two versions. This was very important because a language problem arose as a result of the questionnaire being originally constructed in English and then translated into Arabic. For this reason, research students in Egypt were excluded in this stage of the pre-test as most did not have enough experience of the English language.

3- give some comments on any other aspect regarding the questionnaire such as its length, the type of paper, type of printing, etc…;

4- give their viewpoints on the questionnaire format and the covering letter.

This pre pre-test was carried out on the period between 1st October and mid November 2000. The first step of this pre pre-test was to contact the Egyptian Education and Culture Bureau in London, a governmental office that supervises Egyptian students in

the UK, to ask for a list of names, addresses, and universities in which those students were studying. Twenty-four students were named on this list (see table 6.2 below), and the researcher contacted the majority of them to give them a brief idea about the research objective and what they were being asked to do.

Table 6.3 Distribution of Egyptian Ph.D Students in UK' Universities for the Pre Pre-test:

City or University Name	Sent Q.	Received Q.
- Aberdeen University	1	1
- Birmingham University	3	3
- Essex University	3	2
- Huddersfield University	1	1
- Hull University	4	4
- Liverpool University	1	1
- Manchester University	4	3
- Nottingham University	2	1
- Sheffield University	3	2
- Southampton University	1	1
- St. Andrews University	1	0
Total	**24**	**19**

One copy of each of the two versions of the questionnaire, English and Arabic, was sent to them together with a pre-paid addressed envelope. Two weeks later, 12 envelopes were received. Consequently, the researcher re-contacted most of those who had not returned the questionnaires, to remind them. After another two weeks, the total number of responses received was 19, representing about 79 % of the total sent.

As a result of this pre pre-test, a large number of helpful and beneficial comments was received regarding the following areas:

1- Some comments were received regarding the translation of the questionnaire and relevant corrections were made to overcome this problem. The translation was reviewed in detail, question by question.

2- It was strongly recommended to attach a list of the QCOAI used in the study to the questionnaire. So, the researcher attached a list of more acceptable definitions of the QCOAI used in this study. Other reasons were behind attaching the list. For example, such a list would help respondents in completing the questionnaire, and it was found that it would be useful if the questionnaire included such a list, especially as the source of most of them is the IASs which is the base of the current EASs. In addition, some comments

supported and appreciated putting the QCOAI in the two languages, English and Arabic, together in questions 3.1, 3.2, 3.3, and 3.4 in the Arabiç version of the questionnaire.

3- Some comments were received about the question wording, redundant questions, ambiguity in some questions and also about the questionnaire format and the covering letter. Needed corrections were done to address these comments. For instance, alterations in some questions were made. Besides, other alterations were made in the covering letter as well as the questionnaire format.

4- Comments about the length of the questionnaire, the type of paper, type of printing were very limited. Now, the questionnaire was ready for the pre-test (the pilot study).

6.5.5.2 The Pre-test (Pilot Test):

This stage of the pre-test was carried out through sending the Arabic version of the questionnaire to a small part of the sample in Egypt. Twenty-five respondents were chosen for this stage of the pre-test. Respondents chosen for the test represented the five groups of the main survey, i.e. some of them were academics, others were financial analysts, and so on.

The following table shows the distribution of respondents of the pre-test:

Table 6.4 Distribution of Respondents of Pre-test:

Groups	Sent Q.	Received Q.
- Financial Analysts	10	8
- Decision Makers	3	3
- Academics	5	4
- Stock Brokers	3	2
- Others	4	4
Total	**25**	**21**

The steps of this test were as follows:

1- In January 2000, when the researcher was in Egypt to collect some material needed for the theoretical chapters, many of those chosen for the pre-test were met to give them a brief idea about the study and they agreed to help the researcher in doing the pre-test.

2- In November 2000, contacts with those chosen for the pre-test were made by telephone calls from Hull University Business School (HUBS) to let them know that the Arabic

version of the questionnaire would be sent later. It was explained what they were required to do with the questionnaires.

3- By the end of November 2000 the questionnaires had been sent to respondents' addresses in Egypt through HUBS. It was preferred to send the questionnaires through HUBS to give the packages some formal form, to encourage the respondents to complete the questionnaires.

4- Three weeks later, the researcher's brother went to Cairo in Egypt to collect the completed questionnaires, and was able to collect 15 questionnaires. One week after, another 6 questionnaires were collected to bring the total number of collected questionnaires to 21 (representing 84 %), which were sent directly to the researcher's address in the UK and were received by the second week of January 2001.

5- Once the questionnaires were received, the data entry was done and the reliability test was completed. As a result of this test 4 financial information items were deleted (their "corrected item total correlation" were negative, see Appendix B) and hence the questionnaire was ready for the main study that started in the first of February 2001. The main aim of the reliability test was to test the internal consistency, as a method of assessing the reliability of the instrument or the scales used in the study.

Cronbach's Alpha is considered the best known and most frequently used test of internal consistency (Sekaran, 2000). As noted by Pallant (2001, p. 85) "ideally, the Cronbach alpha coefficient of a scale should be above .7". However, if this value of alpha is low (e.g., less than .7); also, items with low item total correlation should be removed (Pallant, 2001). In different words, Sekaran (2000, p. 312) stated that "in general reliabilities less than .60 are considered to be poor, those in the .7 range, acceptable, and those over .8 good". This means that whenever the coefficient above .7, the scale can be considered reliable with the sample.

In the current study, the Cronbach alpha coefficient was above .7, and could be considered high (0.8866 before cancelling the four items and 0.9055 after cancelling them). This means that the scale could be considered reliable with the sample. In other

studies the coefficient was a little more or a little less than in this study. For example, in Alrazeen's study (1999) it was 0.90.

6.6 Sample Selection:

In a broad sense, a sample is defined as "the set of elements from which data is collected" (Royer and Zarlowski, 2001b, p. 147). In survey research, it is not always essential for the researcher to contact every person in the population of his/her study in order to recognise what they think, and this is where sampling methods come in (Easterby-Smith et al., 2002). However, in such a case, the validity of a study can be linked to some aspects of the sample such as the nature of the elements it is composed of; the method used in selecting the elements; and the sample size or the number of elements chosen (Royer and Zarlowski , 2001b). In a study using a sample, the best situation would be to select a representative sample, which is to draw respondents or individuals from the population in such a way that the sample represents the population being studied. If such a sample can be achieved, then the results of a study can be generalised for the overall population.

6.6.1 Rules Used for Sample Selection:

In general, there are several ways that can be used to select elements of the sample. These various methods could be categorised as shown in the following figure.

Figure 6.1 Methods Used to Select a Sample:
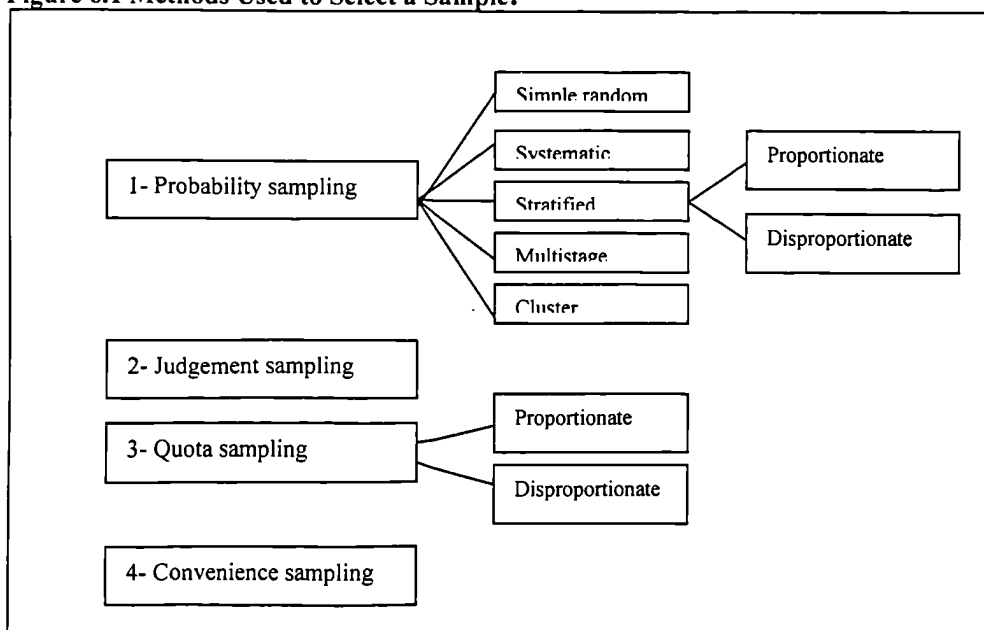
Source: (Royer and Zarlowski, 2001b, p. 149)

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In probability sampling, the first category, which includes simple random; systematic; stratified; multistage; and cluster sample, researcher bias is reduced as much as possible and each element of the population has an equal known chance to be selected in the sample[7]. In addition, Royer and Zarlowski (2001b) noted that methods in this category allow the use of statistical inference needed to achieve the external validity or the generalisation of the findings obtained from the sample to the population from which the sample was drawn.

De Vaus echoed the importance of using the probability sample when he stated that:

> "Representative samples are necessary if we are to generalise from results obtained in a sample to the wider population that the sample is meant to represent. The surest way of achieving representative samples is to employ probability sampling methods. These are methods where each person in the population to which we want to generalise has an equal or known chance of being selected in the sample" (2001, p.184).

In the light of the above discussion, it was decided to apply probability sampling because it would enable the researcher to achieve the representative sample needed to generalise the obtained findings. A stratified random sample was considered to be the most suitable of the probability methods, for selecting the sample from the sample frame of this research (the researcher tried to select elements of the sample randomly, and the selection of every element was independent of that of other elements).

6.6.2 Sample Size:

"The sample size depends on funds, time, access to potential participants, planned methods of analysis, and the degree of precision and accuracy required" (de Vaus, 2001, p. 187). "For samples destined for quantitative data processing, this means determining the size that enables the study to attain the desired degree of precision or significance level" (Royer and Zarlowski, 2001b, p.157). Also, the sample size is considered the "key ingredient" in determining the sampling error in a probability sample, so the more the respondents, the smaller the sampling error (Weisberg and Bowen, 1977), or in other words, the larger the sample size, the greater the confidence we can have in the results.

Concerning the estimation of the actual sample size, Saunders et al. (2000) proposed a formula to be used for this purpose. This formula requires two main factors to be estimated: first, the likely response rate, and second, the minimum or the adjusted minimum sample size. This formula is as follows:

$$n^a = (n \times 100) / re\%$$

where n^a is the actual sample size required, n is the minimum (or the adjusted minimum) sample size, and $re\%$ is the estimated response rate expressed as a percentage (Saunders et al., 2000, pp. 157-158).

In the light of similar studies carried out in the same environment using the personal administration method, such as Almelegy (1998) who distributed 200 questionnaires and received 156 questionnaires representing 78 %, Ali (1990) who distributed a total of 138 questionnaires and collected 111 questionnaires, representing about 80 %, Mohamed (1991) who distributed a total of 100 questionnaires and received 61 completed questionnaires, representing 61%, a total of 180 respondents was considered to be enough as a minimum sample size, with subgroups of sufficient size to enable the researcher to compare them , and a response rate of between 60% and 70% was expected. Consequently, the sample size could be calculated as follows: $n^a = (180 \times 100) / 65 = 277$ respondents (rounded). Accordingly, it was decided to distribute 320 questionnaires, to allow for unexpected circumstances.

6.6.3 Respondents Selected for the Study:

Two general points should be noted here. First, companies or firms selected in the pilot study were excluded from the main survey; second, a random procedure was used to select individuals from most groups in this study. In most cases, the questionnaire was delivered to the person who was to answer the questions and a brief idea about the study was given to each respondent. The following are some details about the respondents selected for the survey:

6.6.3.1 Financial Analysts:

Financial analysts were selected from six groups of firms listed in Table 6.5 below. Due to the lack of an official register, the number of financial analysts in Egypt was not known. The distribution of the questionnaires was based on an assumption of the average number of financial analysts in each group of the groups in Table 6.4. For example, 35 questionnaires were distributed to 35 financial analysts in 35 brokerage firms (one questionnaire per firm, as each financial analysis department includes between 1 and 4 financial analysts). These firms were selected randomly from a total of 154 firms listed in the guide of brokerage firms prepared by the CASE. This guide includes some details about all brokerage firms working in the securities market. A few brokerage firms have no financial analysis department, so they were excluded from the total number of brokerage firms. The same 35 firms were used to select stockbrokers (the fourth group of respondents).

Twenty Formation and Management Portfolios firms were randomly selected from a total of 88 firms in 31/12/2000 in a list of these firms that was available in the information centre of the CMA. One questionnaire was distributed in each firm to a financial analyst. Five commercial banks were selected from a total of 54 commercial banks and branches of foreign banks working in Egypt. (4 of the 54 banks are state-owned commercial banks, others are joint venture, private banks and branches of foreign banks). Three questionnaires were distributed in each of the five selected banks, which were selected randomly from a list of banks working in Egypt, available in the CBE.

Eight questionnaires were distributed in five fund managers selected from a total of 14 firms working in this activity. In accounting firms, the questionnaires were distributed to staff of the Financial or Investment Analysis Departments. However, it should be noted that not all accounting firms have a department of financial or investment analysis, but only large firms have these departments. Montegna (1974, p. 9) argued, "To study the personnel of the largest accounting firms is to study a considerable part of the profession of public accounting. They form the most significant group of workers in the profession in terms of professional influence and control".

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At the time of commencement of this survey, only three rating firms were working in Egypt. All three were selected in the survey and eight questionnaires were distributed to the financial analysts in these firms. (A full list of all firms or other bodies chosen for the survey is available in Appendix G).

Table 6.5 Survey Response Results of Group No. 1 (Financial Analysts):

Firms	No. of Firms	No. of QD	No. of QC
1- Brokerage Firms	35	35	28
2- Fund Managers	5	8	6
3- Formation and Management Portfolios	20	20	16
4- Banks	5	15	11
5- Accounting Firms	5	24	14
6- Rating Firms	3	8	6
Total	-	110	81 (73.6 %)

Note: QD = Questionnaires Distributed; QC = Questionnaires Collected

6.6.3.2 Decision Makers:

It was decided to include individual investors (see 6.4.2 of this chapter) and 30 questionnaires were distributed to them. Some of the questionnaires personally distributed while others were mailed. The decision to undertake this mailed delivery was based on a phone call with the selected members. The guide of the Egyptian Capital Market Association, issued in 2000, provide a full list of all 250 members in the Association, explaining whether or not the member is working in a firm, organisation, bank ... etc. Those members working in the market, about 90 members were excluded and 30 investors were randomly selected from those not working in the market. Although many calls were made to those individual investors who did not complete the questionnaire to ask them to complete it, and whether they needed another copy, only a total of 8 questionnaires were collected.

Another 30 questionnaires were personally distributed to 30 institutional investors (decision makers) in various firms[8], including investment managers in the 20 Formation and Management Portfolios firms, 3 commercial banks, and 5 fund managers. Of 30 distributed questionnaires, 26 questionnaires were collected. It should be noted that all those decision makers are responsible for taking various decisions related to securities investment in their firms.

The following table shows the details of questionnaires distributed and collected for this group:

Table 6.6 Survey Response Results of Group No. 2 (Decision Makers):

Individuals or Firms	No. of Firms	No. of QD	No. of QC
1- Individual Investors	-	30	8
2- Formation and Management Portfolios	20	20	17
3- Banks	5	5	4
4- Fund Managers	5	5	5
Total	-	60	34 (56.7 %)

Note: QD = Questionnaires Distributed; QC = Questionnaires Collected

6.6.3.3 Academics:

Among 16 universities in Egypt, 6 were chosen, for some of their staff to be included in the survey. The chosen universities represented small, medium, and large universities. For instance, Cairo, Ain Shams, and Al-Azhar are large universities that include a large number of accounting staff. South Valley and Helwan universities represent small universities, while Tanta university represents the medium sizeed universities. In some universities such as University of South Valley, questionnaires were distributed to all staff in the accounting department, while in others, like University of Cairo, questionnaires were distributed to a number of selected staff. The selection of those staff was based on informal meetings with one or more of the staff in each university to ask them about the relevant staff to this study. Relevant staff means those who have enough experience about the Egyptian securities market, for example as a result of being, in addition to members of staff in the universities, members of boards of directors, partners, or staff in companies working in the securities market. After the relevant staff in these large or medium sized universities had been determined, respondents were selected from those relevant staff. For example, in the University of Ain Shams and University of Cairo, each of which had more than thirty relevant staff, 10 staff members were selected randomly to participate in this survey. This way of selecting the staff was repeated in other universities, namely, University of Al-Azhar and University of Tanta. In selecting staff in the University of South Valley, all members of staff were selected because there were only 10 academics in the accounting department. The survey time, February to April, as a time of examinations

and corrections, was a suitable time to help the researcher to meet, face to face, most selected staff to give them a quick idea about the study and inform them that the department secretary's office was to be used as a collecting point.

The following table shows the number of questionnaires distributed and collected for each university.

Table 6.7 Survey Response Results of Group No. 3 (Academics):

Name of the University	No. of QD	No. of QC
1- University of Ain Shams	10	7
2- University of Al-Azhar	12	10
3- University of Cairo	10	8
4- University of Helwan	6	5
5- University of South Valley	10	9
6- University of Tanta	12	11
Total	60	50 (83.3%)

Note: QD = Questionnaires Distributed; QC = Questionnaires Collected

6.6.3.4 Stock Brokers:

At the end of April 2000, the total number of brokerage firms was 157 firms[9]. Most firms had between 1 to 3 stock brokers and a very few firms had 4. Fifty questionnaires were distributed in 40 firms that were chosen randomly from the guide prepared by the CASE. Two questionnaires were distributed in ten firms, while only one questionnaire was distributed in each of the other 30 firms. It should be noted that, although stock brokers are typically very busy and spend not more than one or two hours in their firms, because they have to go to the Trading Hall in the CASE before 9 am. and return to their firms after 4.30 pm., their response rate was relatively high (64 %) as many of them promised to complete the questionnaire during the weekends. The following table shows details of questionnaires distributed in and collected from these firms.

Table 6.8 Survey Response Results of Group No. 4 (Stock Brokers):

Firms	No. of Firms	No. of QD	No. of QC
1- Brokerage Firms of 2 QD	10	20	12
2- Brokerage Firms of 1 QD	30	30	20
Total	-	50	32 (64 %)

Note: QD = Questionnaires Distributed; QC = Questionnaires Collected

Lastly, in about 90% of cases, the questionnaire was delivered to the stockbroker himself by the researcher and a brief idea about the study was given to each stockbroker.

The rest of the questionnaires, about 10%, were left with the secretary when it was difficult to meet the stockbroker.

6.6.3.5 Others:

The number of questionnaires distributed to the CMA was large (20 questionnaires representing 50 % of the total number in this group) as the CMA is the main governmental body responsible for regulating the Egyptian capital market and includes several departments that have staff who are relevant to this study (refer to 6.3.5 above).

The researcher wished also to distribute a similar number of questionnaires in the CASE, but it was impossible to do so, as the chairman of the CASE would not allow it. It was allowed to distribute only one questionnaire as a representative of the CASE point of view. The head of the "Disclosure Department" of the CASE completed this questionnaire.

Besides, 11 questionnaires were distributed to all staff of the Capital Market Department at the CBE, and 8 questionnaires were distributed to all staff of the Finance and Investment Department in Misr for Clearing, Settlement and Depository Company. The selection of this department was based on a meeting with a manager in the company who give a brief idea about the organisation of the company. Details about questionnaires distributed to and collected from this group can be shown in the following table:

Table 6.9 Survey Response Results of Group No. 5 (Others):

Body or Firm	No. of QD	No. of QC
1- Capital Market Authority	20	18
2- Misr for Clearing, Settlement and Depository	8	7
3- Central Bank of Egypt	11	09
4- Cairo & Alexandria Stock Exchanges	1	1
Total	40	35 (87.50%)

Note: QD = Questionnaires Distributed; QC = Questionnaires Collected

6.6.4 Non-response Bias:

The problem of non-response bias arises when the response rate of a study is low. Wallace and Cooke (1990, p. 286) argued that "low response rates may lead to doubtful inferences". The importance of doing a test for non-response bias comes from its effect on the generalisation of the results obtained from the research. A researcher should know

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whether respondents who did not respond would have reacted differently to the research questions than those who had responded to the questionnaires. In other words, he/she needs to make sure of whether the results of the study would be different if the answers of those non-respondents were to be part of the data analysis.

Royer and Zarlowski (2001b, p. 156) reported that "the higher the non-response rate, the greater the bias may be and the more likely it is to affect the validity of the research. The researcher should therefore try to avoid non-response". Although this is more of an issue for studies with a low response rate, it is argued that without information about the whole population from which the sample is withdrawn, it is difficult to make sure that the responses are free of bias (Holmes et al., 1991). Similarly, Oppenheim (1992, p. 280) declared that "even a very high response rate is no guarantee against bias". Therefore, in this study, it was decided that a non-response bias test should be made, although the response rate of this study is considered relatively high.

There are two alternative approaches available for testing the non-response bias[10]. The first approach, which was used by Lee and Tweedie (1981), involves the use of a brief version of the questionnaire to be sent to non-respondents; the second approach is a comparison of responses by either date of reply or date of receipt, under the basic assumption that late responses are similar to non-responses (Oppenheim 1992; Wallace and Millor, 1988). The second approach, which is popular in use by researchers, was used in the present study. Application of this approach required that the researcher know the return date of each questionnaire. For this reason, the collection date was written on each of the collected questionnaires, which were already serially numbered.

According to Wallace and Mellor (1988), the most suitable and, perhaps more efficient tests for non-response bias in non-parametric distributions, such as the distribution of the data in this study, are the Mann Whitney Test and the Kolmogorov Smirnov Test. In this study, the Mann Whitney Test was used to compare the mean scores for 43 variables in two stages, first, within a single occupation group by comparing the last 10 questionnaires received from the first group, financial analysts, with the first 10 questionnaires received from the same group; second, within the whole sample by

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comparing the last 20 questionnaires received from the overall sample with the first 20 questionnaires received from the overall sample. The reason for using these two stages was to make extra sure concerning the non-response bias.

The results of the Mann Whitney Test revealed that:

1- According to the test within the financial analysts group, non-response bias was not a major problem for this study because there was no significant difference (P > 0.05) between the last and first 10 respondents, with the exception of one variable in question 2.1, "Advice of friends and/or relatives". Table 6.10 below shows the result of this test for question 2.1 which includes this variable.

2- According to the test within the whole sample, again, non-response bias was not a major problem for this study, because there was no significant difference (P > 0.05) between the last and first 20 respondents, with the exception of one variable in question 2.1, "Direct contact with the company management". The results of this test for question

Table 6.10 Non-response Bias within the Group of Financial Analysts for Question (2.1):

SOURCES	MANN-WHITNEY U	WILCOXON W	Z	ASYMP. SIG. (2-TAILED)	EXACT SIG. [2*(1-TAILED SIG.)]
Corporate annual reports	45.000	100.000	-.503	.615	.739
Newspapers & magazines	41.500	96.500	-.801	.423	.529
Direct contact with the c. m.	37.500	92.500	-1.053	.292	.353
Prospectuses	31.500	86.500	-1.501	.133	.165
Tips & rumours	48.000	103.000	-.157	.875	.912
Advisory services	40.000	95.000	-.821	.412	.481
Advice of friends and/or r.	23.000	78.000	-2.317	.021	.043

- Grouping Variable: Response time

2.1 which includes this variable are shown in Table 6.11 below.

Table 6.11 Non-response Bias within the Whole Sample for Question (2.1):

SOURCES	MANN-WHITNEY U.	WILCOXON W	Z	ASYMP. SIG. (2-TAILED)	EXACT SIG. [2*(1-TAILED SIG.)]
Corporate annual reports	185.000	395.000	-.520	.603	.698
Newspapers & magazines	130.500	340.500	-2.067	.039	.060
Direct contact with the c. m.	127.000	337.000	-2.161	.031	.049
Prospectuses*	139.000	349.000	-1.758	.079	.102
Tips & rumours	189.000	399.000	-.308	.758	.779
Advisory services	163.500	373.500	-.771	.441	.461
Advice of friends and/or r.	137.500	347.500	-1.765	.077	.091

- Grouping Variable: Non-response bias

6.7 Survey Procedures:

The following sub-sections will present the procedures that were followed to carry out this survey. These include data collection, response rate, coding, and data processing.

6.7 1 Data Collection:

Once the research hypotheses had been formulated, the final draft of the questionnaire was ready, the target population was determined, and the sample of respondents was selected, it was decided to start collecting the data. The data collection was accomplished by using the personally administered questionnaires method as a main instrument and the semi-structured interview as a supporting method.

6.7.1.1 The Questionnaire:

Distribution and collection of the questionnaires was completed in person in most cases with exception of those who expected to prefer returning the completed questionnaire by mail. For this purpose, the researcher opened a personal Post Box. Every respondent or group of respondents was visited at the appropriate location, in order to distribute the questionnaire(s). On these visits, a sufficient quantity of serial-numbered copies of the Arabic version of the questionnaire was carried by the researcher, along with stamped self-addressed envelopes and also various tokens and presents to be given to some respondents as a mark of appreciation for their time and co-operation.

During the visits, respondents were given a brief idea about the study and its aims. The researcher also encouraged them to complete the questionnaire, made sure that he had the right contact telephone number for each of them, and arranged the time and method of collecting the completed questionnaires (e.g., what would be a convenient time for collect the questionnaire(s); or whether they would prefer to send the questionnaire(s) by mail instead of having them personally collecting). A stamped self-addressed envelope was given to each of those who expressed their desire to send the completed questionnaire by mail. Three weeks after distribution of the questionnaires (sometimes more or less than that, depending on the agreement with the respondent when visited), a call was made to

most respondents to check whether they had completed the questionnaire and the completed questionnaires were collected from those who answered in the affirmative.

Other calls were made from time to time, depending on the individual circumstances, to respondents who did not complete the questionnaire by the agreed time, to arrange for a new collection date and to see whether they need another copy of the questionnaire. A few replacement copies were distributed to those who had lost the first copy. The final cut-off date for collecting completed questionnaires was the second week of April 2001, about 10 weeks after the first day of distribution.

The researcher received much help from many respondents in the various places visited, and secretaries' offices were used as collection points for the completed questionnaires in some places such as the accounting departments in Faculties of Commerce and some large firms.

6.7.1.2 Interviews:

In addition to the questionnaires as a main method for collecting the data needed for this study, another method, personal interviews, was used to add supporting evidences to the study findings. 17 respondents representing 5 % (rounded) of the total respondents were interviewed in their work places. In the light of the constraints of time of the researcher and the respondents as well, the number of respondents interviewed had to be relatively limited.

The selection of respondents chosen for the interviews was based, as far as possible, upon their seniority in their work (e.g. a chief financial analysts were chosen, and the head of the department in the CBE was interviewed), and the likelihood of their being able to make a significant contribution to the study (e.g., senior stock brokers were interviewed).

Respondents chosen for the interviews represented the five groups of this study, Table 6.12 shows number of respondents chosen for the interviews from each group. The interviews were arranged with the interviewees during the first visit to distribute the questionnaires, and they were carried out when the researcher re-visited the firm or other

location to collect the questionnaire. Each interview lasted about between 15 - 30 minutes. In addition to answering the closed questions included in the questionnaires, respondents interviewed were asked open questions regarding the study subject and the Egyptian stock market in general. The interview was in the form of an informal discussion between the researcher and the interviewees. The researcher wrote some notes about each discussion.

Table 6.12 Distribution of Respondents Chosen for the interviews:

Groups	No. of Respondents Interviewed
- Financial Analysts	7
- Decision Makers	2
- Academics	2
- Stock Brokers	2
- Others	4
Total	17

6.7.2 Response Rates[11]:

In general, a main problem often met by researchers using the questionnaire, especially a mailed questionnaire, as a data collection method is the poor response rates. In this study, every possible effort was made, in both the questionnaire design and questionnaire distribution and collection stages, to make the response rate as high as possible in (see sections 6.4 and 6.6.1.1 of this chapter).

It has been noted that "If a substantial number of questions - say, 25 per cent of the items in the questionnaire - have been left unanswered, it may be advisable to throw out the questionnaire and not include it in the data set for analysis" (Sekaran, 2000, p. 303-304). In this study, there were two groups of questionnaires that had missing data. The first one was those questionnaires that contained many missing responses and hence, it was decided to not include them in the analysis. There were 10 such incomplete questionnaires. The second group included questionnaires that had minor omissions in some questions. The SPSS package uses linear interpolation from adjacent point and also a linear trend to replace these missing data (Sekaran, 2000). The response rates for the five groups and for the sample overall are shown in Table 6.13.

Table 6.13 Survey Response Results:

Groups	No. of QD	No. of QR	No. of IQ	UQ	
				No	%
1- Financial Analysts	110	81	5	76	69.09*
2- Decision Makers	60	34	2	32	53.33
3- Academics	60	50	1	49	81.67
4- Stock Brokers	50	32	1	31	62.00
5- Others	40	35	1	34	85.00
Total	320	232	10	222	69.38**

* Percentage of UQ to QD of each group.
** Percentage of total UQ to total QD.
Note: QD = Questionnaire Distributed; QR = Questionnaire Received; IQ = Incomplete Questionnaire;
and UQ = Useable Questionnaire.

This response rate in the present study is considered reasonable compared with other studies carried out in the same environment. For instance, it was 46 % in Shohaieb's study (1990), which used mailed questionnaires; 61 % in Mohamed's study (1991), which used the personally administered method; 80 % (rounded) in Ali's study (1992), which used the personally administered method; and 74 % in Almelegy's study (1998), which also used the personally administered method.

6.7.3 Coding

The collected data should be coded prior to analysis. Coding the questions refers to "the way in which we allocate a numeric code to each category of a variable" (Rose and Sullivan, 1996, p. 38). This process enables the researcher to enter data quickly and with fewer errors (Saunders et al., 2000). In the current study, it was not difficult to carry out numerical coding as the questionnaire contained closed questions and respondents were asked to circle, tick, or write one number for each answer.

The symbols (0, 1, 2, ... 5) were used for coding the responses for some variables, while for others, the actual numbers circled by the respondents were used. For example, numbers (1, 2, 3, 4, and 5) were used to code answers in question 1.2 (Current occupation), and numbers (0, 1, 2, 3, and 4) were used to code answers in question 3.3, while numbers (0 and 1) were used to code answers related to the QCOAI in question 4 (i.e., 1 used to mean that the characteristic was served by issuing the financial information item while 0 was used to mean that it was not). For coding answers in other questions, the actual

numbers circled by the respondents were used. Number (9) was used for coding the missing answers.

The variable coding ended with 431 items; (1-4) for demographic variables (occupation, level of education, and years of experience) and response time; (5-19) for part two; (20-47) for part three; and (48-431) for part four. Once this stage was completed, the data could be entered into the computer.

6.7.4 Data Processing:

Although data checking is very time consuming and may double the time needed for the data entry, the researcher checked every questionnaire directly after its entry in the computer. Some mistakes were found and corrected. Also, the descriptive statistics partly helped the researcher to re-check the data entry by using the maximum and the minimum for every variable.

6.7.5 Data Analysis:

To answer the research questions and to test the research hypotheses, the analysis of the collected data was carried out on two different levels: first, for the overall sample; second, for the various sub-groups. The first level of analysis, the overall sample, enabled the researcher to answer questions about the perceptions of the whole sample. The second level enabled the researcher to investigate differences between various groups. Grouping was done according to respondents' occupation, level of education, and years of experience.

The researcher used the SPSS to analyse the survey data. The next chapters will report the statistical analysis of the data collected through the survey, the following paragraphs will give the reader a summarised idea about the types of statistical tests that were used on the data, and justification for the use of such tests.

6.7.5.1 Descriptive Statistics:

Several descriptive statistics tools were used in describing the data obtained from the survey. Frequency distributions, which can be used in describing the sample groups and in descriptive statistics of the questions, allow information to be compared between groups of respondents (Fielding and Gilbert, 2000), in order to answer some questions like 'how many financial analysts or academics are there in the sample'?

Furthermore, counting is a fundamental aspect of descriptive statistics. It gives an idea about how many people give particular characteristics, have a specific opinion, behave in a given way and so forth (de Vaus, 2001). It is useful to calculate percentages for some variables. For instance, percentages help to know the percentages of each group of respondents to the overall sample and the proportions of answers in each question. In addition, Weisberg and Bowen (1977, p. 117) cited that "It is usually more effective to express the results as percentages and present the frequency distribution in percentage form".

Moreover, percentages facilitated comparison among the various groups, especially as both the size and the response rate of each group are not equal. Also, use was made of the substantive approach in descriptive statistics explained by de Vaus (2001, p. 196) who stated that "Using this approach, categories are combined because of the similarity of the categories". Therefore, the categories 'agree' and 'strongly agree' could be combined because they both reflected agreement. In analysing questions 2.1, 2.2, and 3.2 two categories, important and very important, were combined to reflect importance, by the reason of the similarity of the categories. For the same reason, categories in questions 3.1 and 3.4, such as (agree and strongly agree) and (strongly disagree and disagree) were combined to reflect agreement and disagreement respectively.

In addition to the above, measurement the central tendency and dispersion were used, as tools that dominate the descriptive statistics. The main ways used to measure the central tendency are the mean, the median, and the mode. The mean is "a method for measuring the average of a distribution which conforms to most people's notion of what an average is" (Bryman and Cramer, 2000, p. 81). The mean, which was used in this study

together with the percentages, was used by similar several studies such as Abu-Nassar and Rutherford (1996); Ali (1992); Alrazeen (1999); Bartlett and Chandler (1997); Ibrahim and Kim (1994); Joyce et al (1982) and Shohaieb (1990).

In most questions, the mean was used to rank the variables. The mean is criticised as it is adversely affected by extreme values (Fielding and Gilbert, 2000), but in this study, as all answers ranged from 1 to 5 in most questions, and from 1 to 3 in another question, there were no extreme values (i.e., the maximum value is 5 or 3).

The median is the middle value when the observations are arranged in order of magnitude. The main advantage of this measure is that it is unaffected by extreme values (Fielding and Gilbert, 2000). However, it was decided not to use it to rank the various variables (e.g., Table 6.13, below, shows the median values of the respondents' perceptions of the importance of different sources of financial information was the same value (4), for four of seven sources). The other measure, the mode, is the value that occurs most frequently (Saunders et. al, 2000).

Dispersion was measured by the standard deviation, that is, the extent to which the values spread from the mean (Saunders et al., 2000). "The larger the standard deviation, the more spread out is the distribution" (Wright, 1998, p. 30).

In addition to the above descriptive statistics, Skewness and Kurtosis were calculated to provide an indication of the symmetry of the distribution. Furthermore, the minimum and the maximum of the variables were calculated as well. Graphical representations of distributions were used to convey more and to give further illustration of what was described by the descriptive statistics.

As the SPSS can give a huge volume of data, it was decided to not include all of these descriptive statistics material in the results chapters (Chapters 7, 8 and 9). Instead, some tables of the descriptive statistics have been presented in Appendix C.

The following table is an example of what the SPSS provides by way of descriptive statistics. The table shows the mean score, the median, the standard deviation, the skewness, the kurtosis, the minimum, and the maximum for each source of the various sources of financial information (refer to question 2.1 of the questionnaire[12]).

As can be seen from this table, the descriptive statistics are summarised for each variable in the question. For example, "Corporate annual reports", the first variable, has the highest mean score (4.76) of all sources with the lowest standard deviation (0.52), and also has the highest median (5). This means, as we will see in the next chapter, that "Corporate annual reports" has been ranked as the most important source.

Table 6.14 Descriptive Statistics of Sources of Financial Information:

Sources	N	Mean	Median	Std. D.	Skewness	Std. Error	Kurtosis	Std. Error	Minimum	Maximum
1- Corporate annual reports	222	4.76	5	.52	-2.712	.163	9.349	.325	2	5
2- Newspapers & magazines	222	3.99	4	.82	-.767	.163	1.132	.325	1	5
3- Direct contact with the c. m.	219	3.82	4	1.10	-.674	.164	-.228	.327	1	5
4- Prospectuses	213	3.66	4	.95	-.526	.167	-.043	.332	1	5
5- Tips & rumours	216	2.93	3	1.36	-.030	.166	-1.201	.330	1	5
6- Advisory services	217	3.53	4	1.05	-.730	.165	.340	.329	1	5
7- Advice of friends and/or r.	218	2.61	3	1.12	.148	.165	-.739	.328	1	5

Furthermore, these descriptive statistics, in addition to giving the minimum and the maximum of each variable, provide some information concerning the distribution of variables (Skewness and kurtosis). For instance, "corporate annual reports" has a negative skewness value (-2.712) and a kurtosis value of 9.349. This means that the distribution of this variable is negatively skewed, as the majority of the respondents chose the response option "Important" (4) and "Very important" (5). Also, the positive kurtosis value indicates that the distribution of this variable is rather peaked.

For question 3.3 (see Appendix A, part three), which asks respondents to rank the importance of QCOAI, the Kendall-W Test of Concordance was used for the overall sample and for each group of respondents. Siegal and Castellan (1988, p. 262) noted that "When we have k sets of rankings, we may determine the association among them by using the Kendall coefficient of concordance, W".

The coefficient of concordance is a descriptive measure that quantifies the amount of agreement among the members of a group regarding their ranking (K sets of rankings) of set of items (N objects) (Gibbons,1985; Marascuilo and McSweeney, 1977; Siegel and Castellan, 1988).

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This coefficient requires that the collected data of ranking should be on at least ordinal scale (Gibbons, 1985). The test, whose value varies from 0 (where no agreement among the rankers) to 1 (where there is complete agreement among them), can also be used to test the null hypothesis that the K sets of rankings are independent (Gibbons, 1985).

6.7.5.2 Statistical Analysis (Inferential Statistics):

"Conclusions or generalisations often have to be established on the basis of observations or results, and in some cases statistics can add to their precision" (Mbengue, 2001, p. 224). So, beside the descriptive statistics, statistical analysis has been used to help in generalising the study findings to the wider population from which the sample was drawn.

Regarding the users' perceptions of the importance of sources of financial information; sections of corporate annual reports; the QCOAI; and some financial information items, and the suitability and the applicability of the selected set of QCOAI, the objective was to test whether there are significant statistical differences in respondents' perceptions (the overall sample) and significant statistical differences among the various groups of respondents.

Statistical analysis, which leads to acceptance or rejection of the initial hypothesis (the null hypothesis), can be classified into parametric and non-parametric tests. Parametric tests are statistical tests that assume that the population from which the sample is drawn is normally distributed and the data collected on an interval or ratio scale, while on the other hand, non-parametric tests are statistical tests in which it is not essential to specify the parametric distribution within the population and are used when the data collected are on a nominal or ordinal scale (Mbengue, 2001; Sekaran, 2000). Accordingly, the selection between these two types of statistics is subject to the nature of both the data collected, nominal, ordinal, interval, or ratio data[13] and the distribution of the population from which the sample drawn. Cooke (1998, p. 213) noted that "To undertake statistical tests of a hypothesis there needs to be knowledge of the distribution of the dependent variable...The form of the distribution, for samples of moderate size, determines the type of statistical test that can be performed".

As the data collected for this study were mainly nominal and ordinal data, and the distributions of the variables of the study, as shown in tables of descriptive statistics (refer to Appendix C), were not normally distributed, it was decided to use the non-parametric tests that many statisticians (Bryman and Cramer, 2000; Huck and Cormier, 1996; Pallant, 2001; and Siegel and Castellan, 1988) have recommended to be used in such cases. For instant, Pallant (2001, p.255) stated that:

> "Non-parametric techniques are ideal for use when you have data that is measured on nominal (categorical) and ordinal (ranked) scales. They are also useful when you have very small sample, and when your data does not meet the stringent assumptions of the parametric techniques".

The selection of specific statistical tests among the available non-parametric tests to be used in the analysis was based on some factors such as the number of the groups involved (independent variables), the number of cases in each group, and whether the groups were related or independent.

In the current study, respondents were grouped according to their occupation (five groups), level of education (two groups), and years of experience (two groups as well). Each group contained a different number of respondents (for example, the smallest number was 31 for "Stock brokers" in the first grouping, while the largest was 115 for "After 1991" in the last grouping, see section 7.2 of the next chapter). In addition, the groups in each classification were independent of each other.

On the other hand, generally, non-parametric tests have some general assumptions that should be checked. These tests assume that the sample(s) are randomly drawn, and each case can only be counted once, meaning that they can not appear in more than one group or category (Pallant, 2001).

Three non-parametric tests were used in this study, namely, the Chi-square Test, the Mann-Whitney Test, and the Kruskal-Wallis Test. Each of them may have additional assumptions that should be checked, as we will see in the following paragraphs.

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6.7.5.2.1 The Chi-square Test:

This test is used to determine whether a set of frequencies is statistically significantly different from those expected under the null hypotheses (Rose and Sullivan, 1996). Chi-square for one sample has been adopted to test the significant difference in respondents' choice of answers on a given variable. In other words, it has been used to know whether any one choice of answer is favoured significantly more than the other for the whole sample.

For instance, this test has been used to test hypotheses such as the following null hypothesis: "There are no significant differences in respondents' choice of answers on the perceptions of the importance attached to each of sources of financial information". Here, if the difference is significant, provided that the significance value resulting from the SPSS is small (i.e. less than the specified α that is 0.05 in this study)[14], the null hypothesis should be rejected. This rejection means that one answer has been favoured significantly more than the others. In addition to the general assumptions of the non-parametric tests, this test assumes that the measurement scale is at least nominal (Conover, 1999).

6.7.5.2.2 The Mann-Whitney U Test:

This test, which is an appropriate non-parametric test for two independent samples, is called the Wilcoxon-Mann-Whitney Test and commonly referred to as the Mann-Whitney U Test. It has been used in this study to determine whether there are differences between two independent groups (groups of level of education and years of experience).

For example, this test has been used to test hypotheses such as the following null hypothesis: "There are no significant differences among respondents groups (according to their level of education) regarding the importance attached to each of sources of financial information". As before, if the difference is significant, the null hypothesis should be rejected. The rejection means that there is a significant difference between the groups considered in the test. In addition to the general assumptions of the non-parametric tests, this test assumes that: (1) beside the independence within each sample, there is mutual

independence between the samples; (2) the measurement scale should be at least ordinal (Conover, 1999).

This test gives the values of the mean rank of every group for each variable. This value tells us which group had the highest overall ranking that corresponds to the highest score on the variable (Pallant, 2001).

6.7.5.2.3 The Kruskal-Wallis Test:

The Kruskal-Wallis Test is the non-parametric alternative to a parametric one way analysis of variance (Hinton, 1998). It can be used to test for significant differences among more than two independent groups. This test has been adopted in this study to determine whether there are differences among the five independent groups (groups of occupation).

For instance, this test has been used to test hypotheses such as the following null hypothesis: "There are no significant differences among respondents groups (according to their occupation) regarding the importance attached to each of sources of financial information". As in the case of the previous tests, if the difference is significant, the null hypothesis should be rejected. The rejection means that there is a significant difference between, at least, one pair of the groups considered in the test. The assumptions of this test are the same as those of the Mann-Whitney U Test. Also, this test gives the values of the mean rank of every group for each variable.

6.8 Summary:

This chapter was about the research methodology used in this study. It was divided into several sections. Section 6.1 was an introduction to the chapter, section 6.2 dealt with the survey methodology, section 6.3 presented the surveyed groups, section 6.4 explained the process of the questionnaire design, section 6.5 presented some aspects about the sample selection, and lastly section 6.6 was about the survey procedures.

In this chapter, the methodology used in conducting the research survey was described in detail. In view of the objectives of the study and the environment and conditions under which the study was achieved, it was decided to use the questionnaire as

the main method for collecting the data needed for answering the research questions and testing the research hypotheses. This method was supported by semi-structured interviews.

Every effort was made to make sure that the questionnaire used in the survey was well designed. In designing the questionnaire, many factors were taken into consideration, including the question wording, the question order, and the pre-test, which was conducted in two stages, named the pre pre-test and the pre-test or the pilot study. The collected data were largely based on a five-point scale and consisted of mostly quantifiable data. After collection, the data were coded and processed through the computer and analysed using the SPSS. Also, the statistical methods, whether the descriptive statistics or the statistical analysis, used for this analysis were presented in this chapter.

Notes to the Chapter:

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[1] More details about the selection of the characteristics are provided in section 3.3 of Chapter 3.

[2] More details about these surveys are discussed in Chapter 2.

[3] In this study, the word "investors" refers to present and potential investors.

[4] Later in January 2002, some changes have taken place in the responsibilities of the CBE and the Economics and Foreign Trade Ministry, as, in addition to its original responsibilities, the CBE is now responsible for the supervision of the Economics, while the Economics and Foreign Trade Ministry is now just responsible for the foreign trade.

[5] In general, several types of validity were expressed in the literature. For instance, Oppenheim, 1992, reported four types of validity including: content validity, concurrent validity, predictive validity, and construct validity. For more details about these different types of validity and various ways to assess them, (see: Bryman, 2001; Drucker-Godard et al., 2001, Oppenheim, 1992; Sekaran, 2000).

[6] For more details about these methods, see: Sekaran (2000); Drucker-Godard et al. (2001).

[7] For more details about these methods, see for example: Lynn (1996); Royer and Zarlowski (2001b); Sekaran (2000).

[8] The same firms were selected before in the previous group.

[9] This number become 154 at the end of year 2000 as some existing companies were closed down by the CMA as a result of ignoring the regulations of trading.

[10] See for example, Lee and Tweedie (1981); Oppenheim (1992); Wallace and Mellor (1988).

[11] Details about the different categories of respondents whether by occupation (five groups), level of education (two groups), or years of experience (two groups) are available in 7.2 of Chapter 7.

[12] Similar tables of other questions have been presented in Appendix C.

[13] For more details about these types of data and the differences among them, see for instance: Bryman (2001); Oppenheim (1992); Sekaran (2000); Saunders et al. (2000).

[14] "Significance level (α) refers to the possibility of rejecting the null hypothesis when it should not have been rejected. By convention, in management research accepted levels are generally from 1 per cent to 5 per cent, or as much as 10 per cent - depending on the type of research" (Royer and Zarlowski, 2001b, p.159).

CHAPTER SEVEN

Users' Perceptions of Sources of Financial Information

and Sections of Corporate Annual Reports

7.1 Introduction

As mentioned earlier in the thesis, the main objective of this study is to investigate empirically users' perceptions of the usefulness of the financial information that could be provided in the corporate annual reports presented by the listed companies in Egypt for the purpose of investment decisions in securities. This investigation is carried out in the light of the requirements of the EASs, the listing rules of the CASE and the related laws, especially CML No. 95/1992, using the QCOAI.

In achieving this objective, a questionnaire survey was carried out. The questionnaires were personally distributed to a sample of 320 respondents including five groups of users of financial reports working in the Egyptian securities market (refer to Chapter 6). The results of the initial analysis of the questionnaire outcomes, including the response rate for both the overall sample and each group, tests for non-response bias and profile of the respondents, were presented in the previous chapter. A more detailed analysis of the collected data is undertaken, discussed and reported in the current and the next two chapters.

For the purposes of this analysis, the present chapter will include the analysis and the findings related to parts one and two of the questionnaire. In other words, this chapter concentrates on describing the different study groups according to their occupation, education and experience, as this classification will help in determining whether or not any of the background variables relating to the profile of the respondents influences their opinions. Clearly, describing the various respondent groups will enable the researcher to investigate whether there are differences between them regarding their perceptions of the importance attached to the various sources of financial information and to different sections of corporate annual reports.

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In addition to the descriptive statistics, which mainly depend on the percentage, the mean, and the standard deviation, a statistical analysis will be presented using some non-parametric tests such as the Chi-square Test, the Kruskal-Wallis H Test and the Mann-Whitney U Test. The reasons behind the use of non-parametric statistics and these tests in particular were presented in the previous chapter. These statistical tests were utilised to test for significant differences for the overall sample and between various sub-groups. Furthermore, the results of the present study are compared with the results of related parts of similar studies carried out previously, whether in Egypt, in developing countries, or in developed countries.

The chapter is divided into the following sections. Section 7.2 describes the various respondent groups, section 7.3 is devoted to an investigation of the importance of various sources of financial information, section 7.4 presents findings on the importance of various sections of the corporate annual reports, and lastly, section 7.5 is the summary of the chapter.

7.2 Description of the Respondent Groups:

In part one of the questionnaire, questions 1.1 – 1.5 (refer to Appendix A, part one), respondents were required to answer some questions designed to elicit background and demographic information. There were two main reasons for examining the background characteristics of respondents: first, to help in categorising the analysis into several sub-groups as a basis for formulating and testing hypotheses in order to ascertain whether their answers were significantly different across the various sub-groups; second, to help in assessing the importance of each sub-group within the total group.

The total sample included 320 respondents, from whom 222 usable questionnaires were collected, representing 69.38 %. Respondents were categorised by occupation (five groups), level of education (three groups), and years of experience (two groups).

7.2.1 Distribution of Respondents - Occupation:

According to their occupation, respondents were grouped into five groups: "Financial analysts", "Decision makers", "Academics", "Stock brokers", and "Other" (refer to

Chapter Six). As can be seen from Table 7.1 below, of the 222 respondents, there were 76 respondents (34.2 %) from the financial analysts, 32 respondents (14.4 %) from the decision makers, 49 respondents (22.1 %) from the academics, 31 respondents (14.0 %) from the stock brokers, and 34 respondents (15.3 %) classed as "others".

Table 7.1 Respondent Groups - Occupation:

Sample Groups (Occupation)	Frequency	Percent	Cumulative Percent
1- Financial analysts	76	34.2%	34.2%
2- Decision makers	32	14.4%	48.6%
3- Academics	49	22.1%	70.7%
4- Stock brokers	31	14.0%	84.7%
5- Others	34	15.3%	100.0%
Total	222	100.0%	

7.2.2 Distribution of Respondents - Level of Education:

In accordance with the level of education, respondents were grouped into three groups: "Below university degree", " University degree", "Above university degree". The figures in Table 7.2 below show that of the 222 respondents, there was only one respondent (0.5 %) qualified to below university level, 115 respondents (51.8 %) with a university degree, and 106 respondents (47.7 %) with a higher qualification.

Table 7.2 Respondent Groups - Level of Education:

Sample Groups (Level of Education)	Frequency	Percent	Cumulative Percent
1- Below university degree	1	.5%	.5%
2- University degree	115	51.8%	52.3%
3- Above university degree	106	47.7%	100.0%
Total	222	100.0%	

That means that respondents were nearly equally distributed between two of the education categories, named "University degree" and "Above university degree", while the third group "Below university degree" contained just one respondent. As a result of the above situation, further analysis involving qualification will be based on two group only. The above distribution is to be expected in the stock market field. For instance, all of the respondents interviewed by the researcher had a university degree or higher degree. One possible reason for that was that all academics or lecturers in Egyptian universities must have at least a university degree and the majority of them have a Ph.D. degree. Moreover, the majority of stock brokers have at least a university degree, especially as CML No.

95/1992 required in its ERs that all stock brokers must have at least university degree, with the exception of those who registered in the CASE before the introduction of this law. (Article 89 of the ERs of CML No. 95/1992)

7.2.3 Distribution of Respondents - Experience:

According to their years of experience, respondents were grouped into five groups: "Less than 6 years", "From 6 to 10 years", "From 11 to 15 years", "From 16 to 20 years", and "Over 20 years". However, as the Egyptian economic environment has undergone major changes (refer to Chapter 5) that have affected the needs of financial information by various user groups in general, and by investors and their representatives in particular, since 1991, the researcher decided that it was appropriate to re-organise these five groups into only two groups, especially as one of this study's objectives is to identify whether the contemporary changes affecting the financial reporting practice in Egypt, such as the issue of the CML No. 95 of 1992 and the adoption of the EASs based on the IASs, affect users' perceptions (i.e. whether there are differences in perceptions among users who work in the stock market before and after these contemporary changes started in 1991). The first group includes respondents who started working in the market after 1991 and have less than ten years experience (representing the first two of the original groups), and the second group includes respondents who were working before 1991 and have more than ten years experience (representing the other three groups).

One more reason behind this re-organising of respondents according to their years of experience is that the analysis for the five original groups of experience revealed that the first two groups, "Less than 6 years" and "From 6 to 10 years", which are combined into one group in the new grouping, ranked five sources of financial information in exactly the same way; "Corporate annual reports", "Newspapers and magazines", "Direct contact with the company management", "Prospectuses", and "Advice of Friends and/or relatives" were ranked the first, the second, the third, the fourth, and the seventh respectively. Other rankings were very similar. "Tips and rumours" was ranked the sixth by the first group and

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the fifth by the second group, and "Advisory services" was ranked the fifth by the first group and the sixth by the second group.

According to the new experience categories, Table 7.3 shows that slightly more than half of the respondents (51.8 %) started working in this field after the commencement of the important changes in the Egyptian economic environment, while the others (48.2 %) had worked before these changes.

Table 7.3 Respondent Groups - Experience:

Sample Groups (Years of Experience)	Frequency	Percent	Cumulative Percent
1- After 1991	115	51.8	51.8
2- Before 1991	107	48.2	100.0
Total	222	100.0	

This information, together with the information in Chapter 5 relating to the increased development of the Egyptian stock market during the last few years, might reflect the relative "youthfulness" of the Egyptian stock market staff.

7.3 The Importance of Various Sources of Financial Information:

In question 2.1, respondents were asked to answer a question regarding their perceptions about the importance of each of various sources of financial information for the purpose of securities investment. A five-point response scale was used, with "1" meaning completely unimportant and "5" meaning very important. This part is dedicated to answering research questions and testing research hypotheses which have been defined in details in 6.2.1 of Chapter 6 (page 173 – 174).

In this part of the chapter, therefore, the results and analysis of question 2.1 (refer to Appendix A, part two), concerning respondents' perceptions about the importance of the various sources of financial information, will be presented.

7.3.1 The Overall Sample:

This section aims to answer the following questions:

1- How do the corporate annual reports stand in relation to other sources of financial information?

2- Are respondents' perceptions equally distributed among the levels of perceptions of the importance of various sources of financial information?

The first question can be answered using descriptive statistics, while the second one can be answered by testing the following null research hypothesis: $H1_0$ There are no significant differences in respondents' choice of answers on the perceptions of the importance of various sources of financial information.

7.3.1.1 Descriptive Statistics:

The results of this question for the overall sample, which are given in Table 7.4 below, and also for the various groups will be described using the percentage to describe the proportions of the answers, the mean to rank the sources, and the standard deviation to describe how the answers are dispersed around the mean.

As can be seen from the above table, according to both the percentage and the mean score of each source, clearly, the sample of respondents as a whole ranked the corporate annual reports as the most important source of financial information (a percentage of 98.2 % and mean score of 4.76 with the lowest standard deviation of 0.52, which indicates the level of agreement as to the importance of this source). Also, none of the respondents rated the corporate annual reports as completely unimportant.

Table 7.4 Importance of Sources of Accounting Information (the Overall Sample):

Sources	(1) Completely unimportant	(2) Fairly unimportant	(3) Neutral	(4) Important	(5) Very important	Total	(4) + (5)	Mean	S. deviation	Ranking
	%	%	%	%	%	%	%			
1- Corporate annual reports	.0	1.4	.5	18.9	79.3	100	98.2	4.76	0.52	1
2- Newspapers & magazines	1.4	1.8	20.7	49.1	27.0	100	76.1	3.99	0.82	2
3- Direct contact with the c. m.	3.7	7.8	25.1	29.7	33.8	100	63.5	3.82	1.10	3
4- Prospectuses	1.9	9.9	26.3	44.1	17.8	100	61.9	3.66	0.95	4
5- Tips & rumours	21.3	17.1	23.6	23.1	14.8	100	37.9	2.93	1.36	6
6- Advisory services	6.9	5.5	30.9	41.0	15.7	100	56.7	3.53	1.05	5
7- Advice of friends and/or r.	19.7	25.2	33.5	17.0	4.6	100	21.6	2.61	1.12	7

This ranking may reflect the high level of acceptance and confidence given to corporate annual reports by their different user groups because, by both related laws and

listing rules of CASE (refer to sections 5.5.1, 5.5.2, and 5.5.3 of Chapter 5), they have to be audited and certified by external auditor who must make sure and refer in his/her report that corporate annual reports were prepared according to EASs.

In addition, they are considered an easy and low cost source of information, as the companies offer them to users on demand and publish them in daily newspapers. Furthermore, they are available for the public from the CASE, either on printed paper or on CDs as the CASE established two new departments namely the public relations and the disclosure department that offer the public some financial information and summarised corporate annual reports that received from listed companies. Also the CASE offers CDs including corporate annual reports of the most 100 active listed companies.

Although corporate annual reports were ranked the most importance source, they face some criticisms by some users. For example, in the interviews carried out by the researcher, some respondents (a financial director who works as a financial analyst too, in brokerage firm and two other financial analysts) complained that some companies issue their annual reports between a few weeks and a few months later than the time stipulated by the law and the CASE. Other respondents reported the lack of financial information about the future of the companies in general. Another criticism, by a stock broker and the head of market operations in the CBE, was that the corporate annual reports sometimes lack faithfulness, because some external auditors do not do their duty conscientiously.

The second most important source was "Newspapers and magazines", which received a percentage of 76.1 % and a mean of 3.99, with a standard deviation of 0.82. The reason behind that may be that in Egypt now, in contrast with ten years ago, there are some important magazines and newspapers such as the weekly supplement (named the Egyptian Stock Market) of the Economic Ahram "The Al-Ahram Iktisadi" and a daily specialist newspaper, in addition to the economic pages in the widely published daily newspapers, which include a list of share prices, share trading activities and other financial news and reports. All the above newspapers and magazines present financial reports about the market in general and a lot of news and reports about the listed companies in particular. It

is noteworthy, that during the survey, the researcher noticed the conspicuous presence of these magazines and newspapers in almost all of the more than seventy companies visited.

"The direct contact with the company management" was ranked as the third important source. It received a percentage of 63.5 % and a mean of 3.82 with a standard deviation of 1.10. This source is important in Egypt, as the Egyptian community depends heavily on personal relations, although this prevents all users from having an equal chance to get the important information about a company. To overcome this problem, the CASE in its new listing rules (refer to section 5.5.1 of Chapter 5) requires listed companies to assign a senior level employee to act as its contact person with the CASE and the shareholders. Moreover, in the interviews, respondents (financial analysts, academics and staff of the CMA) criticised some listed companies because they do not give equal information to all users. Furthermore, staff in the CMA reported that in spite of this new requirement, many complaints were raised (in the late months of the year 2000 and the early months of the year 2001) to the CMA saying that some listed companies, through their staff, gave effective information about the company to specific users but withheld this information from others.

In addition, in December 2001, the Egyptian stock market noticed the same problem when the CMA received many complaints from small individual shareholders in a certain listed company (a joint venture bank). They complained that some important information about the bank, that the negotiation with a British bank to buy a large deal of shares of the joint venture bank had failed, was sent out stealthily to specific main individual shareholders one week before it was received by other small shareholders. They claimed that this information affected the share price sharply and they lost their money as a result.

The next sources were "Prospectuses" and "advisory services", as they received a percentage of 61.9 % and a mean of 3.66 with a standard deviation of 0.95, and a percentage of 56.7 % and a mean score of 3.53 with a standard deviation of 1.05, respectively. Although the prospectuses and pamphlets prepared by the listed companies in CASE are not the same as those prepared by listed companies in developed countries such

as the UK and the US, in either quality or quantity, prospectuses were ranked the fourth important source of financial information. The reason behind that, perhaps, is that now the listed companies in the CASE, especially the large ones, are more interested in distributing prospectuses and pamphlets to their shareholders and possibly to the public.

"Advisory services" was ranked as the fifth of the seven sources surveyed in this study. One possible reason for this relatively low ranking could be that not all accounting firms offer such services; they are offered only by the large firms. In addition, although the Egyptian market in the last few years has witnessed the establishment of some rating and advisory services firms, the researcher suspected that the demand on these services is still low, as this is a relatively new activity in the Egyptian stock market.

The last two sources were "Tips & rumours" and "Advice of friends and/or relatives". Respondents ranked these two sources as the lowest sources because only 37.9 % of respondents considered "Tips & rumours" either important or very important (mean score of 2.93). An interviewed financial analyst reported that "tips and rumours", the sixth ranked source, cannot be considered as a source of financial information, but they are a reflection of the company's share price. For example, if the share price increases, tips and rumours become positive towards the company, while in the other situation, when the share price decreases, tips and rumours become negative towards the company.

Furthermore, in the interviews with some individual investors in the CASE, two investors reported that they listened to some tips and rumours, but when they made their investment decision, they looked for some financial reports or some financial studies about a given company prepared by a third party.

"Advice of friends and/or relatives" was ranked as the last source, because only 21.6 % of respondents believed this source to be either important or very important (a mean score of 2.61). Respondents were also invited to rate other sources of financial information not mentioned in the question. A very limited number of respondents reported that other sources such as governmental bodies, brokerage firms, the internet, and the CASE information centre might be used but, unfortunately, they did not report the level of importance of these other sources.

In the light of the above results, the answer to the question, How do the corporate annual reports stand in relation to other sources of financial information?, is that the corporate annual reports were ranked as the most important among the various sources of financial information.

The above results are illustrated using percentages in Figure 7.1 below.

7.1 Importance of Sources of Financial Information - the Overall Sample:

Percentage
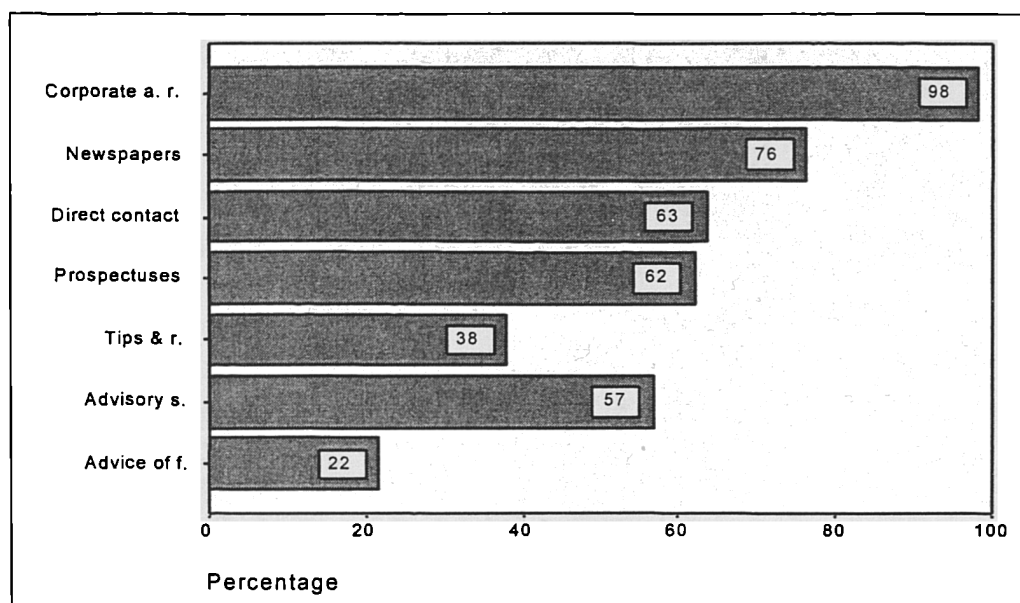
7.3.1.2 Statistical Analysis:

The Chi-square for one sample test was adopted to test for significant differences in respondents' choice of answers on this question. In other words, it was used to know if any one choice of answer was favoured significantly more than the others. Table 7.5, below, shows the results of the Chi-square test. As all values of Chi-square were significant (p < 0.05), with the exception of "Tips and rumours" (0.168), it is possible to say that

Table 7.5 Chi-Square Results for Importance of Sources of Accounting Information (the Overall Sample):

Sources	Chi-square	Df	Asymp. Sig.
1- Corporate annual reports	368.090	3	.000
2- Newspapers & magazines	174.892	4	.000
3- Direct contact with the c. m.	79.607	4	.000
4- Prospectuses	112.657	4	.000
5- Tips & rumours	6.454	4	.168
6- Advisory services	104.083	4	.000
7- Advice of friends and/or r.	49.706	4	.000

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respondents' answers were not equally distributed among the different levels of perceptions of the importance of each of the sources of financial information, except for "Tips & rumours". Accordingly, the answer to the question: "Are there significant differences in respondents' choice of answers on the perceptions of the importance of various sources of financial information?" is that there are significant differences for all sources of financial information except "Tips & rumours". Hence, we can reject the null hypothesis $H1_0$: There is no significant difference in respondents' choice of answers on the perceptions the importance of various sources of financial information; for all sources except "Tips & rumours" and accept the alternative hypothesis ($H1_1$).

7.3.2 Effect of Background Variables:

In this section of the chapter, respondents' perceptions will be analysed in relation to their occupation, level of education, and years of experience. The purpose of this analysis is to examine whether the differences in background characteristics of respondents affect their perceptions of the importance of each of the financial information sources.

7.3.2.1 Effect of Occupation:

This section aims to answer the following question: Are there significant differences among respondent groups, according to their occupation, regarding their perceptions of the importance of sources of financial information?

To answer the above question, the following null research hypothesis is formulated:

$H2.1_0$ There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the sources of financial information.

7.3.2.1.1 Descriptive Statistics:

Table 7.6 below clearly reveals, according to the percentage and the mean of each source, that all groups ranked the corporate annual reports as the most important source of financial information. The table shows that corporate annual reports received the highest

mean score with the lowest standard deviation in the five groups (4.80, 4.81, 4.59, 4.68, and 4.94 with a standard deviation of .40, .47, .79, .48, and .24 respectively). Moreover, the corporate annual reports are the only source for which there was full agreement in ranking among the five groups.

Table 7.6 Importance of Sources of Financial Information
Respondent Groups (Occupation) :

Groups	Sources	Important %	very important %	Total %	Mean	S. Deviation	Ranking
Financial Analysts	1- Corporate annual reports	19.7	80.3	100	4.80	.40	1
	2- Newspapers & magazines	52.6	32.9	85.5	4.16	.73	3
	3- Direct contact with the c. m.	22.7	53.3	76.0	4.27	.89	2
	4- Prospectuses	46.7	24.0	70.7	3.88	.85	4
	5- Tips & rumours	21.3	8.0	29.3	2.68	1.28	6
	6- Advisory services	32.4	13.5	45.9	3.35	1.08	5
	7- Advice of friends and/or r.	10.7	2.7	13.4	2.51	1.03	7
Decision makers	1- Corporate annual reports	12.5	84.4	96.9	4.81	.47	1
	2- Newspapers & magazines	40.6	37.5	78.1	4.16	.77	2
	3- Direct contact with the c. m.	31.3	40.6	71.9	3.97	1.12	4
	4- Prospectuses	50.0	26.7	76.7	3.97	.85	3
	5- Tips & rumours	25.8	16.1	41.9	3.26	1.18	6
	6- Advisory services	40.0	10.0	50.0	3.33	1.06	5
	7- Advice of friends and/or r.	15.6	.0	15.6	2.28	1.08	7
Academics	1- Corporate annual reports	22.4	71.4	93.8	4.59	.79	1
	2- Newspapers & magazines	55.1	18.4	73.5	3.76	1.01	3
	3- Direct contact with the c. m.	34.0	12.8	46.8	3.17	1.24	4
	4- Prospectuses	40.9	9.1	50.0	3.16	1.18	5
	5- Tips & rumours	15.6	6.7	22.3	2.22	1.35	7
	6- Advisory services	60.4	22.9	83.3	4.02	.76	2
	7- Advice of friends and/or r.	37.0	6.5	43.5	3.02	1.20	6
Stock brokers	1- Corporate annual reports	32.3	67.7	100	4.68	.48	1
	2- Newspapers & magazines	54.8	19.4	74.2	3.94	.68	2
	3- Direct contact with the c. m.	25.8	32.3	58.1	3.84	.97	3
	4- Prospectuses	30.0	13.3	43.3	3.50	.82	5
	5- Tips & rumours	35.5	19.4	54.9	3.52	1.09	4
	6- Advisory services	29.0	3.2	32.2	2.97	1.08	6
	7- Advice of friends and/or r.	16.1	3.2	19.3	2.35	1.11	7
Others	1- Corporate annual reports	5.9	94.1	100	4.94	.24	1
	2- Newspapers & magazines	35.3	23.5	58.8	3.82	.80	3
	3- Direct contact with the c. m.	41.2	14.7	55.9	3.59	.92	5
	4- Prospectuses	50.0	11.8	61.8	3.71	.72	4
	5- Tips & rumours	23.5	35.3	58.8	3.59	1.40	6
	6- Advisory services	44.1	26.5	70.6	3.91	.90	2
	7- Advice of friends and/or r.	5.9	11.8	17.7	2.85	1.08	7

All respondents, 100 %, in three groups, "Financial analysts", "Stock brokers" and "Others", thought the corporate annual reports are either important or very important , as did 96.9 % of "Decision makers" and 93.8 % of "Academics". The above finding was expected, especially as financial analysts and some of those working in the regulatory and

observatory bodies, "Others", rely heavily in their work on the corporate annual reports presented by the listed companies, whether they get them from the companies themselves, from the newspapers or from any other source such as the CASE and CMA. The reasons for that might be the same as those reasons mentioned above, in commenting on the ranking of the corporate annual reports by the overall sample (see 7.3.1.1 of this chapter). The above result, which confirms the finding of the overall sample, clearly shows the importance attached to the corporate annual reports by different user groups in the Egyptian stock market.

The next source, "Newspapers and magazines", was ranked as the second most important source by "Decision makers" and "Stock brokers", while it was ranked as the third by "Financial analysts", "Academics" and "Others". This result shows a high level of agreement between the groups regarding this source as the second most important source.

"Direct contact with the company management" that was ranked as the second source by "Financial analysts", was ranked as the third source by "Stock brokers", as the fourth source by "Decision makers", and "Academics", and the fifth by "Others". This result shows that there is some difference among respondent groups regarding this source. The high ranking given to this source by "Financial analysts" and "Stock brokers" may be because these two groups have a better chance than other groups to make contact with the company management.

"Prospectuses" were ranked third by "Decision makers", and fourth by both "Financial analysts" and "Others", while "Stock brokers" and "Academics" ranked it as the fifth most important source. This result indicates that this source is regarded as of moderate importance by different groups.

"Advisory services" was ranked differently by the groups. Although this source received a high rank, the second most important source, by both "Academics" and "Others", it was ranked as the fifth source by "Financial analysts" and "Decision makers; and the sixth source by "Stock brokers". This means that only two, "Academics" and "Others", of the five groups thought that advisory services are an important source, while the others did not think so. The reason behind that might be that many academics, in the

business field, in Egypt own or work in firms offering advisory services and have good experience in this field, so they gave this source a high rank.

The last two sources, "Tips and rumours" and "Advice of friends and/or relatives", were ranked lowest. For example, "Tips and rumours" were ranked as the fourth source by "Stock brokers" and, the sixth source by another three groups, "Financial analysts", "Decision makers" and "Others"; and the seventh source by "Academics".

The above results could be summarised in the following points:

1- All groups ranked "Corporate annual reports", which was considered as the most important source by the overall sample, the most important source too. In other words, there was a perfect agreement among all groups regarding the rank of "Corporate annual reports". This result, which suggests that respondents' occupation does not influence their perceptions of the importance of corporate annual reports and confirms the previous finding for the overall sample, agrees with some previous studies. For instance, Shohaieb (1990) found that all groups in his study perceive corporate annual reports as the most important source of financial information.

2- Two groups "Decision makers" and "Stock brokers" ranked "Newspapers and magazines", which was considered as the second most important source by the overall sample, as the second most important source; while the other group ranked them as the third most important source.

3- "Tips and rumours" and "Advice of friends and/or relatives", which were ranked sixth and seventh respectively by the overall sample, were ranked by almost all groups as the least important sources.

4- The groups ranked the other sources, "Direct contact with the company management", "Prospectuses" and "Advisory services", in different moderate positions;

5- It is interesting to note that the general trend of both the overall sample and study groups according to their occupation is roughly the same.

7.3.2.1.2 Statistical Analysis:

The Kruskal - Wallis Test, the non-parametric alternative to a parametric one way analysis of variance, was used to test for significant differences among the occupation groups,

regarding their perceptions of the importance of the various sources of financial information.

Table 7.7, below, shows the results of this test. The table indicates that there are statistically significant differences in perceptions of all sources, except one, across the occupation groups as most probability values were significant ($p < 0.05$) with the exception of "Newspapers and magazines", which had a probability value of .060 (> 0.50). Also the test presents the values of the mean rank of each variable (Appendix D).

Table 7.7 Kruskal-Wallis Test Results for Difference among Groups (Occupation)
Importance of Sources of Financial Information

Sources	Chi-square	Df	Asymp. Sig.
1- Corporate annual reports	9.552	4	.049
2- Newspapers & magazines	9.039	4	.060
3- Direct contact with the c. m.	29.162	4	.000
4- Prospectuses	16.447	4	.002
5- Tips & rumours	29.741	4	.000
6- Advisory services	29.559	4	.000
7- Advice of friends and/or r.	12.537	4	.014

- Grouping variable: occupation

The above results suggest that there are significant differences in perceptions of most sources, across the occupation groups. Correspondingly, the answer to the related question is that there are significant difference for six out of seven sources. So, it is possible to reject the null hypothesis $H2.1_0$ "There are no significant differences among groups (according to their occupation) regarding the importance attached to each of the sources of financial information"; for all sources except "Newspapers and magazines" and accept the alternative hypothesis ($H2.1_1$).

7.3.2.2 Effect of Education:

This section is devoted to answering the following question: Are there significant differences among respondents (according to their level of education) regarding their perceptions of the importance of sources of financial information?

This question could be formulated as the following null research hypothesis:

H2.2₀ There are no significant differences among respondents (according to their level of education) regarding the importance attached to each of the sources of financial information.

7.3.2.2.1 Descriptive Statistics:

As can be seen from Table 7.8 below, according to the percentage and the mean score of each source, both groups, "University degree" and "Above university degree", regarded the corporate annual reports as the most important source of financial information. In the first group, "University degree", all respondents (100 %) ranked the corporate annual reports as either important or very important, while (96.2 %) of the other group, "Above university degree", did so. Also, corporate annual reports received the highest mean score (4.84 and 4.68) with the lowest standard deviation of (.36 and .64) in the two groups respectively. This finding agrees with and confirms the results from both the overall sample and the respondents groups according to their occupation.

The table reveals also that there is agreement between respondents with a university degree and those with of a higher qualification about ranking some sources such as "Newspapers and magazines", "Tips & rumours", and "Advice of friends and/or relatives", which were ranked second, sixth and seventh, respectively. However, the two groups

Table 7.8 Importance of Sources of Financial Information - Respondent Groups (Education):

Groups	Sources	Important %	Very important %	Total %	Mean	S. Deviation	Ranking
U. degree	1- Corporate annual reports	15.7	84.3	100	**4.84**	.36	1
	2- Newspapers & magazines	48.7	30.4	79.1	4.08	.75	2
	3- Direct contact with the c. m.	35.7	33.0	68.7	3.95	.94	3
	4- Prospectuses	41.6	20.4	62.0	3.74	.87	4
	5- Tips & rumours	27.8	13.0	40.8	3.03	1.28	6
	6- Advisory services	28.6	17.0	45.6	3.34	1.17	5
	7- Advice of friends and/or r.	10.4	6.1	16.5	2.50	1.13	7
Above u. d.	1- Corporate annual reports	21.7	74.5	96.2	**4.68**	.64	1
	2- Newspapers & magazines	50.0	22.6	72,6	3.88	.88	2
	3- Direct contact with the c. m.	23.3	35.0	58.3	3.70	1.23	4
	4- Prospectuses	46.5	15.2	61.7	3.57	1.02	5
	5- Tips & rumours	17.0	17.0	34.0	2.80	1.45	6
	6- Advisory services	54.8	14.4	69.2	3.74	.86	3
	7- Advice of friends and/or r.	23.5	2.9	26.4	2.73	1.09	7

differed slightly in ranking the other sources, "Direct contact with the company management", "Prospectuses" and "Advisory services".

Two main points about the above results should be noted. First, the ranking of the sources of financial information is almost identical for the two groups, as they gave four of seven sources the same ranking. This means that respondents' level of education has an influence on their answers for only three sources, while it does not affect their answers on the other sources. The second point is that, the general tendency of both the education groups is the same as that of the overall sample.

7.3.2.2.2 Statistical Analysis:

The Mann-Whitney Test, the non-parametric alternative to an independent samples t-test, was employed to test for significant differences between these groups, concerning their perceptions of the importance of the various sources of financial information.

The results of this test are reported in Table 7.9, below. This table indicates that there is no statistically significant difference for "Corporate annual reports" between the two groups. This finding consists with what has been reported in the literature. For instance, Ali (1992) reported that there are no significant differences in users' perceptions of the usefulness of corporate annual reports.

Table 7.9 Mann-Whitney Test Results of Difference among Groups (Education) Importance of Sources of Financial Information:

Sources	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-Tailed)
1-Corporate annual reports	5460.500	11131.500	-1.912	.056
2-Newspapers & magazines	5410.000	11081.000	-1.563	.118
3- Direct contact with the c. m.	5391.000	10747.000	-1.193	.233
4- Prospectuses	5207.500	10157.500	-.918	.359
5- Tips & rumours	5184.500	10234.500	-1.271	.204
6- Advisory services	4627.000	10955.000	-2.754	.006
7- Advice of friends and/or r.	5129.500	11799.500	-1.649	.099

- Grouping Variable: Education

Also, the table shows that there is no statistically significant difference for any of the other sources, except "Advisory services", between the two groups, as all probability values are non-significant (> 0.05) with the exception of "Advisory services", which has a probability value of .006 (< 0.50). Also the test shows the values of the mean rank of each

variable (Appendix D). For example, for "Advisory services", which has a significant value, a higher mean rank (120.01) was reported by respondents with "Above university degree", than by the other group (97.81).

In the light of the above result, the answer to the question posed earlier is that there are no significant differences in six of seven sources between the education groups regarding their perceptions of the importance of various sources of financial information.

With regard to the above results, it is possible to accept the null hypothesis $H2.2_0$, "There are no significant differences among respondents (according to their level of education) regarding the importance attached to each of the sources of financial information"; for all sources except "Advisory services" and reject the alternative hypothesis ($H2.2_1$).

7.3.2.3 Effect of Experience:

The data related to respondents' years of experience will be analysed by dividing respondents into two groups, those working after 1991 and others working before 1991. The reasons for that were explained in section 7.2.3 of the current chapter. This section is dedicated to answer the next question: Are there significant differences among respondents (according to their experience) regarding their perceptions of the importance of sources of financial information?

This question leads to development of the following null research hypothesis:

$H2.3_0$ There are no significant differences among respondents (according to their experience) regarding the importance attached to each of the sources of financial information.

7.3.2.3.1 Descriptive Statistics:

Table 7.10 below reveals, according to the percentage and the mean score of each source, that the two groups, "After 1991" and "Before 1991", ranked the corporate annual reports as the most important source of financial information. Corporate annual reports were seen as either important or very important by 99.2 % of respondents in the first group, "After

1991", and by 97.2 % of those in the second group, "Before 1991". They received the highest mean score (4.77 and 4.75) with the lowest standard deviation (.44 and .60) in the two groups respectively. Again, this result confirms the other results for both the overall sample and other respondents groupings.

The above result indicates that whether respondents worked in the market after or before the important economic changes in Egypt, does not affect their perceptions of the corporate annual reports.

In addition, the table shows that respondents in the two groups agreed in ranking some other sources such as "Newspapers and magazines", "Tips & rumours", and "Advice of friends and/or relatives", which were ranked second, sixth, seventh most important sources respectively. However, the two groups differed in their rankings of the other three sources. For instance, "Direct contact with the company management" was ranked third

Table 7.10 Importance of Sources of Financial Information
Respondent Groups - Experience

Groups	Sources	Important %	Very important %	Total %	Mean	S. Deviation	Ranking
After 1991	1- Corporate annual reports	20.9	78.3	99.2	4.77	.44	1
	2- Newspapers & magazines	52.2	27.0	79.2	4.04	.73	2
	3- Direct contact with the c. m.	24.6	42.1	66.7	4.02	1.00	3
	4- Prospectuses	46.0	21.2	67.2	3.81	.85	4
	5- Tips & rumours	30.1	10.6	40.7	2.99	1.26	6
	6- Advisory services	29.2	11.5	40.7	3.24	1.09	5
	7- Advice of friends and/or r.	9.6	2.6	12.2	2.41	1.00	7
Before 1991	1- Corporate annual reports	16.8	80.4	97.2	4.75	.60	1
	2- Newspapers & magazines	45.8	27.1	72.9	3.93	.91	2
	3- Direct contact with the c m.	35.2	24.8	60.0	3.61	1.16	4
	4- Prospectuses	42.0	14.0	56.0	3.49	1.02	5
	5- Tips & rumours	15.5	19.4	34.9	2.86	1.46	6
	6- Advisory services	53.8	20.2	74.0	3.85	.90	3
	7- Advice of friends and/or r.	25.0	6.7	31.7	2.84	1.20	7

by the first group, "After 1991", while it was ranked fourth by the other group. This means that respondents who worked in the market after 1991 have slightly more interest in this source than the other group.

Furthermore, "Prospectuses" and "Advisory services", were ranked differently by the two groups. "Prospectuses" were ranked as the fourth source by respondents working in

the market after 1991, whereas they were ranked as the fifth source by the other group. Also, "Advisory services" were slightly differently ranked by the two groups.

As a main comment about the above results, four of seven sources, "Corporate annual reports", "Newspapers and magazines", "Tips & rumours", and "Advice of friends and/or relatives", were ranked the same by the two groups, meaning that respondents' experience does not affect in their answers regarding those four sources, while it affects slightly their answers in relation to the other sources. Also, it is possible to say that the general trend of this part of the analysis does not much differ from the other results, whether for the whole sample or for the various groupings.

7.3.2.3.2 Statistical Analysis

The results of the Mann-Whitney Test are reported in Table 7.11 below. It shows that there are no statistically significant differences between the two groups for three sources, "Corporate annual reports", "Newspapers and magazines", and "Tips & rumours" as the probability values are not significant (> 0.05), while there are statistically significant differences between the two respondent groups for the other four sources. In Al-Mubarak's study (1992), which used this background information, it was reported that experience, as a background factor, had no effect on users' perceptions of the importance attached to various sources of financial information.

Table 7.11 Mann-Whitney Test Results of Difference among Groups (Experience) Importance of Sources of Financial Information

Sources	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-Tailed)
1- Corporate annual reports	6051.000	12721.000	-.302	.763
2- Newspapers & magazines	5845.500	11623.500	-.695	.487
3- Direct contact with the c. m.	4851.500	10416.500	-2.524	.012
4- Prospectuses	4719.500	9769.500	-2.198	.028
5- Tips & rumours	5496.500	10852.500	-.720	.472
6- Advisory services	3861.500	10302.500	-4.603	.000
7- "Advice of friends and/or r.	4644.500	11199.500	-2.855	.004

- Grouping Variable: Experience

In addition to the above results, this test presents the mean rank of each variable (Appendix D).

In the light of the foregoing findings, the answer to the question posed earlier is that there are significant differences in four of seven sources between the experience groups regarding their perceptions of the importance of various sources of financial information. These sources are "Direct contact with the company management", "Prospectuses", "Advisory services", and "Advice of friends and/or relatives".

Therefore, it is possible to accept the null hypothesis $H2.3_0$ "There are no significant differences among respondents (according to their experience) regarding the importance attached to each of the sources of financial information"; for "Corporate annual reports", "Newspapers and magazines", and "Tips & rumours" and reject the alternative hypothesis ($H2.3_1$). Also, it is possible to reject this null hypothesis for "Direct contact with the company management", "Prospectuses", "Advisory services", and "Advice of friends and/or relatives" and accept the alternative one.

7.3.3 Comparing the Results with the Results of Other Studies (Importance of Sources of Financial Information):

In the previous sections, an analysis of data related to the respondents' perceptions of the importance of the various sources of financial information was presented. In this section, and in section 7.4.3, a comparison will be made between the results of the present study and those of other related studies. This comparison might reveal similarities and differences between the respondents' perceptions of the importance of various sources of financial information and the different sections of corporate annual reports.

A survey of the literature (see Chapter Two) showed that some studies have been accomplished in this area either in Egypt, other Arab countries, or some developed countries. These studies might differ from the current one in the time when or the place where they were accomplished, the population from which the sample was drawn, the methodology used to carry out the study, and the response rates.

The compared studies will be classified into three groups as follows (details about every study were presented in Chapter Two):

- The first group includes those studies accomplished in Egypt such as: Shohaieb (1990), Mohamed (1991), Ali (1992), and Almelegy (1998). These four studies were carried out

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using partly similar sample frames to the present work from the same environment, but three of them: Shohaieb (1990), Mohamed (1991) and Ali (1992) were carried out in the early 1990s, before the contemporary changes in the financial reporting practice in Egypt and the fourth one (Almelegy, 1998), which will be used for the comparison in section 7.4.3, was carried out after these changes. However, all these studies were carried out before the adoption of the IASs as a base of the EASs issued in 1997.

- The second group includes two studies carried out in Arab countries in the second half of the 1990s. These studies are Alrazeen (1999) and Abu-Nassar and Rutherford (1996). The reasons behind choosing these two studies are that these countries are similar to Egypt in many characteristics: they speak the same language and have a similar culture, they have been affected by accounting in western countries, and they have emergent stock markets.

- The third group, which represents the developed countries, includes four studies carried out in Australia, New Zealand, the UK and the US. All of those countries have large stock markets and well-organised stock exchanges which are likely to work in a parallel manner. This group includes the following studies: Barker (1997), Bartlett and Chandler (1997), Anderson and Epstein (1996), and Epstein and Pava (1993).

As can be seen from Table 12a below, "Corporate annual reports" were ranked as the most important source of financial information in two of the three studies carried out in Egypt. In Shohaieb's study (1990) and Ali's study (1992), corporate annual reports were perceived as the most important source of financial information. For instance, 98.8% of respondents in Shohaied study perceived them as important or very important source, while in Ali' study (1992) they received a mean score of 4.4. In Mohamed's study (1991) corporate annual reports were perceived the second source in importance as stockbrokers as a source of financial information were perceived as the most important source. Similar to what has been reported in the current study, financial analysts in Shohaieb's study (1990) perceived corporate annual reports as the most important source.

Table 12b below, reveals that corporate annual reports, also, were perceived as the most important source in studies carried out in other Arab countries. The same result was reported by Epstein and Pava (1993) and Anderson and Epstein (1996). In other words, the

Table 7.12a Comparing Results of the Current Study with Those of Other Egyptian Related Studies:

Sources	The Current Study (1)					Shohaieb 90 (2)					Mohamed 91 (3)		Ali 92 (4)	
	The Overall Sample			F. Analysts		The Overall Sample			F. Analysts		The Overall Sample		The Overall Sample	
	Rank	Mean	%	Rank	Mean	Rank	Mean	%	Rank	Mean	Rank	Points	Rank	Mean
1- Corporate annual reports	1	4.76	98.2	1	4.80	1	1.09	98.8	1	1.08	2	213	1	4.4
2- Newspapers & magazines	2	3.99	76.1	3	4.16	5	3.34	15.9	4	2.99	4	141	4	3.1
3- Direct contact with the c. m.	3	3.82	63.5	2	4.27	2	1.89	76.8	3	2.97	-	-	3	3.5
4- Prospectuses	4	3.66	61.9	4	3.88	4	3.12	18.6	5	3.55	-	-	-	-
5- Tips & rumours	6	2.93	37.9	6	2.68	7	4.53	1.70	6.5	4.29	-	-	-	-
6- Advisory services	5	3.53	56.7	5	3.35	3	2.63	42.3	2	2.85	3	194	2	3.8
7- Advice of friend and/or relative	7	2.61	21.6	7	2.51	6	4.17	4.60	6.5	4.29	-	-	6	2.5

(1) Rank based on the mean value; mean value – scoring: 1 = completely unimportant, 5 = very important.
(2) Rank based on the mean value; mean value – scoring: 1 = very important, 5 = unimportant.
(3) Rank based on points which were calculated to each source.
(4) Rank based on the mean value; mean value – scoring: 1 = never used, 5 = always used.

Table 7.12b Comparing Results of the Current Study with Those of Other Related Studies in Developed and Developing Countries:

Sources	The Current Study (1)	Abu-Nassar & Rutherford 96 Jordan (2)	Al-Razeen 99 S. A. (3)	Epstein & Pava 93 USA (4)	Anderson & Epstein 96 (5)			Bartlett & Chandler 97 UK (6)	Barker 97 UK (7)	
					USA	Australia	New Z.		(A)	(B)
1- Corporate annual reports	1	1	1	1	1	3	3	7	2	2
2- Newspapers & magazines	2	8	5	3	3	2	2	1	16	9
3- Direct contact with the c. m.	3	2	3	-	-	-	-	-	1	1
4- Prospectuses	4	-	-	-	-	-	-	-	-	-
5- Tips & rumours	6	7	8	-	-	-	-	-	-	-
6- Advisory services	5	-	4	3	3	4	4	-	-	-
7- Advice of friend and/or relative	7	5	7	6	6	6	6	-	-	-

(1) Rank based on the mean value; mean value – scoring: 1 = completely unimportant, 5 = very important.
(2) Rank based on the mean value of users' perceptions.
(3) Rank based on the mean value of users' perceptions.
(4) Rank based on the percentages of users' perceptions.
(5) Rank based on the percentages of users who base their decision on one of the sources.
(6) Rank based on the percentages of users who read the different sources thoroughly.
(7) Rank based on the mean value of financial analysts' perceptions of 17 sources (A), and fund managers' perceptions of 14 sources (B).

ranking of "Corporate annual reports" as the most important source of financial information about listed companies in Egypt, in this study, is consistent with earlier findings reported by Shohaieb (1990) and Ali (1992) in Egypt, by Abu-Nassar and Rutherford (1996) in Jordan and by Alrazeen (1999) in Saudi Arabia.

Furthermore, the above finding also is consistent with studies carried out in a developed country, the USA, by Epstein and Pava (1993) and Anderson and Epstein (1996). On the other hand, other studies in developed countries gave "Corporate annual reports" a lower rank. For instance, both financial analysts and fund managers in Barker's study (1997) ranked the "Corporate annual reports" as the second source, while"Direct contact with the company management" was ranked as the first source by the two groups. In another study, Anderson and Epstein (1996), investors in Australia and New Zealand ranked "Corporate annual reports" as the third source, while in Bartlett and Chandler's (1997) study, "Corporate annual reports" were ranked as the seventh source, but it should be noted that summary annual financial statements and interim financial statements were ranked as the second and the third sections respectively in their study.

Moreover, the above results could suggest that users' perceptions of the importance of corporate annual reports in both Jordan and Saudi Arabia could be similar to those in Egypt. The US Individual investors in the Epstein and Pava study (1993) consistently ranked the "Corporate annual reports" as the first source. In contrast, in Bartlett and Chandler's study (1997) the ranking differed strongly from that reported by the current study or the other studies in Egypt and other similar countries.

"Newspapers and magazines" received a higher ranking in the present study than those carried out in Egypt in the early 1990s. For example, 76.1% of respondents in this study thought this source whether important or very important, while this percentage was only 15.9 in Shohaieb (1990). Also, this source received a higher ranking in the current study than in those in similar countries, Jordan and Saudi Arabia. One possible reason behind this finding is that, in the last few years, Egyptian financial newspapers and magazines have noticeably improved compared with ten years ago and with those in Jordan and Saudi Arabia.

Respondents in developed countries gave this source a high ranking, with the exception of financial analysts and fund managers in Barker's study (1997), but the reason behind that might be that Barker asked the respondents to rate a large number of sources, 17 for the financial analysts and 14 for fund managers, and many of these were company-specific information sources such as "Direct contact with the company", "Analysts' meeting" and "Results announcement".

"Direct contact with the company management" received a relatively high ranking in the current study and the other studies, while it was ranked as the first source in Barker's study (1997). There is no noticeable difference in ranking of "Prospectuses" and "Tips & rumours" between the current study and other studies, as these two sources were ranked relatively low.

Users in this study ranked "Advisory services" as the fifth source, while such services were ranked higher, second, by users in Ali's study (1992) and financial analysts in Shohaieb (1990), and were rated as the third source by the whole sample in Shohaieb's (1990) study and by the US individual investors in Epstein and Pava (1993). They were ranked fourth by users and individual investors in Al-Razeen (1999) and Anderson and Epstein (1996). The last source, "Advice of friends and/or relatives", consistently received lower rankings in this study and in other studies, whether in developing or developed countries.

In the light of the above findings, it is possible to conclude that despite the noticeable improvement in other available sources of financial information such as newspapers and magazines, prospectuses, and advisory services, corporate annual reports which were perceived as high in importance in previous studies in Egypt, are still perceived as the most important sources of financial information under the contemporary changes in the financial reporting practice in Egypt resulting from the adoption of EASs based on the IASs, the CML No.95 of 1992, and the new listing rules of the CASE. This means that these changes, in the light of the increased improvement in other sources, might keep the high level of importance that corporate annual reports receive. The above conclusion suggests that the answer to the related question "Do changes in the financial

reporting practice in Egypt during the last decade affect the importance given to corporate annual reports?" is that these changes have affected the users' perceptions of the importance attached to corporate annual reports through keeping them as the most important source despite the improvement in other sources.

Also, the findings suggest that the answer to the related question "Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?" is that there is no difference between this study and those studies carried out in developing countries and two carried out in the US, as corporate annual reports were perceived as the most important source in these studies. However, in other developed countries studies, corporate annual reports were perceived as having less importance.

7.4 The Importance of Sections of Corporate Annual Reports:

In question 2.2, respondents were asked to answer regarding their perceptions about the importance of each section of various sections of corporate annual reports for the purpose of securities investment. A five point response scale was used, with "1" meaning completely unimportant and "5" meaning very important. The purpose of this part of the chapter is to help in answering research questions and testing research hypotheses which have been defined in details in 6.2.2 of Chapter 6 (page 175 – 176).

In the light of the above, in this part of the chapter the results and analysis of question 2.2 (refer to Appendix A, part two) concerning respondents' perceptions of the importance of each section of the corporate annual reports, will be provided.

7.4.1 The Overall Sample:

This section aims to answer the following questions:

- Are there significant differences among respondents' choice of answers on perceptions of the importance of sections of corporate annual reports?

This question can be answered by testing the following null research hypothesis:

$H1_0$ There are no significant differences in respondents' choice of answers on the perceptions of the importance of various sections of corporate annual reports.

7.4.1.1 Descriptive Statistics:

The results of this question will be described using the percentage to describe the proportions of the answers, the mean to rank the sections, and the standard deviation to describe how the answers are dispersed around the mean. Table 7.13 reveals the percentages, the mean and the standard deviation for each section of the corporate annual reports. As shown in the table, according to both the percentage and the mean score of each section, the "Income statement" was ranked as the most important section among the various sections of corporate annual reports (a percentage of 98.2 % and a mean score of 4.81 with the lowest standard deviation of 0.50, which shows the high level of agreement as to the importance of this section).

Furthermore, the table shows that the "Balance sheet" was ranked as the second most important section. The third section, "Cash flow statement", was ranked third in importance. In addition, none of the respondents rated "Income statement", "Balance sheet" and "Cash flow statement" as completely unimportant. Respondents ranked "Suggested dividends statement" as the fourth section.

"Auditor's report" and "Notes to the accounts", related to preparation of the above main sections, were ranked as the fifth and the sixth section respectively. The "Auditor's report", which should increase the level of confidence that users give to financial reports, was ranked as the fifth most important section. In the interviews, four respondents from the various groups reported that they were not highly confident in this report as auditors receive their fees from the company which they audit and so, it was alleged they accept some purposely misleading errors. Another respondent echoed this view when he reported that some companies show bad or uncollectible debts as doubtful debts, although the company and its auditor are sure that they are bad debts.

"Notes to the accounts" is expected to help all users in general, and financial analysts and members of the regulatory and observatory bodies in particular, in interpreting some numbers appearing in the income statement, balance sheet and other reports. Moreover, they include some information that not presented in the statements.

Table 7.13 Importance of Sections of Corporate Annual Reports (the Overall Sample):

Sections	(1) Completely unimportant %	(2) Fairly unimportant %	(3) Neutral %	(4) Important %	(5) Very Important %	Total %	(4) + (5) %	Mean	S. deviation	Ranking
1- Income statement	0	1.4	.5	14.5	83.7	100	98.2	4.81	0.50	1
2- Balance sheet	0	1.4	1.4	21.3	76.0	100	97.3	4.72	0.82	2
3- Cash flow statement	0	.5	4.1	23.6	71.8	100	95.4	4.67	0.58	3
4- Suggested dividends s.	1.4	.9	4.5	38.6	54.5	100	93.1	4.44	0.75	4
5- Directors' report	1.8	3.7	21.1	45.9	27.5	100	73.4	3.94	0.89	7
6- Auditor's report	.5	3.6	15.8	31.2	48.9	100	80.1	4.24	0.88	5
7- Review of operations	1.8	4.1	21.1	46.3	26.6	100	72.9	3.92	0.90	8
8- Notes to the accounts	.9	3.2	18.2	32.7	45.0	100	77.7	4.18	0.90	6

The "Directors' report", which might include non-financial information about the year and about the future in general, was ranked as seventh in importance. The reason behind that might be that, especially in Egypt and developing countries, such reports only provide a summary of the company's achievements during the last period and do not give as much indication about the future as those of developed countries do. "Review of operations" was ranked as the last section.

The above results were not surprising as the first four sections in the question "Income statement", "Balance sheet", "Cash flow statement", and ""Suggested dividends statement", which were ranked as the most important sections of the corporate annual reports, are broadly accepted as being the foundation of corporate annual reports, especially because they provide different users with the most needed financial information. Furthermore, financial statements in general "are the principal means of communicating accounting information on an entity to interested parties" (ASB, 1999, p. 19).

For instance, one of these statements, the Income statement, provides users with information about trading performance during the year. In other words, it enables its users to consider realised performance during a given year and they might then be able to assess the implications for oncoming years. The Balance sheet also enables its users to assess the financial position of a company. Users of the Balance sheet "are most interested in the types and amounts of assets and liabilities held and the relationship between them, and in

the function of the various assets" (ASB, 1999, p. 96). In addition, users are interested in the cash flow statement when "It shows the extent of which the entity's activities generate and use cash, distinguishing in particular cash flows that are the result of operations from cash flows result from other activities" (ASB, 1999, p.97). The above results are illustrated using percentages in Figure 7.2 below.

Figure 7.2 Importance of Sections of Corporate Annual Reports (the Overall Sample):
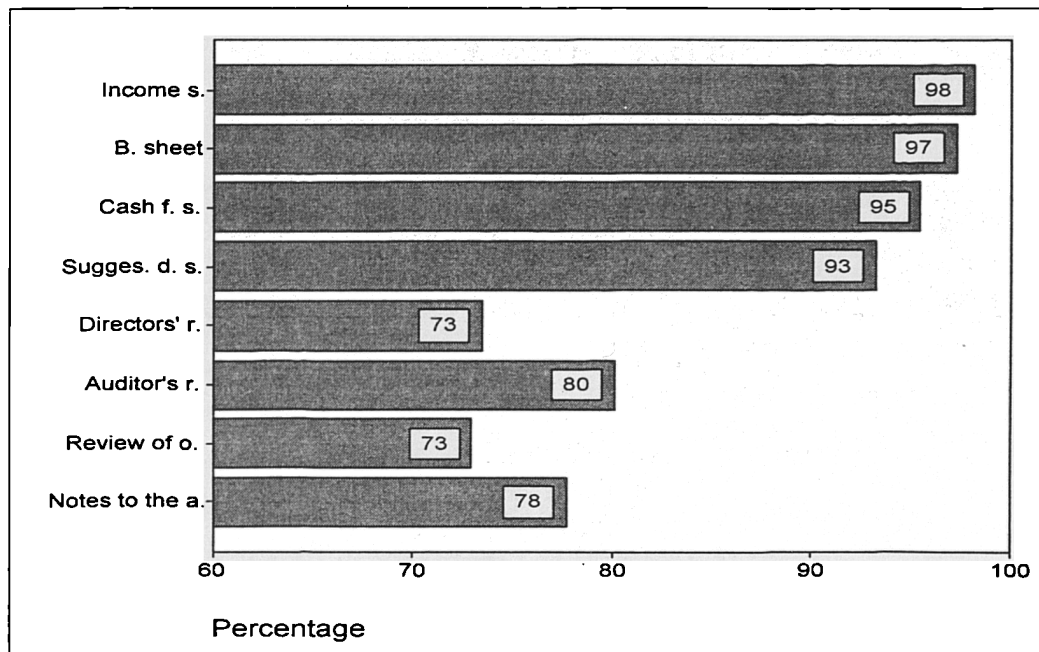
7.4.1.2 Statistical Analysis:

The Chi-square for one sample test has been used to know if any one choice of answer was favoured significantly more than others. Table 7.14, below, shows the results of this test. As all probability values are significant (< 0.05), it is possible to say that respondents' perceptions were not 'equally distributed' among the choices of answers of perceptions of the importance of each section of the corporate annual reports.

Consequently, the answer to the question posed earlier is that there are significant differences in respondents' choice of answers on the perceptions of the importance of various sections of corporate annual reports. With regard to the above results, the null hypothesis $H3_0$: There are no significant differences in respondents' choice of answers on the perceptions the importance of sections of corporate annual reports; would be rejected and the alternative hypothesis ($H3_1$) accepted.

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Table 7.14 Chi-Square Results for Importance of Sections of Corporate Annual Reports (the Overall Sample):

SECTIONS	CHI-SQUARE	DF	ASYMP. SIG.
1- Income statement	417.172	3	.000
2- Balance sheet	330.149	3	.000
3- Cash flow statement	284.545	3	.000
4- Suggested dividends s.	274.045	4	.000
5- Directors' report	146.817	4	.000
6- Auditor's report	179.792	4	.000
7- Review of operations	143.881	4	.000
8- Notes to the accounts	158.136	4	.000

7.4.2 Effect of Background Variables:

In the current section of the chapter, as was done in section 7.3.2, data will be analysed according to various background variables. The purpose of doing this analysis is to investigate whether the differences in background characteristics of respondents affect their perceptions of the importance of each section of the corporate annual reports. So, this section is divided into the following three sub-sections.

7.4.2.1 Effect of Occupation:

The respondents in this sub-section will try to answer the following question: Are there significant differences among respondents (according to their occupation) regarding their perceptions of the importance of sections of the corporate annual reports?

This question could be formulated as a null research hypothesis as follows:

H4.1$_0$ There are no significant differences among respondents (according to their occupation) regarding the importance attached to each section of the corporate annual reports.

7.4.2.1.1 Descriptive Statistics:

Table 7.15 below clearly reveals, according to the percentage and mean score of response for each source, that all study groups gave the "Income statement" a high rank and considered it an important section of the corporate annual reports, because it was ranked the first by four groups, "Financial analysts" (a percentage of 100 % and the highest mean

of 4.88 with the lowest standard deviation of .33), "Decision makers" (a percentage of 96.8 % and the highest mean of 4.87 with the lowest standard deviation of .43), and "Academics" (a percentage of 93.8% and the highest mean of 4.69 with the lowest standard deviation of .77), and "Stock brokers" (a percentage of 100% and the highest mean of 4.74 with the lowest standard deviation of .44), and the second by "Others" (a percentage of 100% and a high mean of 4.79 with a low standard deviation of .41). This result, which agrees with and confirms the finding from the overall sample, indicates that different user groups consider the income statement as a very important section of the corporate annual reports.

Although the "Balance sheet" also received a high ranking by most groups, being rated first by "Decision makers", second by both "Financial analysts" and "Stock brokers", and third by "others", it received a low ranking, fifth, by "Academics".

The "Cash flow statement" received almost equal ranking, the third, from three users groups, while it was ranked as the first by "Others" and the second by "Academics". On the other hand, the "Suggested dividends statement" received almost equal ranking, the fourth, by four of the five user groups, while it was ranked sixth by "Academics".

The above results show some agreement between occupation groups regarding their perceptions of the importance of sections of corporate annual reports and they do not much differ from those of the overall sample. The possible reasons behind that could be the same as those reasons mentioned above when discussing the high rank has given by the overall sample (see: 7.4.1.1 above). For example, "Financial analysts" use these statements to gather information that will enable them to achieve their analysis, forecasts and conclusions regarding the company; "Others" use them to gather information that will help them in performing their work as staff of regulatory and observatory bodies; "Stock brokers" might have considered the "Suggested dividends statement" as the third most important section because, as a result of the nature of their work, they are interested in dividends in general.

Table 7.15 Importance of Sections of Corporate Annual Reports - Respondent Groups (Occupation):

Groups	Sections	Important %	Very important %	Total %	Mean	S. Deviation	Ranking
Financial analysts	1- Income statement	11.8	88.2	100	**4.88**	.33	1
	2- Balance sheet	22.4	77.6	100	4.78	.42	2
	3- Cash flow statement	22.4	73.7	96.1	4.70	.54	3
	4- Suggested dividends s.	36.8	53.9	90.7	4.43	.70	4
	5- Directors' report	42.1	26.3	68.4	3.87	.91	8
	6- Auditor's report	38.2	38.2	76.4	4.11	.86	6
	7- Review of operations	47.4	27.6	75.0	3.97	.85	7
	8- Notes to the accounts	36.8	42.1	78.9	4.17	.87	5
Decision maker	1- Income statement	6.5	90.3	96.8	**4.87**	.43	1
	2- Balance sheet	6.5	90.3	96.8	**4.87**	.43	1
	3- Cash flow statement	22.6	71.0	93.6	4.65	.61	3
	4- Suggested dividends s.	38.7	54.8	93.5	4.48	.63	4
	5- Directors' report	60.0	16.7	76.7	3.87	.78	7
	6- Auditor's report	19.4	51.6	71.0	4.13	1.06	6
	7- Review of operations	35.5	32.3	67.8	3.84	1.10	8
	8- Notes to the accounts	29.0	48.4	77.4	4.16	1.04	5
Academics	1- Income statement	12.2	81.6	93.8	**4.69**	.77	1
	2- Balance sheet	26.5	65.3	91.8	4.51	.82	5
	3- Cash flow statement	22.4	71.4	93.8	4.63	.67	2
	4- Suggested dividends s.	29.2	60.4	89.6	4.37	1.04	6
	5- Directors' report	48.9	29.8	78.7	3.94	1.05	8
	6- Auditor's report	28.6	67.3	95.9	4.59	.70	3
	7- Review of operations	56.5	32.6	89.1	4.20	.69	7
	8- Notes to the accounts	31.3	62.5	93.8	4.54	.68	4
Stock brokers	1- Income statement	25.8	74.2	100	**4.74**	.44	1
	2- Balance sheet	19.4	77.4	96.8	4.74	.51	2
	3- Cash flow statement	36.7	56.7	93.4	4.50	.63	3
	4- Suggested dividends s.	48.4	48.4	96.8	4.42	.67	4
	5- Directors' report	38.7	19.4	58.1	3.77	.76	6
	6- Auditor's report	38.7	25.8	64.5	3.84	.93	5
	7- Review of operations	38.7	3.2	41.9	3.32	.79	8
	8- Notes to the accounts	32.3	9.7	42.0	3.42	81	7
Others	1- Income statement	20.6	79.4	100	4.79	.41	2
	2- Balance sheet	26.5	73.5	100	4.74	.45	3
	3- Cash flow statement	17.6	82.4	100	**4.82**	.39	1
	4- Suggested dividends s.	47.1	52.9	100	4.53	.51	4
	5- Directors' report	47.1	44.1	91.2	4.32	.73	7
	6- Auditor's report	23.5	64.7	88.2	4.53	.71	5
	7- Review of operations	47.1	32.4	79.5	4.03	.94	8
	8- Notes to the accounts	29.4	55.9	85.3	4.38	.82	6

Another point regarding these statements that none of the respondents in any group, with the exception of "Academics", rated any of the four statements, "Income statement", "Balance sheet", "Cash flow statement", and "Suggested dividends statement" as completely unimportant. Furthermore, all respondents in the last group, "Others, rated the four statements as either important or very important.

Other sections, "Directors' report", "Auditor's report", "Review of operations", and "Notes to the accounts", received relatively low rankings. For instance, "Directors' report" was ranked as the sixth section by "Stock brokers", the seventh section by another two, "Decision makers" and "Others", and the eighth by the other two groups. On the other hand, "Auditor's report", which was ranked between the third and the sixth most important section, was given a high ranking by "Academics". This means that "Academics" consider the auditor's report an important section of the corporate annual reports. Academics' ranked the auditor's report higher than those of other groups did. One possible reason for this might be because the other groups have more empirical experience about the stock market in general and the current importance of the auditor's report than the academics. "Review of operations" was ranked lowest by almost all groups as it was ranked as the eighth most important section by three groups and the seventh by the other two groups.

The following are a few points about the above result:

1- The general trend of both the overall sample and occupation groups is roughly the same for the four statements, the foundation of the corporate annual reports, as they received high ranks, while the other sections received low ranks. This result indicates that respondents' occupation does not strongly affect their perceptions of the importance of sections of the corporate annual reports and confirms the previous finding from the overall sample.

2- "Income statement", which was considered as the most important section by the overall sample, was ranked almost the same by the occupation groups, and none of them rated it as completely unimportant.

3- Although the general trend of between groups is almost the same, "Academics" are the only group that differed noticeably from the other groups in their ranking of some sections of the corporate annual reports. They ranked the balance sheet as the fifth section and the suggested dividends statement as the sixth section, while these two statements received higher rankings from other groups. Furthermore, they were the only group that gave the auditor's report a high ranking.

4- "Academics" considered "Notes to the accounts" as the fourth most important section, although it was ranked lower by the other groups. This means that academics considered these notes to be more important than both the balance sheet and the suggested dividends statement. The possible reason behind that might be that academics use these notes more than other groups in the explanation and interpretation of some numbers presented in the financial statements, such as the value of the inventory and fixed assets depreciation.

7.4.2.1.2 Statistical Analysis:

The Kruskal-Wallis Test was used in this section to investigate whether there are significant differences between occupation groups regarding their perceptions of the importance of the sections of corporate annual reports. Table 7.16, below, reveals the results of this test. The table shows that there are no statistically significant differences between the groups in relation to the first four sections, "Income statement", "Balance sheet", "Cash flow statement" and "Suggested dividends statement", as the probability values were 0.331, 0.126, 0.232, 0.968 respectively, meaning that all of them are (> 0.05). On the other hand, the table indicates that there are statistically significant differences across the groups in relation to the other sections as the probability values were significant (< 0.05). Furthermore, this test gives the values of the mean rank of each variable (Appendix E). For instance, the highest mean rank for the "Directors' report" was 136.29 by "Others" while the lowest mean rank was 92.97 by "Stock brokers".

Table 7.16 Kruskal-Wallis Test Results for Difference among Groups (Occupation)
Importance of Sections of Corporate Annual Reports:

SECTIONS	CHI-SQUARE	DF	ASYMP. SIG.
1- Income statement	4.602	4	.331
2- Balance sheet	7.192	4	.126
3- Cash flow statement	5.589	4	.232
4- Suggested dividends s.	.551	4	.968
5- Directors' report	10.744	4	.030
6- Auditor's report	22.321	4	.000
7- Review of operations	21.386	4	.000
8- Notes to the accounts	33.498	4	.000

- Grouping Variable: Occupation

The above results show that there are significant differences in perceptions of four sections ("Directors' report", "Auditor's report", "Review of operations", and "Notes to the

accounts") across the groups and there are no significant differences for the other sections. Correspondingly, the answer to the question posed earlier is that there are significant differences for four of eight sections, across the occupation groups, regarding their perceptions of the importance of the sections of corporate annual reports.

With regard to the above results, it is possible to accept the null hypothesis $H4.1_0$ "There are no significant differences among respondents (according to their occupation) regarding the importance attached to each of the sections of corporate annual reports", for the following sections: "Income statement", "Balance sheet", "Cash flow statement" and "Suggested dividends statement" and reject the alternative $H6_1$. Also, it is possible to reject the same hypothesis ($H4.1_0$) for the other sections, "Directors' report", "Auditor's report", "Review of operations", and "Notes to the accounts", and accept the alternative $H4.1_1$.

7.4.2.2 Effect of Education:

This section aims to answer the following question: Are there significant differences among respondents (according to their level of education) regarding their perceptions of the importance of sections of corporate annual reports?

This question could be expressed as the following null hypothesis:

$H4.2_0$ There are no significant differences among respondents (according to their level of education) regarding the importance attached to each of the sections of corporate annual reports.

7.4.2.2.1 Descriptive Statistics:

According to the percentage and the mean score for each section, Table 7.17 below indicates that both groups, "University degree" and "Above university degree", ranked the first four sections, the four financial statements, as the four most important sections of corporate annual reports. "Income statement" was ranked as the first section by both groups. In the first group, "University degree", all respondents (100 %) believed that the "Income statement" is either important or very important, while 96.20 % in the other group, "Above university degree", did so. It received the highest mean score (4.84 and

4.76) with a low standard deviation (.37 and .61) from the two groups respectively. This means that respondents, regardless of their level of education, considered the "Income statement" as the most important section. Again, this result agrees with and confirms the results for the overall sample.

"Balance sheet" and "Cash flow statement" were ranked in reverse order by the two groups. While the balance sheet was considered the second section by the first group, it was considered the third section by the second group. Conversely, the "Cash flow statement", which was ranked third by the first group, was ranked second by the second group. This result means that the two groups differed slightly in their ranking of these two statements.

The fourth section, "Suggested dividends statement" was considered as the fourth most important section by both groups, meaning that their level of education does not affect their perceptions of the importance of this section.

Table 7.17 Importance of Sections of Corporate Annual Reports - Respondents Groups (Education):

Groups	Sections	Important %	Very Important %	Total %	Mean	S. Deviation	Ranking
U. degree	1- Income statement	15.8	84.2	100	**4.84**	.37	1
	2- Balance sheet	15.8	83.3	99.1	4.82	.40	2
	3- Cash flow statement	23.9	71.7	95.6	4.67	.56	3
	4- Suggested dividends s.	41.2	53.5	94.7	4.46	.65	4
	5- Directors' report	40.7	24.8	65.5	3.83	.90	7
	6- Auditor's report	29.8	42.1	71.9	4.08	.95	5
	7- Review of operations	43.9	21.9	65.8	3.77	.94	8
	8- Notes to the accounts	33.3	34.2	67.5	3.93	.98	6
Above u. d.	1- Income statement	13.2	83.0	96.2	**4.76**	.61	1
	2- Balance sheet	26.4	68.9	95.3	4.61	.67	3
	3- Cash flow statement	23.6	72.6	96.2	4.68	.58	2
	4- Suggested dividends s.	36.2	56.2	92.4	4.47	.83	4
	5- Directors' report	52.9	30.8	83.7	4.17	.87	7
	6- Auditor's report	32.1	56.6	88.7	4.42	.77	6
	7- Review of operations	49.5	32.0	81.5	4.09	.82	8
	8- Notes to the accounts	32.4	57.1	89.5	4.46	.71	5

Another two sections, "Directors' reports" and "Review of operations" received the same ranking (the seventh and the eighth respectively) by the two groups. The rankings of the other two sections, "Auditor' report" and "Notes to the accounts" differed somewhat across the two groups. For example, the "Auditor' report" was ranked fifth by the first

group while it was considered the sixth most important section by the other group. Again, it is possible to say that these results are nearly the same as those of the overall sample, since those four sections were considered less important than the first ones.

7.4.2.2 Statistical Analysis:

The results of the Mann-Whitney Test, which was applied to investigate whether there are significant differences between the two groups concerning their perceptions of the importance of sections of the corporate annual reports, are reported in Table 7.18, below.

This table reveals that there are no statistically significant differences, for three sections, "Income statement", "Cash flow statement" and "Suggested dividends statement", between the two groups as the probability values are not significant (> 0.05). On the other hand, there are statistically significant differences for the other sections, since their values are significant (< 0.05). In addition, the test gives the values of the mean rank of each section. For example, for "Notes to the accounts" which has a significant value, the highest mean rank was 127.32 by "Above university degree" while the lowest mean rank was 94.04 by "University degree".

Table 7.18 Mann-Whitney Test Results of Difference among Groups (Education)
Importance of Sections of Corporate Annual Reports:

SECTIONS	MANN-WHITNEY U	WILCOXON W	Z	ASYMP. SIG. (2-TAILED)
1- Income statement	5934.000	11605.000	-.357	.721
2- Balance sheet	5135.500	10806.500	-2.602	.009
3- Cash flow statement	5925.500	12366.500	-.173	.862
4- Suggested dividends s.	5902.500	12457.500	-.200	.842
5- Directors' report	4888.500	11329.500	-2.292	.022
6- Auditor's report	4836.500	11391.500	-2.775	.006
7- Review of operations	4749.000	11304.000	-2.603	.009
8- Notes to the accounts	4166.000	10721.000	-4.172	.000

- Grouping Variable: Education

The above results suggest that there are no significant differences between the groups in perceptions of three ("Income statement", "Cash flow statement" and "Suggested dividends statement" of eight sections, while there are significant differences in regard to the other five sections. Thus, the answer to the question is that there are no significant differences for three sections, while for five sections there are significant differences

between the education groups regarding their perceptions of the importance of sections of the corporate annual reports.

In the light of the above results, it is possible to accept the null hypothesis $H4.2_0$ "There are no significant differences among respondents (according to their level of education) regarding the importance attached to each section of corporate annual reports"; for the following sections: "Income statement", "Cash flow statement" and "Suggested dividends statement", and reject the alternative hypothesis ($H4.2_1$). Also, it is possible to reject the same hypothesis ($H4.2_0$) for the other sections, "Balance sheet", "Directors' report", "Auditor's report", "Review of operations", and "Notes to the accounts", and accept the alternative hypothesis ($H4.2_1$).

7.4.2.3 Effect of Experience:

The current section is intended to help in answering the following question: Are there significant differences among respondents (according to their experience) regarding their perceptions of the importance of sections of corporate annual reports?

The above question could be formulated as the following null hypothesis:

$H4.3_0$ There are no significant differences among respondents (according to their experience) regarding the importance attached to each of the sections of corporate annual reports.

7.4.2.3.1 Descriptive Statistics:

Table 7.19 below reveals that both groups, "After 1991" and "Before 1991", gave the first three sections the same ranking, since they were ranked as the first, the second, and the third section respectively. For instance, "Income statement" was ranked as the most important section by both groups (a percentage of 99.1 % and the highest mean score of 4.82 with the lowest standard deviation of .40 by the first group and a percentage of 97.2 % and the highest mean score of 4.79 with the lowest standard deviation of .58 by of the other).

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These results are consistent with and verify those of the overall sample which, also, ranked the first three sections as the first, the second, and the third respectively. The above result suggests that respondents' experience does not affect their perceptions of the importance of the first three sections, as both groups ranked them in the same way.

The rankings given to the other sections differed somewhat between the two groups. For example, "Suggested dividends" was ranked as the fourth by "After 1991" while it was ranked as the sixth by the other group, "Before 1991". The above result leads to the conclusion that these results were almost the same as those reported for the overall sample, because most those sections were regarded as less important than the others.

Table 7.19 Importance of Sections of Corporate Annual Reports - Respondent Groups (Experience):

Groups	Sections	Important %	Very important %	Total %	Mean	S. Deviation	Ranking
After 1991	1- Income statement	15.8	83.3	99.1	4.82	.40	1
	2- Balance sheet	22.8	75.4	98.2	4.74	.48	2
	3- Cash flow statement	26.5	69.0	95.5	4.65	.57	3
	4- Suggested dividends	37.7	55.3	93.0	4.47	.65	4
	5- Directors' report	43.0	23.7	66.7	3.85	.85	7
	6- Auditor's report	34.2	36.8	71.0	4.03	.92	5
	7- Review of operations	43.0	19.3	62.3	3.72	.92	8
	8- Notes to the accounts	34.2	31.6	65.8	3.91	.93	6
Before 1991	1- Income statement	13.1	84.1	97.2	4.79	.58	1
	2- Balance sheet	19.6	76.6	96.2	4.70	.63	2
	3- Cash flow statement	20.6	74.8	95.4	4.69	.59	3
	4- Suggested dividends	39.6	53.8	93.4	4.41	.84	6
	5- Directors' report	49.0	31.7	80.7	4.04	.92	8
	6- Auditor's report	28.0	61.7	89.7	4.48	.78	4
	7- Review of operations	50.0	34.6	84.6	4.13	.83	7
	8- Notes to the accounts	31.1	59.4	90.5	4.46	.78	5

7.4.2.3.2 Statistical Analysis:

Table 7.20, below, reveals the results of the Mann-Whitney Test. The results show that there are no statistically significant differences for the four sections, "Income statement", "Balance sheet", "Cash flow statement" and "Suggested dividends statement", between the two study groups, since all probability values are non-significant (> 0.05). Conversely, there are statistically significant differences for the other four sections because their values are significant (< 0.05). The values of the mean rank of each section were also calculated

by this test. For instance, for "Directors' report", the highest mean rank was 117.86 while the lowest one was 101.88.

Table 7.20 Mann-Whitney Test Results of Difference among Groups (Experience) Importance of Sections of Corporate Annual Reports:

SECTIONS	MANN-WHITNEY U	WILCOXON W	Z	ASYMP. SIG. (2-TAILED)
1- Income statement	6073.000	12628.000	-.085	.932
2- Balance sheet	6060.000	12615.000	-.111	.912
3- Cash flow statement	5721.000	12162.000	-.876	.381
4- Suggested dividends s.	5955.500	11626.500	-.208	.836
5- Directors' report	5018.000	11573.000	-2.096	.036
6- Auditor's report	4340.000	10895.000	-4.019	.000
7- Review of operations	4334.000	10889.000	-3.669	.000
8- Notes to the accounts	3940.500	10495.500	-4.782	.000

- Grouping Variable: Years of experience

The above results indicate that there are no significant differences between the groups in perceptions of the first four sections while there are significant differences for the other four sections. As a consequence, the answer to the question is that there are no significant differences for four sections, while there are significant differences for the others, between the groups regarding their perceptions of the importance of sections of the corporate annual reports. Taking the above results into consideration, it is possible to accept the null hypothesis H4.3$_0$ "There are no significant differences among respondents (according to their occupation) regarding the importance attached to each of the sections of corporate annual reports", for the first four sections: "Income statement", "Balance sheet", "Cash flow statement" and "Suggested dividends statement" and reject the alternative H4.3$_1$. Also, it is possible to reject the same hypothesis (H4.3$_0$) for the other sections, "Directors' report", "Auditor's report", "Review of operations", and "Notes to the accounts", and accept the alternative H4.3$_1$.

7.4.3 Comparing the Results with the Results of Other Studies (Importance of Sections of Corporate Annual Reports):

The above results revealed that both "Income statement" and "Balance sheet" received the highest rankings from the whole sample and from most respondent groups, while other sections such as "Review of operations" and "Directors' report" were ranked lowest by the

whole sample and most sub-groups. This section of the chapter will present a comparison between the findings of the current study and corresponding results from other similar studies whether in Egypt (Table 21a) or in other developed and developing countries (Table 21b).

Table 7.21a, below, reveals that "Income statement", which was ranked as the most important section by the overall sample (a percentage of 98.2% and a mean score of 4.81), financial analysts, and other three groups of users in the current study, was ranked differently by the overall sample and financial analysts in Shohaieb's study (1990). For example, 86.6% of his sample perceived it as an important or very important section. Besides, it was ranked as the second section in importance, with a mean score of 4.5, in Ali's study (1992) and received the same ranking, as the second section, with a percentage of 94.3%, by users in Almelegy' study (1998), while the other group in the same study, regulators, ranked it as the first section (a percentage of 96.9%). This section was ranked similarly to the present study, as the most important section by users in Mohamed's study (1991), and by regulators in Almelegy's study (1998).

Table 7.21b, below, shows results of other studies whether in developed or developing countries. In studies carried out in developing countries (Abu-Nassar and Rutherford 1996 and Alrazeen 1999), "Income statement" was also ranked similarly to the current study, as the most important section, while in studies carried out in developed countries "Income statement" received almost the same ranking. For instance, in Epstein and Pava (1993) and Bartlett and Chandler (1997) "Income statement" was perceived as the third section while investors in Anderson and Epstein's study (1996) considered it as the second (in the USA and Australia) and the third (in New Zealand).

This study's result regarding "Income statement" is completely consistent with the findings reported by Mohamed (1991), Abu-Nassar and Rutherford (1996) and Alrazeen (1999), while it is slightly different from the findings of both Ali (1990) and Almelegy (1998), as respondents in these studies gave "Income statement" a high ranking, as the second most important section. Also, this finding differs slightly from developed country studies.

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Table 7.21a Comparing Results of the Current Study with Those of Other Egyptian Related Studies:

Sources	The Current Study (1)							Shohaieb (2)					Mohamed 91 (3)		Ali 92 (4)		Almeleey 98 (5)			
	The Overall Sample			F. Analysts		Others		The Overall Sample			F. Analysts		The Overall Sample		The Overall Sample		Users		Regulators	
	R.	Mean	%	R.	Mean	R.	Mean	R.	Mean	%	R.	Mean	R.	Points	R.	Mean	R.	%	R.	%
1- Income statement	1	4.81	98.2	1*	4.88	2	4.79	4	1.78	86.6	4	2.08	1	146	2**	4.5	2	94.3	1	96.9
2- Balance sheet	2	4.72	97.3	2	4.78	3	4.74	3	1.39	91.7	2	1.21	3	101	1	4.5	1	95.6	1	96.9
3- Cash flow statement	3	4.67	95.4	3	4.70	1	4.82	-	-	-	-	-	-	-	-	-	4	91.5	4	88.8
4- Suggested dividends statement	4*	4.44	93.1	4	4.43	4	4.53	-	-	-	-	-	-	-	-	-	-	-	-	-
5- Directors' report	7	-3.94	73.4	8	3.87	7	4.32	6	2.00	77.1	6	2.36	2	111	6	3.9	5	82.3	5	78.8
6- Auditor's report	5	4.24	80.1	6	4.11	5	4.53	1	1.30	94.7	3	1.30	4	69	3	4.2	3	92.0	3	92.5
7- Review of operations	8	3.92	72.9	7	3.97	8	4.03	7	2.21	54.5	5	2.11	-	-	-	-	-	-	-	-
8- Notes to the accounts	6	4.18	77.7	5	4.17	6	4.38	2	1.32	92.5	1	1.17	-	-	5	4.1	-	-	-	-

(1) Rank based on the mean value; mean value – scoring: 1 = completely unimportant, 5 = very important.
(2) Rank based on the mean value; mean value – scoring: 1 = very important, 5 = unimportant.
(3) Rank based on points which were calculated to each section.
(4) Rank based on the mean value; mean value – scoring: 1 = Unimportant, 5 = very important.
(5) Rank based on percentages which were calculated to each section.
* "Suggested dividends statement" is not compared, as listed companies started preparing it, as one of the requirements of the EAS, after 1997.
** *Standard deviation value of the balance sheet was less than that of the income statement.*

Table 7.21b Comparing Results of the Current Study with Those of Other Related Studies in Developed and Developing Countries:

Sources	The Current Study (1)	Abu-Nassar & Rutherford 96 Jordan (2)	Al-Razeen 99 S.A. (3)	Epstein & Pava 93 USA (4)	Anderson & Epstein 96 (5)			Bartlett & Chandler 97 UK (6)
					USA	Australia	New Z.	
1- Income statement	1	1	1	3	2	2	3	3
2- Balance sheet	2	2	2	1	1	3	4	8
3- Cash flow statement	3	-	5	3	4	8	7	10
4- Suggested dividends statement	4	-	-	-	-	-	-	-
5- Directors' report	7	6	7	4	-	5	6	-
6- Auditor's report	5	3	3	5	8	10	10	12
7- Review of operations	8	-	-	-	11	-	8	6
8- Notes to the accounts	6	4	4	6	9	9	9	11

(1) Rank based on the mean value; mean value – scoring: 1 = completely unimportant, 5 = very important.
(2) Rank based on the mean value of users' perceptions.
(3) Rank based on the mean value of users' perceptions.
(4) Rank based on the percentages of users' rating of the most useful sections.
(5) Rank based on the percentages of users who believe the section is useful to investment decisions.
(6) Ranking the mean value of users' rating of the various sections of corporate annual reports.

The second section, "Balance sheet", received a high ranking in most studies. In the present study it was ranked as the second most important section (a mean score of 4.72 and a percentage of 97.3. Similar results were reported by Shohaieb (1990), for the financial analysts group, and by other studies carried out in developing countries (Abu-Nassar and Rutherford, 1996 and Alrazeen, 1999. Additionally, "Balance sheet" was considered more important, as users ranked it as the most important section in some studies, whether in Egypt or in the US. For example, in Ali's study (1992) "Balance sheet", which was perceived as the most important section, received a mean score of 4.5. Furthermore, in Almelegy's (1998), 95.6% of users and 96.9% of regulators perceived "Balance sheet" as the most important section of corporate annual reports. The same result was reported by Epstein and Pava, 1993 and Anderson and Epstein, 1996. However, "Balance sheet" was considered less important by investors, as it was ranked as the third and the fourth, by investors in Australia and New Zealand respectively, in Anderson and Epstein (1996).

Furthermore, Table 7.21a shows that perceptions of other sections such as "Directors' report", "Review of operations" and "Notes to the accounts", in general, are not very different in the current study from most studies carried in Egypt. For instance, "Directors' report", which is ranked as the seventh section in importance (a mean score of 3.94 and percentage of 73.4%), was perceived as the sixth in Ali's study (1992) with a mean score of 3.9 and in Shohaieb's study (1990) with a percentage of 77.1%. However, this section, "Directors' report", was perceived as the second in importance in Mohamed's study (1991)

"Auditor's report" which received a relatively low ranking in the present study (a mean score of 4.24 and a percentage of 80.1%), was ranked as the most important section by the overall sample in Shohaieb's study (1990) with a percentage of 94.7% and as the third by financial analysts in the same study, by users in Ali's study (1992) with a mean rank of 4.2, by users (a percentage of 92.0%) and regulators (a percentage of 92.5%) in Almelegy (1998), and by studies in developing countries. In contrast, this report received low rankings in Anderson and Epstein (1996) and Bartlett and Chandler (1997).

The findings also reveal that users' perceptions of the importance of other sections in Egypt have not changed radically over the last ten years, as they were ranked almost the same by users in the present study as by one or more of the other three studies carried out in Egypt. The previous findings suggest that the contemporary changes in financial reporting practice in Egypt have had little effect on the users' perceptions of the importance attached to those sections. The above findings were expected because these changes do not much affect the form or contents of most of these compared sections. Moreover, the findings suggest that not only is there no complete consistency among all studies regarding any single section, but also there is no complete consistency between those carried out in Egypt and in developed countries. Accordingly, the above findings suggests that the answer to the related question "Do changes in the financial reporting practice in Egypt during the last decade affect the importance given to each section of corporate annual reports?" is that these changes have a weak effect in the users' perceptions of the importance attached to these sections of corporate annual reports.

Moreover, the above results could suggest that users' perceptions of the importance of most sections of corporate annual reports in both Jordan and Saudi Arabia are similar to those in Egypt. In addition, the American individual investors in the Epstein and Pava (1993) study consistently ranked some sections of corporate annual reports such as "Cash flow statement", "Auditor's report" and "Notes to the accounts" in the same way as respondents in the current study did.

Also, the findings suggest that the answer to the related question "Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?" is that there is no difference between this study and those compared studies carried out in developing countries, while there are these is some differences between the results of this study and those in developed countries studies.

7.5 Summary:

The chapter was divided into three main sections. Section 7.2 described the various respondent groups including the distribution of respondents according to their occupation, their level of education, and their experience.

Section 7.3 was devoted to an investigation of the importance of various sources of financial information. In that section, descriptive statistics and non-parametric tests were used to analyse respondents' perceptions of the importance of the various sources of financial information in relation to their occupation, level of education, and years of experience. Many purposes were behind this analysis: first, to identify where the corporate annual reports stand in relation to other sources of financial information; second, to examine whether there are significant differences in respondents' perceptions, in the overall sample, of the importance of various sources of financial information; third, to examine whether the differences in background characteristics of respondents affect their perceptions of the importance of each of the financial information sources.

Section 7.4 presents findings on the importance of various sections of the corporate annual reports. Respondents' perceptions of the importance of the different sections of corporate annual reports were analysed in relation to their background characteristics. The purpose of this analysis was first, to examine whether there are significant differences in respondents' perceptions, in the overall sample, of the importance of sections of corporate annual reports; second, to examine whether the differences in background characteristics of respondents affect their perceptions of the importance of each section of corporate annual reports. Lastly, in sections 7.4.3 and 7.3.3, a comparison was presented between the results of the present study and those similar parts in other related studies carried out whether in Egypt, other developing countries, or some developed countries.

CHAPTER EIGHT

Users' Perceptions of the QCOAI

8.1 Introduction:

Chapter 3 of the thesis presented theoretical analysis of the QCOAI proposed in accounting literature. This theoretical analysis assisted in choosing what the researcher believed to be a suitable set of QCOAI that could be used to investigate the usefulness of financial information presented by the listed companies in Egypt in the light of the disclosure requirements of both the EASs issued in 1997, the listing rules of the CASE and the related laws such as the CML No. 95/1992.

In the previous chapter the survey findings about users' perceptions of the importance of the various sources of financial information and the different sections of corporate annual reports were reported. In addition, a comparison between the findings of the current study and those of other similar studies, whether in developed or developing countries including those accomplished in Egypt, was carried out.

In the present chapter, further analysis of the survey data will be carried out regarding the users' perceptions of the selected set of QCOAI and their opinions about specific characteristics, whether included in the selected set of QCOAI or not (section 8.2); and the importance attached to each QCOAI and their ranking (section 8.3).

8.2 Users' Perceptions of the Suitability of the Selected Set of QCOAI:

In question 3.1 respondents were asked about the extent of their agreement about the suitability and applicability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports. They were asked also, in question no 3.4, about their agreement with 5 different statements. The first three statements were about the importance of some characteristics included in the selected set of QCOAI namely "relevance", "reliability" and "understandability", while the other two were about characteristics not included in the selected set of QCOAI, namely, "uniformity" and "prudence" (see 3.3 of Chapter 3 and 6.5 of Chapter 6). A five-point response scale was used, with "1" meaning strongly disagree and "5" meaning strongly agree.

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This section of the chapter aims to investigate two main points: first, respondents' perceptions of the suitability and applicability of the selected set of QCOAI, in the evaluation of the usefulness of financial information provided in corporate annual reports presented by the listed companies in Egypt; second, respondents' opinions regarding specific QCOAI included and not included in the selected set of QCOAI.

To achieve this aim, this section is dedicated to answering research questions and testing research hypotheses which have been defined in details in 6.2.3 of Chapter 6 (page 176 – 177).

Therefore, this part of the chapter presents the results from questions 3.1 and 3.4 (refer to Appendix A, part three). Although there is no full agreement in the literature regarding definitions of each of the QCOAI, the researcher attached a list of the most acceptable definitions of the QCOAI used in this study to the questionnaire. This was done for several reasons. First, during the pre pre-test stage, the researcher received some comments, from Egyptian students studying for a Ph.D. in Accounting in the UK, that such a list needed to be attached to the questionnaire to assist respondents in completing it (see 6.4.6.1 of Chapter 6); second, the pre- test (the pilot study) carried out in Egypt suggested that such a list was necessary for respondents, especially as some respondents clearly mentioned the importance of such a list; third, the researcher thought it would be useful if the questionnaire included such a list, particularly as the source of definitions of most characteristics is the IASs, which is the base of the current EASs.

8.2.1 The Overall Sample:

8.2.1.1 Descriptive Statistics:

The results of analysing these two questions, questions nos. 3.1 and 3.4, will be presented using the percentage to describe the proportions of the answers. Table 8.1 below reveals the percentages of each variable. As can be seen from the table, according to the percentage, clearly, respondents (the overall sample) agree of that the selected set of QCOAI is suitable to evaluate the usefulness of financial information provided in corporate annual reports. The table shows that 98.1% of them agreed or strongly agreed, 1.9% gave a neutral response, while none of respondents chose disagree or strongly disagree. This result

suggests that respondents considered that the selected set of QCOAI is suitable to be used in the evaluation of the usefulness of financial information provided in corporate annual reports and reflect the high level of agreement that it receives. The reason behind this high agreement with the selected set may be because it includes many characteristics that heighten the usefulness of financial information and hence have been suggested by other studies, whether by respected accounting bodies such as the ASB in the UK, the FASB in the US and the IASC, or by individual academics.

Respondents were also asked to express the extent of their agreement regarding five statements about 5 specific characteristics. Three of them (relevance, reliability, and understandability) have been included in the selected set, while the other two (uniformity and prudence) have not.

Table 8.1 Users' Perceptions of the Suitability of Selected Set of QCOAI (the Overall Sample):

	(1) + (2) Disagreement	(3) Neutral	(4) + (5) Agreement
	%	%	%
1- Selected set of QCOAI	0	1.9	98.1
2- Absence of relevance	6.3	13.1	80.6
3- Absence of reliability	2.8	9.5	87.7
4- Absence of understandability	2.7	11.9	85.4
5- Neglecting uniformity	35.4	29.0	35.5
6- Neglecting prudence	37.7	19.5	42.8

The first statement is: *The complete absence of "relevance" leads wholly to useless information provided in corporate annual reports.* Table 8.1 above, reveals that respondents (the overall sample) agreed with the statement, as 80.6% chose agree or strongly agree, while only 6.3% chose disagree or strongly disagree and 13.1% were neutral. This result reflects respondents' agreement regarding the importance of relevance and effects of its absence on the usefulness of financial information.

The second statement is: *The complete absence of "reliability" leads wholly to useless information provided in corporate annual reports.* Also, the table reveals that respondents showed a high level of agreement regarding this statement. 87.7% of respondents chose agree or strongly agree, while just 2.8% chose disagree or strongly disagree and 9.5% were neutral. The above finding reflects a high level of agreement among respondents regarding the importance of this characteristic and the effects of its

absence on the usefulness of financial information. The above results agree with and support what has been suggested in the current study (refer to 3.3 of Chapter 3) and in other studies (e.g., ASB, 1999b; IASC, 2000; FASB, 1999, SFAC No.2; Shohaieb, 1990; Snavely, 1967) that relevance and reliability are high level or first level characteristics and a minimum level of both must be found in financial information, to be useful.

The third statement is: *The complete absence of "understandability" leads wholly to useless information provided in corporate annual reports.* It can be seen from Table 8.1 that respondents show a high level of agreement with the statement as 85.4% of respondents chose agree or strongly agree, while only 2.7% chose disagree or strongly disagree and the rest (11.9%) are neutral. As was the case for relevance and reliability, this result reflects a high level of agreement regarding the importance of understandability and effects of its absence on the usefulness of financial information. This result agrees with what has been suggested by other studies (e.g., ASB, 1999b; FASB, 1999, SFAC No.2) that understandability is a basic or high level characteristic, and supports the suggestion in 3.3 of Chapter 3 that understandability is a basic characteristic and financial information will not be useful for its users unless they understand it, even if it is relevant to the decision or it is reliable.

The fourth statement is: *In the light of the significant changes in the Egyptian economic environment, such as privatisation and the growth in the stock market, it is possible to omit "uniformity" from a selected set of qualitative characteristics of accounting information for the purposes of evaluating the usefulness of information provided in corporate annual reports.* Table 8.1 reveals that respondents' choices of answers were divided nearly equally between agreement and disagreement with the statement. 35.6% of them chose agree or strongly agree, while nearly the same percentage (35.4%) chose disagree or strongly disagree. The rest of the respondents (29%) chose a neutral response. This result shows a lack of agreement among respondents about whether this characteristic should be included in or excluded from the selected set of QCOAI in the light of the changes in the Egyptian economic environment and suggests that more studies are needed in future to investigate users' perceptions of the importance of uniformity. The

reason behind this result is that in the late 1990s, after the privatisation of many of the public companies, some people have argued that there is less need for the UAS and for uniformity in general.

Users' perceptions of the importance of this characteristic were tested by Shohaieb, who carried out his study before these changes in the Egyptian economic environment, and 51% of his sample chose slightly unimportant or not important at all, while 38.8% chose important or very important, regarding this characteristic.

The fifth statement is: *It is possible to omit "prudence" from a selected set of qualitative characteristics of accounting information for the purposes of evaluating the usefulness of information provided in corporate annual reports, because it might conflict with other characteristics such as "faithful representation", "consistency", and "relevance".* Table 8.1 shows that 42.8% of respondents agreed or strongly agreed with the statement, while 37.7% chose disagree or strongly disagree. The others (19.5%) were neutral. The above result reflects that there is a lack of agreement among respondents regarding whether or not this characteristic should be included in the selected set of QCOAI. The reason behind this result may be that the complete application of prudence might lead to a distortion of accounting numbers. One academic interviewed reported that this characteristic might conflict with another important characteristic, relevance, and if this is the case, prudence could be neglected as relevance is very important to investors' decisions.

In the light of the above findings, the answer to the question, What are the users' perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports?, is that respondents agree that the selected set of QCOAI is suitable to be used in evaluation of the usefulness of financial information provided in corporate annual reports.

8.2.1.2 Statistical analysis:

To test if any one choice of answer was favoured significantly more than others, the Chi-square for one sample was used. Table 8.2, below, reveals the results of this test. The table shows that all probability values are significant ($p < 0.05$), so it is possible to say that

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respondents' answers were not 'equally distributed' among the choices of each question. Consequently, the answer to the question posed earlier is that there are significant differences in respondents' perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports.

Table 8.2 Chi-square Results for Users' Perceptions of the Suitability of the Selected Set of QCOAI (the Overall Sample):

	Chi-Square	Df	Asymp. Sig.
1- Selected set of QCOAI	102.514	2	.000
2- Absence of relevance	103.652	3	.000
3- Absence of reliability	233.412	4	.000
4- Absence of understandability	114.900	3	.000
5- Neglecting uniformity	37.724	4	.000
6- Neglecting prudence	54.093	4	.000

With regard to the above results, the null hypothesis $H5_0$: There are no significant differences in respondents' choice of answers on the perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual report; would be rejected and the alternative hypothesis ($H5_1$) accepted.

8.2.2 Effect of Background Variables

This section of the chapter is devoted to analysis of respondents' perceptions in relation to their occupation, level of education, and years of experience. The purpose here is to investigate whether the differences in background characteristics of respondents affect their perceptions of the suitability of the selected set of QCOAI and their opinions about some specific QCOAI included and not included in the selected set of QCOAI.

8.2.2.1 Effect of Occupation:

The aim of this sub-section is to answer the following question: Are there significant differences among respondent groups, according to their occupation, regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports?

To answer the above question, the following null hypothesis is formulated:

$H6.1_0$ There are no significant differences among respondent groups (according to their occupation) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports.

8.2.2.1.1 Descriptive Statistics:

According to the percentage, Table 8.3 below shows that none of respondents in the five groups chose disagree or strongly disagree. Furthermore, all groups almost completely agreed that the selected set of QCOAI is suitable. All respondents, 100%, in two groups, "Stock brokers" and "Others", chose agree or strongly agree, and nearly all of them in the other groups, 97.3% of "Financial analysts", 96.8% of "Decision makers", and 97.9% of "Academics", also chose agree or strongly agree.

Table 8.3 Users' Perceptions of the Suitability of Selected Set of QCOAI: Respondent Groups (Occupation)

	Groups	(1) + (2) disagreement %	(3) Neutral %	(4) + (5) agreement %
Financial analysts	1- Selected set of QCOAI	0	2.8	97.3
	2- Absence of relevance	6.7	17.3	76.0
	3- Absence of reliability	2.7	9.3	88.0
	4- Absence of understandability	2.7	10.7	86.7
	5- Neglecting uniformity	29.8	40.5	29.7
	6- Neglecting prudence	34.3	21.9	43.8
Decision makers	1- Selected set of QCOAI	0	3.2	96.8
	2- Absence of relevance	9.4	12.5	78.1
	3- Absence of reliability	3.1	15.6	81.2
	4- Absence of understandability	3.1	3.1	93 8
	5- Neglecting uniformity	45.2	25.8	29.1
	6- Neglecting prudence	51.6	9.7	38.7
Academics	1- Selected set of QCOAI	0	2.1	97.9
	2- Absence of relevance	6.1	6.1	87.7
	3- Absence of reliability	4.0	2.0	93.9
	4- Absence of understandability	2.1	23.4	74.5
	5- Neglecting uniformity	31.3	27.1	41.6
	6- Neglecting prudence	34.1	21.3	44.7
Stock brokers	1- Selected set of QCOAI	0	0	100
	2- Absence of relevance	0	12.9	87.1
	3- Absence of reliability	0	12.9	87.1
	4- Absence of understandability	3.2	16.1	80.7
	5- Neglecting uniformity	30.0	23.3	46.6
	6- Neglecting prudence	22.6	25.8	51.6
Others	1- Selected set of QCOAI	0	0	100
	2- Absence of relevance	8.8	14.7	76.5
	3- Absence of reliability	2.9	11.8	85.3
	4- Absence of understandability	2.9	2.9	94.1
	5- Neglecting uniformity	50	14.7	35.3
	6- Neglecting prudence	51.6	15.2	33.3

The above result, which confirms the finding of the overall sample, reflects the high level of agreement that the selected set of QCOAI received from respondents, regardless of their occupation, and also suggests that respondents' occupation does not affect their perceptions. The reason behind this high agreement might be the same as that mentioned for the overall sample.

Regarding the five statements, the same table reveals that, generally, there are no significant differences in respondents' agreement regarding the five statements among the five groups. The table shows that 67% of "Financial analysts", 78.1% of "Decision makers", 87.7% of "Academics", 87.1% of "Stock brokers", and 76.5% of "Others" agreed or strongly agreed with the first statement. The second statement received larger percentages of agreement than the first one, as 88% of "Financial analysts", 81.2% of "Decision makers", 93.9% of "Academics", 87.1% of "Stock brokers", and 85.3% of "Others" agreed or strongly agreed with the statement.

Moreover, 86.7% of "Financial analysts", 93.8% of "Decision makers", 74.5% of "Academics", 80.7% of "Stock brokers", and 94.1% of "Others" agreed or strongly agreed with the third statement. Two points should be noted about the above results. First, there is not much difference among the five groups regarding the percentages of respondents who agreed or strongly agreed with the three statements; second, "Academics" showed more agreement with the first two statements (about relevance and reliability) than other groups and less agreement with the third one (about understandability) than other groups. One reason may be that "Academics", as a sophisticated group, have less problem with "understandability" than other groups and are more interested in "relevance and reliability" as they assist investors in making their decisions.

Respondents' choices for the last two statements were divided between agreement, disagreement and neutrality towards the statements. For instance, 29.7% of "Financial analysts" chose agree or strongly agree, while 29.8% of them chose disagree or strongly disagree, and the rest (40.5%) were neutral. This result reflects the low level of agreement among respondents about including or excluding the two characteristics. It should be noticed that "Decision makers" and "Others" showed more disagreement with the two statements than other groups, while "Academics" and "Stock brokers" showed more agreement with the two statements then other groups.

Again, these results support what has been concluded above, that respondents' occupation does not affect their perception, especially as the results agree with that of the overall sample, in that the majority of respondents chose agree or strongly agree for the

first three statements, while their choices were divided between agreement, disagreement, and neutrality for the other two statements.

8.2.2.1.2 Statistical Analysis:

The results of the Kruskal - Wallis Test in Table 8.4 below indicate that there are no statistically significant differences in perceptions of all variables across the occupation groups as all probability values were non-significant ($p > 0.05$). Also the test presents the values of the mean rank of each variable (Appendix E).

Table 8.4 Kruskal-Wallis Test Results for Difference among Groups (Occupation) Users' Perceptions of the Suitability of Selected Set of QCOAI:

	Chi-Square	Df	Asymp. Sig.
1- Selected set of QCOAI	2.959	4	.565
2- Absence of relevance	5.217	4	.266
3- Absence of reliability	.846	4	.932
4- Absence of understandability	6.799	4	.147
5- Neglecting uniformity	6.379	4	.173
6- Neglecting prudence	5.091	4	.278

- Grouping Variable Occupation

The above results suggest that there are no significant differences in respondents' perceptions across the occupation groups. Accordingly, the answer to the related question is that there are no significant differences. So, it is possible to accept the null hypothesis H6.1$_0$ "There are no significant differences among respondent groups (according to their occupation) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports"; and reject the alternative hypothesis (H6.1$_1$).

8.2.2.2 Effect of Education:

This section is about investigation of the effect of respondents' education. It aims to answer the following question: Are there significant differences among respondent groups, according to their level of education, regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports?

The above question could be formulated as the following null research hypothesis: H6.2$_0$ There are no significant differences among respondent groups (according to their

level of education) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports.

8.2.2.2.1 Descriptive Statistics:

Table 8.5 below shows, according to percentages, that both groups, "University degree" and "Above university degree", nearly completely agree that the selected set of QCOAI is suitable. 97.3% of "University degree" and 99% of "Above university degree" chose agree or strongly agree. This result, which confirms the finding of the overall sample and of the occupation groups, also reflects the high level of agreement that the selected set of QCOAI received from respondents, regardless of their level of education. The above result, also, suggests that respondents' level of education does not affect their perceptions.

The table also shows that there are no serious differences between respondents with a university degree and those with a higher qualification regarding the five statements. The table shows that 67% of "University degree" and 82.1% of "Above university degree", 85.9% of "University degree" and 90.6% of "Above university degree", and 86.8% of "University degree" and 84.6% of "Above university degree" agreed or strongly agreed with the first, the second, and the third statement respectively.

**Table 8.5 Users' Perceptions of the Suitability of Selected Set of QCOAI:
Respondent Groups (Education)**

	Groups	(1) + (2) Disagreement	(3) Neutral	(4) + (5) Agreement
University degree	1- Selected set of QCOAI	0	2.7	97.3
	2- Absence of relevance	6.1	14.9	78.9
	3- Absence of reliability	0.9	13.2	85.9
	4- Absence of understandability	3.5	9.6	86.8
	5- Neglect uniformity	30.3	35.7	34.0
	6- Neglect prudence	33.7	23.0	43.4
Above university degree	1- Selected set of QCOAI	0	1.0	99.0
	2- Absence of relevance	6.6	11.3	82.1
	3- Absence of reliability	4.7	4.7	90.6
	4- Absence of understandability	1.0	14.4	84.6
	5- Neglect uniformity	40.4	22.1	37.5
	6- Neglect prudence	41.6	15.8	42.6

Respondents' choices for the other two statements, about uniformity and prudence, were divided among the agreement, disagreement and neutrality towards the statements.

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For example, 34% of "University degree" and 37.5% of "Above university degree" agreed or strongly agreed that it is possible to omit "uniformity" from a selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports, while 30.3% of "University degree" and 40.4 of "Above university degree" disagreed or strongly disagreed with this statement.Some points regarding the above results should be noted. First, these results confirm other results of both the overall sample and the occupation groups; second, the results support what has been concluded in the above section that respondents' background characteristics do not affect their perceptions.

8.2.2.2.2 Statistical Analysis:

The Mann-Whitney Test was used to test for significant differences between these two groups. The results of this test are reported in Table 8.6, below, which indicates that there are no statistically significant differences for any of the variables, except the first statement (about relevance), between the two groups, as all probability values are non-significant ($p > 0.05$) with the exception of the first statement that has a probability value of 0.032 ($p < 0.05$). The mean rank of each variable is presented in Appendix E.

Table 8.6 Mann-Whitney Test Results of Difference among Groups (Education):
Users' Perceptions of the Suitability of Selected Set of QCOAI:

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
1- Selected set of QCOAI	4922.500	11250.500	-1.891	.059
2- Absence of relevance	5113.000	11668.000	-2.146	**.032**
3- Absence of reliability	5692.500	12247.500	-.825	.409
4- Absence of understandability	5573.500	12128.500	-.832	.405
5- Neglect uniformity	5642.500	11102.500	-.408	.683
6- Neglect prudence	5502.000	10653.000	-.469	.639

- Grouping Variable: Education

The above results indicate that there are no significant differences between education groups regarding their perceptions of the suitability of the selected set of QCOAI and four of the five statements. Therefore, the answer to the question asked earlier is that there are no significant difference in opinion on the selected set of QCOAI and on four of the five statements, between the education groups.

In the light of the above results, it is possible to accept the null hypothesis H11$_0$, "There are no significant differences among respondent groups (according to their level of

education) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports"; and reject the alternative hypothesis (H6.2$_1$) for all the above variables except the first statement.

8.2.2.3 Effect of Experience:

In this section, which is devoted to investigate the effect of respondents' experience, the aim is to answer the following question: Are there significant differences among respondent groups, according to their years of experience, regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports?"

Also, the above question can be formulated as a null research hypothesis as follows:

H6.3$_0$ There are no significant differences among respondent groups (according to their experience) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports.

8.2.2.3.1 Descriptive Statistics:

As can be seen from Table 8.7 below, according to the percentage, as in the case of the previous section, the two groups, "After 1991" and "Before 1991", nearly completely agree that the selected set of QCOAI is suitable as 97.2% of "After 1991" and 99% of "Above university degree" chose agree or strongly agree. This result confirms the findings for the overall sample and other respondent groupings. In addition, the above result suggests that respondents' level of experience does not affect their perceptions.

As reported above, the table shows that there is not much difference between respondents in their opinions regarding the five statements. For instant, the table shows that 78.1% of "After 1991" and 83.1% of "Before 1991", 85.9% of "After 1991" and 89.7% of "Before 1991", and 82.5% of "After 1991" and 88.5% of "Before 1991" agreed or strongly agreed with the first, the second, and the third statement respectively.

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Table 8.7 Users' Perceptions of the Suitability of Selected Set of QCOAI: Respondent Groups (Experience)

Groups		(1) + (2) Disagreement	(3) Neutral	(4) + (5) Agreement
After 1991	1- Selected set of QCOAI	0	2.7	97.2
	2- Absence of relevance	5.3	16.7	78.1
	3- Absence of reliability	2.6	11.4	85.9
	4- Absence of understandability	4.4	13.2	82.5
	5- Neglect uniformity	29.7	35.1	35.1
	6- Neglect prudence	31.2	22.3	46.4
Before 1991	1- Selected set of QCOAI	0	1.0	99.0
	2- Absence of relevance	7.5	9.3	83.1
	3- Absence of reliability	2.8	7.5	89.7
	4- Absence of understandability	1.0	10.5	88.5
	5- Neglect uniformity	41.5	22.6	35.8
	6- Neglect prudence	44.7	16.5	38.8

Regarding respondents' choices for the other two statements, it should be noted that in the first group, "After 1991", the percentages of respondents who agreed or strongly agreed with the two statements is a little more than that of who disagreed or strongly disagreed. In contrast, in the second group, "Before 1991", the percentages of respondents who agreed or strongly agreed with the two statements is a little less than that of who disagreed or strongly disagreed with the two statements. This result suggests that respondents in the second group, "Before 1991", have a little more interest in uniformity and prudence than those in the first group, "After 1991". One possible reason behind this result is that the earlier education of respondents in the second group, as they received their education before the contemporary changes in the Egyptian economic environment and the actual changes towards the free market, affects their perceptions of uniformity and prudence.

8.2.2.3.2 Statistical Analysis:

The results of the Mann-Whitney Test are reported in Table 8.8 below. This table indicates that there are no statistically significant differences between the two groups for any of the variables, as all probability values are non-significant ($p > 0.05$). In addition, the mean rank of each variable is presented in Appendix E.

This result indicates that there are no significant differences between experience groups regarding their perceptions of the suitability of the selected set of QCOAI and the

five statements. So, the answer to the question asked earlier is that there are no significant differences in opinions on the selected set of QCOAI and on the five statements, between the experience groups.

Table 8.8 Mann-Whitney Test Results of Difference among Groups (Experience): Users Perceptions of the Suitability of Selected Set of QCOAI

Experience	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
1- Selected set of QCOAI	5235.500	11340.500	-1.238	.216
2- Absence of relevance	5566.500	12121.500	-1.223	.221
3- Absence of reliability	5966.000	12521.000	-.311	.756
4- Absence of understandability	5200.000	11755.000	-1.828	.068
5- Neglect uniformity	5317.000	10988.000	-1.263	.207
6- Neglect prudence	5118.000	10474.000	-1.480	.139

- Grouping Variable: Respondents' experience

Therefore, it is possible to accept the null hypothesis H6.3$_0$, "There are no significant differences among respondent groups (according to their years of experience) regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports"; for all the above variables, and to reject the alternative hypothesis (H6.3$_1$).

8.3 Users' Perceptions of the Importance of Each of the QCOAI:

In Chapter 3 of this study, a selected set of QCOAI was developed to be employed in the evaluation of the usefulness of financial information provided in corporate annual reports. The set consists of 11 characteristics that were presented in hierarchical form. This section of the chapter aims, first, to investigate respondents' perceptions of the importance attached to each of the selected characteristics included in this set; second to measure the amount of agreement among respondents, whether of the overall sample or of different occupation, qualification or experience groups, regarding their ranking of the importance of each of the selected QCOAI.

To achieve this aim, the section is dedicated to answering research questions and testing research hypotheses which have been defined in details in 6.2.4 of Chapter 6 (page 178). In question 3.2 (see Appendix A, part three), respondents were asked to answer a question regarding their perceptions about the importance they attach to each of The selected QCOAI, on a five-point scale, with 1 meaning completely unimportant and "5"

meaning very important. Also, in question 3.3 (see Appendix A, part three) respondents were asked to rank the four most important characteristics that can be used for judging the usefulness of information appearing in corporate annual reports; 1 for the most important characteristic, 2 for the next characteristic, and so on until 4 (the reasons behind asking respondents to rank only four characteristics were explained in 6.4 of Chapter 6).

8.3.1 The Overall Sample:

8.3.1.1 Descriptive Statistics:

The results of question 3.2 will be presented using percentages to describe the proportions of the answers, the mean to rank the characteristics, and standard deviation to describe how these answers are dispersed around the mean. Table 8.9 below reveals that, according to both the percentage and the mean score of each characteristic, all of the selected characteristics are perceived to be important or very important characteristics, in slightly varying degrees, since between 85.5% and 98.2% of sample of respondents as a whole chose the answers Important or Very Important for each characteristic and the mean score for each one, which confirms this result, was between 4.23 and 4.77.

The table shows that none of the respondents rated the first eight characteristics as completely unimportant and also none of them rated "reliability" or "timeliness" as unimportant or completely unimportant. Furthermore, "timeliness", "reliability" and "understandability" were perceived to be the first (a percentage of 98.2% and the highest mean score of 4.77 with the lowest standard deviation of .46), second (a percentage of 95.5% and a high mean score of 4.63 with a low standard deviation of .57), and third (a percentage of 96.4% and a high mean score of 4.62 with a low standard deviation of .59) most important characteristics respectively.

Conversely, "verifiability", "consistency", and "materiality" were perceived to rank ninth, tenth and last in importance. Other characteristics were perceived to be important characteristics. For instance, it is interesting to note that "relevance" was considered as the seventh most important characteristic.

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Table 8.9 Users' Perceptions of the Importance Attached to Each of the QCOAI (the Overall Sample):

QCOAI	(1)Completely unimportant	(2) Fairly unimportant	(3) Neutral	(4) Important	(5) Very important	Total	(4) + (5)	Mean	S. deviation	Ranking
	%	%	%	%	%	%	%			
1- Understandability	.0	.9	2.7	29.7	66.7	100	96.4	4.62	.59	3
2- Relevance	.0	.5	5.5	41.7	52.3	100	94.0	4.46	.62	7
3- Reliability	.0	.0	4.5	28.1	67.4	100	95.5	4.63	.57	2
4- Verifiability	.0	.5	8.1	37.3	54.1	100	91.4	4.45	.66	9
5- Neutrality	.0	.5	7.7	34.6	57.2	100	91.8	4.49	.66	5
6- Faithful representation	.0	.5	8.6	32.8	58.1	100	90.9	4.49	.67	6
7- Comparability	.0	.9	1.8	32.6	64.7	100	97.3	4.61	.57	4
8- Timeliness	.0	.0	1.8	18.9	79.3	100	98.2	4.77	.46	1
9- Predictive value	.5	.0	8.1	35.5	55.9	100	91.4	4.46	.68	8
10- Consistency	.5	1.8	10.9	41.3	45.5	100	86.8	4.30	.77	10
11- Materiality	.9	1.4	12.2	44.5	41.0	100	85.5	4.23	.78	11

The above results suggest that respondents as a whole sample perceived all the selected characteristics as important characteristics in the evaluation of the usefulness of financial information presented in corporate annual reports. These results were expected for the following reasons. First, in general, the selected characteristics, many of which were selected earlier by studies prepared by important accounting bodies or by individual academics, heighten the usefulness of financial information; second, many interviewed respondents reported that they saw all the selected characteristics, in general, as important in the evaluation of the financial information, and "timeliness" and "comparability", especially, are very important for those taking decisions regarding the securities investment; third, in the last few years, there has been increasing interest in "timeliness" and "faithful representation" (the latter is called by users in Egypt "transparency") of the financial information, whether by the authorities or by users' representatives. For instance, the Chairman of the CMA reported that the CMA is more interested to ensure that listed companies follow the regulation about the timeliness of the disclosed financial information (Al-Ahram International, 2000b).

In the new listing rules, the CASE required listed companies to send, by the end of each year, a copy of their annual reports to both the CASE and CMA after a maximum of 3 months from the end of the financial period (see 5.5.1 in Chapter 5). Also, the new law for

the capital market, which is under discussion and will be issued later, after 2002, will include a separate part that will be related to the regulation of the financial disclosure by the listed companies (Al-Ahram International, 2000c).

However, "faithful representation" did not receive a high rating like "timeliness" because the former was ranked sixth in importance (a percentage of 90.9% and a mean score of 4.49 with a standard deviation of .67). The above results are illustrated using the percentages of those who chose Important or Very Important in the following figure.

Figure 8.1 Users' Perceptions of the Importance Attached to Each of the QCOAI the Overall Sample:
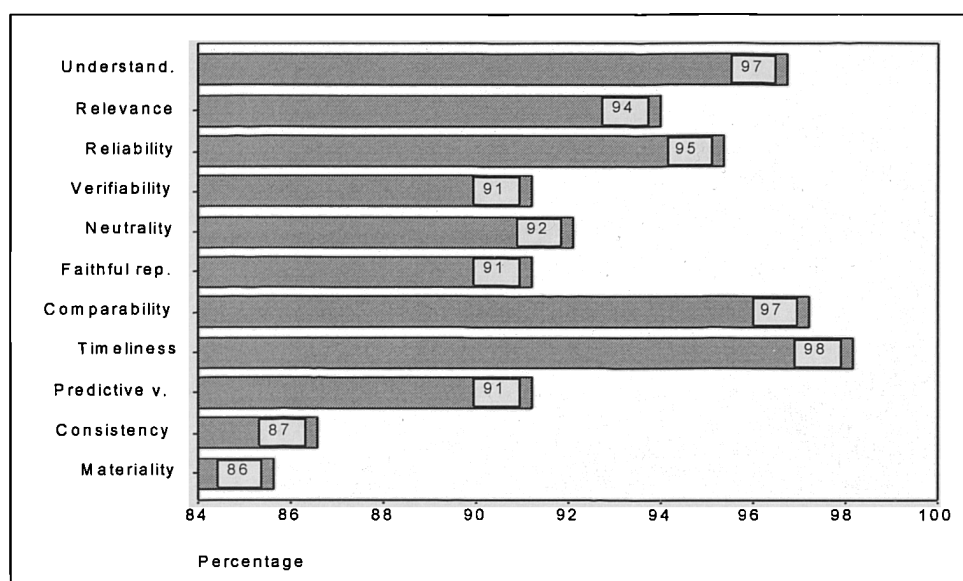
In the light of the above findings, the answer to the question, What are the respondents' perceptions of the importance attached to each of the QCOAI selected earlier in the study?, is that respondents as a whole sample perceive all the selected characteristics as important characteristics in general, and "timeliness" is considered the most important characteristic.

Table 8.10 below reveals the results obtained from question 3.3 regarding the respondents' ranking the QCOAI. The table shows the percentages of respondents who ranked the characteristics whether as the first, the second, the third, and the fourth most important and it also shows the mean rank of each characteristic. For instance, it shows that 29.2% of respondents of the overall sample ranked "understandability" as the first most important characteristic, and 14.9% as the second, 12.2% as the third, and 7.7% as

the fourth most important characteristic, while 36.0% of them did not rank it as one of the four most important characteristics.

The table also reveals, according to the mean score, that "understandability", "reliability", "timeliness", and "relevance" were ranked as the four most important characteristics as they received mean scores of 1.94, 1.60, 1.46, and 1.03 respectively. This result almost agrees with what was suggested in Chapter 3 earlier, as "understandability" is a basic characteristic and both "relevance" and "reliability" are first level characteristics.

Table 8.10 Ranking the QCOAI (the Overall Sample):

		Understand.	Relevance	Reliability	Verifiability	Neutrality	Faithful rep.	Comparability	Timeliness	Predictive v.	Consistency	Materiality
First	%	29.2	8.1	19.8	2.7	7.2	6.3	1.4	18.0	4.1	2.3	0.9
Second	%	14.9	16.2	14.9	9.0	8.6	8.1	7.7	10.4	5.9	3.2	1.4
Third	%	12.2	7.7	17.1	7.2	7.7	6.3	12.6	14.0	8.6	3.6	3.2
Fourth	%	7.7	6.8	7.7	11.7	6.3	9.5	10.4	15.3	10.4	6.8	6.8
Not chosen	%	36.0	61.3	40.5	69.4	70.3	69.8	68.0	42.3	71.2	84.2	87.8
Total	%	100	100	100	100	100	100	100	100	100	100	100
Mean		**1.94**	**1.03**	**1.60**	.64	.76	.72	.64*	**1.46**	.61	.32	.21
Ranking		**1**	**4**	**2**	8	5	6	7	**3**	9	10	11
Kendall's W. = **.139**					N = 222					Asymp. Sig. = .000		

* The standard deviation of this mean (1.05) is less than that one of "verifiability" (1.12).

Furthermore, the table shows the degree of agreement among respondents regarding their ranking of the QCOAI. The value of Kendall's *W* ranges between 0 (that indicates that there is no agreement among rankers) and 1 (that indicates that there is a perfect agreement among them), but unfortunately, in the literature, there is no benchmark regarding the acceptable level of agreement. In this study, the value of *W* is .139 (with a significant value of .000) that expresses a low degree of agreement among respondents of the overall sample in ranking the eleven characteristics. This result suggests that a weak agreement existed among respondents in their ranking of the characteristics. The reasons behind this low level of agreement among respondents of the whole sample might be that first, the number of the ranked characteristics was relatively high; second, respondents who ranked the characteristics were a mixture of financial analysts, decision makers, academics, stock brokers, and staff of the regulatory and observatory bodies (others); third, respondents had different levels of education and experience and they had various

backgrounds. All these differences among respondents might lead to a weak agreement in their ranking.

In the light of the above finding, the answer to the research question: "What is the amount of agreement among respondents, whether of the overall sample or of different occupation, qualification or experience user groups regarding their ranking of the QCOAI?" is that there is a weak agreement among respondents of the overall sample regarding their ranking of the QCOAI.

8.3.1.2 Statistical Analysis:

To test for significant differences in respondents' choice of answers on this question, the Chi-square for one sample test was used. Table 8.11 below, reveals the results of this test. As all values of Chi-square were significant ($p < 0.05$), it is acceptable to say that respondents' answers were not equally distributed among the different levels of perceptions of the importance attached to each of the QCOAI. Therefore, the answer to the related question is that there are significant differences for all of the characteristics.

Table 8.11 Chi-square Results for Importance of Each of the QCOAI (the Overall Sample):

QCOAI	Chi-Square	Df	Asymp. Sig.
1- Understandability	251.874	3	.000
2- Relevance	176.982	3	.000
3- Reliability	133.910	2	.000
4- Verifiability	167.441	3	.000
5- Neutrality	180.667	3	.000
6- Faithful representation	180.378	3	.000
7- Comparability	243.308	3	.000
8- Timeliness	220.649	2	.000
9- Predictive value	173.351	3	.000
10- Consistency	208.955	4	.000
11- Materiality	201.964	4	.000

Consequently, the null hypothesis $H7_0$: There are no significant differences in respondents' choice of answers on the perceptions of the importance attached to each of the selected QCOAI; should be rejected for all the characteristics and the alternative hypothesis ($H7_1$) should be accepted.

8.3.2 Effect of Background Variables:

This section of the chapter is concerned with the analysis of respondents' perceptions in relation to their occupation, level of education, and years of experience. This analysis aims to examine whether the differences in background characteristics of respondents affect their perceptions of the importance of each of the QCOAI.

8.3.2.1 Effect of Occupation:

This sub-section aims to answer the following questions:

- Are there significant differences among respondent groups, according to their occupation, regarding their perceptions of the importance attached to each of the selected QCOAI?

- What is the amount of agreement among respondents of different occupation regarding their ranking of the QCOAI?

The following null research hypothesis is formulated to answer the first question, while descriptive statistics are used to answer the other question.

H8.1$_0$ There are no significant differences among study groups (according to their occupation) regarding the importance attached to each of the QCOAI.

8.3.2.1.1 Descriptive Statistics:

Table 8.12 below reveals, according to the mean score of each characteristic, that "timeliness" was ranked as the first most important characteristic by four groups and the second most important by "Financial analysts" who ranked "comparability" as the most important characteristic. Also, this table shows that 100% of both "Financial analysts" and "Others" considered "timeliness" important or very important, with mean scores of 4.74 and 4.76 with standard deviations of .44 and .43 respectively. The percentages of "Decision makers", "Academics", and "Stock brokers" who responded in this way were 93.8%, 97.9%, and 96.8%, with the highest mean scores of 4.78, 4.90, and 4.68 and low standard deviations of .55, .37, .54 in that order.

This result, which agrees with and confirms the finding from the overall sample, shows the high level of agreement that "timeliness" is a very important characteristic, that strongly affects the usefulness of financial information. It should be noted that "Financial

analysts" is the only group that did not rank "timeliness" as the most important characteristic. The reason behind that is that financial analysts, by the nature of their work, are more interested in different types of comparability (for example, interperiod comparability and intercompany comparability), which was ranked as the first characteristic, than any other characteristic.

The first group, "Financial analysts" who ranked "comparability" and "timeliness" as the first and second most important characteristics, ranked "reliability" and "understandability" as the third and fourth characteristics. On the other hand, they ranked "consistency" and "materiality" as the least important characteristics. Other characteristics were moderately rated. For instance, "relevance" was unexpectedly ranked as the ninth most important characteristic.

"Decision makers", the second group, ranked "reliability" and "understandability" as the second and the third. In contrast with other groups, they ranked "faithful representation" as the least important characteristic. These results, which suggest that respondents of this group are more interested in timeliness, support what was discussed earlier in Chapter 3, that "timeliness" is a very important characteristic and financial information cannot be useful unless it is received by its users in good time. Decision makers, especially, should receive the information needed for the decision making process at a suitable time.

"Academics", in contrast with other groups, ranked "relevance" as the second most important characteristic. The reason behind that may be that they, as sophisticated users, recognise the importance of "relevance" more than others do, and understand that it might include some other important characteristics such as "timeliness" and "comparability". Also, this result could support what has been discussed earlier in Chapter 3, that financial information is useless if it is not relevant. "Academics" also gave "reliability" and "understandability" a high ranking. The above result was expected from academics, who would be more aware than other groups that these characteristics are considered in many studies to be basic or first level characteristics. Conversely, they ranked "consistency" and

"materiality" as the tenth and least most important characteristics. Also, the other characteristics were moderately ranked.

Table 8.12 Users' Perceptions of the Importance Attached to Each of the QCOAI: Respondent Groups (Occupation)

Groups			Understand.	Relevance	Reliability	Verifiability	Neutrality	Faithful rep.	Comparab.	Timeliness	Predictive v.	Consistency	Materiality
F. analysts	(4) Important	(%)	32.9	47.4	25.0	28.9	38.2	30.3	25.0	26.3	39.5	43.4	47.4
	(5)V. important	(%)	64.5	42.1	69.7	60.5	52.6	57.9	75.0	73.7	50.0	38.2	35.5
	(4) + (5)	(%)	97.4	89.5	94.7	89.4	90.8	88.2	100	100	89.5	81.6	82.9
	Mean		4.62	4.30	4.64	4.49	4.42	4.46	**4.75**	4.74	4.39	4.14	4.11
	S. Deviation		.54	.69	.58	.72	.70	.70	.44	.44	.67	.86	.90
	Ranking		4	9	3	5	7	6	1	2	8	10	11
D. makers	(4) Important	(%)	31.3	35.5	21.9	40.6	25.0	28.1	43.7	9.4	37.5	40.6	40.6
	(5)V. important	(%)	65.6	58.1	75.0	53.1	65.6	59.4	56.3	84.4	56.3	53.1	53.1
	(4) + (5)	(%)	96.9	93.6	96.9	93.7	90.6	87.5	100	93.8	93.8	93.7	93.7
	Mean		4.63	4.52	4.72	4.47	4.56	4.47	4.56	**4.78**	4.50	4.47	4.47
	S. Deviation		.55	.63	.52	.62	.67	.72	.50	.55	.62	.62	.62
	Ranking		3	6	2	8	5	11	4	1	7	8	8
Academics	(4) Important	(%)	16.3	24.5	29.2	42.9	34.7	34.7	28.6	6.1	22.4	35.4	44.9
	(5)V. important	(%)	77.6	75.5	68.8	51.0	61.2	61.2	67.3	91.8	69.4	50.0	34.7
	(4) + (5)	(%)	93.9	100	98	93.9	95.9	95.9	95.9	97.9	91.8	85.4	79.6
	Mean		4.67	4.76	4.67	4.45	4.57	4.57	4.59	**4.90**	4.61	4.33	4.12
	S. Deviation		.72	.43	.52	.61	.58	.58	.70	.37	.64	.78	.78
	Ranking		4	2	3	9	7	7	6	1	5	10	11
S. brokers	(4) Important	(%)	41.9	60.0	35.5	45.2	45.2	48.4	43.3	25.8	41.9	63.3	48.4
	(5)V. important	(%)	58.1	33.3	58.1	41.9	41.9	45.2	50.0	71.0	45.2	26.7	29.0
	(4) + (5)	(%)	100	93.3	93.6	87.1	87.1	93.6	93.3	96.8	87.1	90	77.4
	Mean		4.58	4.27	4.52	4.29	4.29	4.35	4.43	**4.68**	4.26	4.17	4.06
	S. Deviation		.50	.58	.63	.69	.69	.71	.63	.54	.89	.59	.73
	Ranking		2	8	3	6	6	5	4	1	9	10	11
Others	(4) Important	(%)	29.4	44.1	32.4	38.2	26.5	26.5	35.3	23.5	38.2	26.5	38.2
	(5)V. important	(%)	64.7	52.9	61.8	55.9	67.6	64.7	58.8	76.5	58.8	64.7	61.8
	(4) + (5)	(%)	94.1	97	94.2	94.1	94.1	91.2	94.1	100	97	91.2	100
	Mean		4.59	4.50	4.56	4.50	4.62	4.56	4.53	**4.76**	4.56	4.53	4.62
	S. Deviation		.61	.56	.61	.62	.60	.66	.61	.43	.56	.75	.49
	Ranking		4	10	6	11	3	7	8	1	5	9	2

"Stock brokers" also gave "understandability" and "reliability" a high ranking. This result shows that the first four groups ranked "reliability" nearly equally. Besides, they gave "consistency" and "materiality" the same rating as "Financial analysts" and "Academics". This result reflects a high agreement among three groups, namely, "Financial analysts", "Academics", and "Stock brokers", regarding their rankings of both "consistency" and "materiality". Other characteristics were moderately ranked.

The last group, "Others", noticeably differ from other group in their ratings of some characteristics. For instance, "materiality", which was ranked low by other groups, was ranked by this group as the second most important characteristic. Also, "neutrality", which

received moderate rankings from the first four groups, was considered as the third most important characteristic. In addition, "reliability" and "comparability", which received relatively high rankings from other groups, were ranked by this group as the sixth and eighth most important characteristics. Although the ratings of this group agree with those of other groups regarding some characteristics such as "timeliness" and "understandability", they differ in other characteristics such as "materiality" and "neutrality". The reason behind these differences could be the differences in the nature of their work, as they work to supervise and control the market. For example, their interest in "comparability" is less than that of "Financial analysts" or "Decision makers", who need to compare financial information to choose among alternatives.

Table 8.13 below shows the respondents' ranking the QCOAI for the five occupation groups. For example, it reveals that 27.6% of "Financial analysts", the first group, ranked "understandability" as the most important characteristic, and 9.2% as the second, 13.2% as the third, and 6.4% as the fourth most important characteristic. However, 43.4% of them did not rank it as one of the four most important characteristics.

For example, according to the mean score, the first group "Financial analysts" ranked "reliability", "understandability", "timeliness", and "neutrality" as the four most important characteristics. "Decision makers" ranked "timeliness", "understandability", "faithful representation", and "reliability" as the four most important characteristics. "Academics" ranked "understandability", "relevance", "timeliness", and "reliability" as the four most important characteristics. "Stock brokers" ranked "timeliness", "understandability", "reliability", and "relevance" as the four most important characteristics. The fifth group, "Others", ranked, "understandability", "reliability", "neutrality", and "timeliness" as the four most important characteristics.

This result, which partly agrees with what was suggested in Chapter three of this study, shows that "understandability", "reliability", and "timeliness", which is a component of "relevance", were ranked as three of the four most important characteristics by all groups.

Table 8.13 Ranking the QCOAI - Respondent Groups (Occupation):

Groups		Understand.	Relevance	Reliability	Verifiability	Neutrality	Faithful rep.	Comparab.	Timeliness	Predictive v.	Consistency	Materiality
Financial analysts	First %	27.6	5.3	26.3	2.6	5.3	5.3	2.6	17.1	2.6	2.6	2.6
	Second %	9.2	15.8	21.1	11.8	10.5	3.9	7.9	11.8	2.6	3.9	1.3
	Third %	13.2	2.6	23.7	5.3	9.2	7.9	13.2	10.5	6.6	3.9	3.9
	Fourth %	6.6	3.9	6.6	15.8	9.2	6.6	9.2	15.8	10.5	6.6	6.6
	Not chosen %	43.4	72.4	22.4	64.5	65.8	76.3	67.1	44.7	77.6	82.9	85.5
	Total %	100	100	100	100	100	100	100	100	100	100	100
	Mean	**1.71**	.78	**2.22**	.72	**.80**	.55	.70	**1.41**	.42	.37	.29
	Ranking	**2**	5	**1**	6	**4**	8	7	**3**	9	10	11
	Kendall's W. = **.174**				N = 76					Asymp. Sig. = .000		
Decision makers	First %	25.0	3.1	9.4	-	3.1	9.4	-	40.6	6.3	3.1	-
	Second %	12.5	21.9	6.3	6.3	15.6	15.6	6.3	3.1	9.4	3.1	-
	Third %	18.8	6.3	18.7	6.3	6.3	9.4	9.4	12.5	-	9.4	3.1
	Fourth %	6.3	6.3	9.4	15.6	3.1	9.4	12.5	9.4	18.8	-	9.4
	Not chosen %	37.5	62.5	56.2	71.9	71.9	56.3	71.9	34.4	65.6	84.4	87.5
	Total %	100	100	100	100	100	100	100	100	100	100	100
	Mean	**1.81**	.97	**1.03**	.47	.75	**1.13**	.50	**2.06**	.72	.41	.16
	Ranking	**2**	5	4	9	6	**3**	8	**1**	7	10	11
	Kendall's W. = **.144**				N = 32					Asymp. Sig. = .000		
Academics	First %	38.8	20.4	12.2	-	8.2	4.1	2.0	8.2	6.1	-	-
	Second %	14.3	24.5	14.3	8.2	2.0	8.2	4.1	12.2	8.2	4.1	-
	Third %	10.2	6.1	16.3	12.2	10.2	4.1	4.1	22.4	10.2	2.0	2.0
	Fourth %	2.0	12.2	6.1	4.1	2.0	18.4	18.4	16.3	10.2	4.1	6.1
	Not chosen %	34.7	36.7	51.0	75.5	77.6	65.3	71.4	40.8	65.3	89.8	91.8
	Total %	100	100	100	100	100	100	100	100	100	100	100
	Mean	**2.20**	**1.80**	**1.31**	.53	.61	.67	.47	**1.31***	.80	.20	.10
	Ranking	**1**	**2**	4	8	7	6	9	**3**	5	10	11
	Kendall's W. = **.194**				N = 49					Asymp. Sig. = .000		
Stock brokers	First %	19.4	9.7	19.4	6.5	3.2	12.9	-	22.6	3.2	3.2	-
	Second %	22.6	6.5	12.9	9.7	6.5	9.7	6.5	6.5	12.9	-	6.5
	Third %	3.2	16.1	6.5	12.9	3.2	-	16.1	19.4	16.1	-	6.5
	Fourth %	12.9	9.7	12.9	9.7	12.9	6.5	3.2	22.6	-	-	9.7
	Not chosen %	41.9	58.1	48.4	61.3	74.2	71.0	74.2	29.0	67.7	96.8	77.4
	Total %	100	100	100	100	100	100	100	100	100	100	100
	Mean	**1.65**	**1.00**	**1.42**	.90	.52	.87	.55	**1.71**	.84	.13	.42
	Ranking	**2**	**4**	**3**	5	9	6	8	**1**	7	11	10
	Kendall's W. = **.183**				N = 31					Asymp. Sig. = .000		
Others	First %	32.4	-	26.5	5.9	17.6	2.9	-	8.8	2.9	2.9	-
	Second %	23.5	8.8	11.8	5.9	8.8	8.8	14.7	14.7	-	2.9	-
	Third %	14.7	14.7	11.8	-	5.9	8.8	23.5	5.9	11.8	2.9	-
	Fourth %	14.7	2.9	5.9	11.8	2.9	5.9	5.9	11.8	11.8	23.5	2.9
	Not chosen %	14.7	73.5	44.1	76.5	64.7	73.5	55.9	58.8	73.5	67.6	97.1
	Total %	100	100	100	100	100	100	100	100	100	100	100
	Mean	**2.44**	.59	**1.71**	.53	**1.12**	.62	.97	**1.03**	.47	.50	.03
	Ranking	**1**	7	**2**	8	**3**	6	5	**4**	10	9	11
	Kendall's W. = **.205**				N = 34					Asymp. Sig. = .000		

* The standard deviation of this mean (1.34) is less than that of "reliability" (1.52).

In addition to the above results, Table 8.13 shows the degree of agreement among respondents regarding their ranking of the QCOAI, based on the value of *W* of each group.

The value of W for all groups was low (.174, .144, .194, .183, and .205 for the five groups respectively, with significant values of .000). The last group, "Other", showed a relatively high degree of agreement in their ranking of the QCOAI as the value of W was the highest value (.205) among the five groups. On the other hand, "Decision makers" showed the lowest degree of agreement concerning their ranking (.144). Also, the above results suggest that there was weak agreement among respondents of occupation groups in their ranking of the characteristics.

Again, the reasons for this low value could be the relatively large number of the ranked characteristics or the differences in the education, experience or the background of each respondent within the individual group.

Correspondingly, the answer to the related research question is there is a weak agreement among respondents of the occupation groups regarding their ranking of the QCOAI.

8.3.2.1.2 Statistical Analysis:

The Kruskal - Wallis Test was used to test for significant differences among the occupation groups regarding their perceptions of the importance attached to each of the QCOAI. The results, in Table 8.14 below, show that there are statistically significant differences in three characteristics, "relevance", "consistency", and "materiality", across the occupation groups since their probability values were significant (.001, .034, and.003 respectively), while there are no statistically significant differences in other characteristics since their

Table 8.14 Kruskal-Wallis Test Results for Difference among Groups (Occupation): Importance of Each of the QCOAI

QCOAI	Chi-Square	Df	Asymp. Sig.
1- Understand.	2.877	4	.579
2- Relevance	19.549	4	.001
3- Reliability	2.841	4	.585
4- Verifiability	2.853	4	.583
5- Neutrality	6.431	4	.169
6- Faithful rep.	2.461	4	.652
7- Comparability	8.577	4	.073
8- Timeliness	7.439	4	.114
9- Predictive v.	6.143	4	.189
10- Consistency	10.390	4	.034
11- Materiality	15.876	4	.003

Grouping Variable: Occupation

probability values were not significant ($p > 0.05$). Also, this test gives the values of the mean rank of each characteristic (refer to Appendix E).

The above results suggest that there are significant differences in three of eleven characteristics, across occupation groups. Accordingly, the answer to the related question is that there are significant differences for three out of eleven characteristics. Therefore, it is possible to reject the null hypothesis $H8.1_0$ "There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the QCOAI"; for three characteristics, namely, "relevance", "consistency", and "materiality", and accept the alternative hypothesis ($H8.1_1$). However, for other characteristics it is possible to accept the null hypothesis and reject the alternative one.

8.3.2.2 Effect of Education:

This section investigates the effect of respondents' education. It aims to answer the following questions:

- Are there significant differences among respondents (according to their level of education) regarding their perceptions of the importance attached to each of the QCOAI?

- What is the amount of agreement among respondents of different education regarding their ranking of the QCOAI?

The following null research hypothesis is formulated to answer the first question, while the other question can be answered using descriptive statistics.

H8.2$_0$ There are no significant differences among respondents (according to their level of education) regarding the importance attached to each of the QCOAI.

8.3.2.2.1 Descriptive Statistics:

As can be seen from Table 8.15 below, the first group, "University degree", ranked "timeliness" as the first most important characteristic as 98.3% chose important or very important (the highest mean score of 4.67 with the lowest standard deviation of .51). "Comparability", "understandability", and "reliability" were ranked as the second, the third, and the fourth most important characteristic respectively. On the contrary, "relevance", "materiality" and "consistency" were ranked as the ninth, the tenth, and the eleventh most

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important characteristics. Other characteristics such as "verifiability" and "neutrality" were moderately ranked.

The second group, "Above university degree", also ranked "timeliness" as the first most important characteristic, since 98.1% chose important or very important (the highest mean score of 4.90 with the lowest standard deviation of .36). Furthermore, they ranked "comparability", "understandability", and "reliability" in the same way as the first group but "reliability" and "comparability" were ranked differently. As for the first group, "consistency" and "materiality" received the lowest mean scores. Other characteristics were moderately ranked as well.

Table 8.15 Users' Perceptions of the Importance Attached to Each of the QCOAI: Respondent Groups (Education)

Groups		Understand.	Relevance	Reliability	Verifiability	Neutrality	Faithful rep.	Comparab.	Timeliness	Predictive v.	Consistency	Materiality
U. degree	(4)Important (%)	36.5	51.3	32.2	39.1	40.9	38.3	36.0	29.6	43.5	45.6	46.1
	(5)V. important (%)	60.0	40.7	62.6	51.3	48.7	51.3	61.4	68.7	46.1	38.6	40.9
	(4)+(5) (%)	96.5	92	94.8	90.4	89.6	89.6	97.4	98.3	89.6	84.2	87
	Mean	4.57	4.33	4.57	4.42	4.38	4.40	4.59	**4.67**	4.36	4.19	4.23
	S. Deviation	.56	.62	.59	.66	.67	.70	.55	.51	.66	.80	.81
	Ranking	3	9	4	5	7	6	2	1	8	11	10
Above u. d.	(4)Important (%)	21.7	31.1	22.9	34.9	28.3	27.4	28.3	6.6	27.4	36.2	43.4
	(5)V. important (%)	74.5	65.1	73.3	57.5	67.0	66.0	68.9	91.5	66.0	53.3	41.5
	(4)+(5) (%)	96.2	96.2	96.2	92.4	95.3	93.4	97.2	98.1	93.4	89.5	84.9
	Mean	4.69	4.60	4.70	4.49	4.61	4.59	4.64	**4.90**	4.58	4.41	4.25
	S. Deviation	.61	.60	.54	.67	.61	.61	.60	.36	.69	.73	.75
	Ranking	3	6	2	9	5	7	4	1	8	10	11

The above results indicate that:

1- Generally, there is a complete agreement between the two groups regarding the ranks given to three characteristics, namely, "timeliness", "understandability", and "predictive value". This result agrees with and confirms the above results of the overall sample and partly agrees with the results for the occupation groups.

2- The differences in ranking the other characteristics were not very large. For example, "relevance" was ranked as the ninth by the first group, while it was ranked sixth by the other group.

3- The first group, "University degree", is slightly more interested in "comparability" and "verifiability" than the other group, while it is slightly less interested in "relevance" and "reliability" than the other.

As a general point regarding the above results, it is possible to conclude that respondents' level of education does not affect their perceptions of the importance attached to three of the QCOAI, while it does for the others.

Table 8.16 below shows the respondents' ranking of the QCOAI for the two education groups. For example, it reveals that 23.5% of "University degree", the first group, ranked "reliability" as the first most important characteristic, 15.7% as the second, 18.3% as the third, and 7.8% as the fourth most important characteristic, whilst 34.8% of

Table 8.16 Ranking the QCOAI - Respondent Groups (Education):

Groups		Understand.	Relevance	Reliability	Verifiability	Neutrality	Faithful rep.	Comparab.	Timeliness	Predictive v.	Consistency	Materiality
U. degree	First %	27.0	6.1	23.5	5.2	3.5	7.0	0.9	23.5	1.7	0.9	0.9
	Second %	10.4	14.8	15.7	13.0	10.4	9.6	10.4	7.8	2.6	3.5	1.7
	Third %	14.8	7.0	18.3	7.0	7.0	6.1	10.4	13.0	10.4	1.7	4.3
	Fourth %	10.4	5.2	7.8	13.9	9.6	5.2	7.0	13.9	12.2	5.2	7.8
	Not chosen %	37.4	67.0	34.8	60.9	69.6	72.1	71.3	41.7	73.0	88.7	85.2
	Total %	100	100	100	100	100	100	100	100	100	100	100
	Mean	1.79	.88	1.85	.88*	.69	.74	.63	1.57	.48	.23	.25
	Ranking	2	5	1	4	7	6	8	3	9	11	10
	Kendall's W. = .155			N = 115					Asymp. Sig. = .000			
Above u. d.	First %	32.1	9.4	16.0	-	11.3	5.7	1.9	12.3	6.6	3.8	0.9
	Second %	18.9	17.9	14.2	4.7	6.6	6.6	4.7	13.2	9.4	2.8	0.9
	Third %	9.4	8.5	15.1	7.5	8.5	6.6	15.1	15.1	6.6	5.7	1.9
	Fourth %	4.7	8.5	7.5	9.4	2.8	13.2	14.2	17.0	8.5	8.5	5.7
	Not chosen %	34.9	55.7	47.2	78.3	70.8	67.9	64.2	42.5	68.9	79.2	90.6
	Total %	100	100	100	100	100	100	100	100	100	100	100
	Mean	2.08	1.17	1.44	.39	.85	.69	.66	1.36	.76	.43	.16
	Ranking	1	4	2	10	5	7	8	3	6	9	11
	Kendall's W. = .137			N = 106					Asymp. Sig. = .000			

* The standard deviation of this mean (1.29) is less than that for "relevance" (1.37).

them did not rank it as one of the four most important characteristics.

The first group, "University degree", ranked "reliability", "understandability", "timeliness", and "verifiability" as the four most important characteristics. On the other hand, the other group, "Above university degree", ranked "understandability", "reliability", "timeliness", and "relevance" as the four most important characteristics.

This ranking, which nearly agrees with the rankings by the overall sample and the occupation groups, partly agrees with what was suggested in Chapter Three of this study, as both "understandability" and "reliability" were ranked as two of the four most important characteristics by the two groups, while "relevance" was ranked as one of the four most important characteristics by one group (Above university degree).

Also, the above table shows the degree of agreement among respondents regarding their ranking of the QCOAI. The value of W for the two groups was low (.155 and .137 for the two groups respectively with a significant values of .000). This finding suggests that the degree of agreement of the two groups nearly the same and it was not a high degree of agreement. Therefore, the answer to the related research question is there is a weak agreement among respondents of the education groups regarding their ranking of the QCOAI.

8.3.2.2.2 Statistical Analysis:

The results of the Mann-Whitney Test are reported in Table 8.17 below, which indicates

Table 8.17 Mann-Whitney Test Results of Difference among Groups (Education): Importance of Each of the QCOAI

QCOAI	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
1- Understand.	5251.500	11921.500	-2.163	.031
2- Relevance	4500.500	10941.500	-3.589	.000
3- Reliability	5392.000	12062.000	-1.675	.094
4- Verifiability	5696.500	12366.500	-.945	.345
5- Neutrality	4924.000	11594.000	-2.815	.005
6- Faithful rep.	5173.500	11843.500	-2.219	.026
7- Comparability	5610.500	12165.500	-1.100	.271
8- Timeliness	4731.500	11401.500	-4.108	.000
9- Predictive v.	4886.000	11556.000	-2.880	.004
10- Consistency	5047.500	11602.500	-2.191	.028
11- Materiality	6066.000	11737.000	-.067	.947

Grouping Variable: Education

that there are no statistically significant differences for four characteristics namely "reliability", "verifiability", "comparability", and "materiality", as their probability values are non-significant (p > 0.05), while there are differences between the two groups in other characteristics. In addition, the test shows the values of the mean rank of each characteristic (see to Appendix E). In the light of the above result, the answer to the question posed earlier is that there are no significant differences in four of the eleven

characteristics, namely, "reliability", "verifiability", "comparability", and "materiality", between the education groups regarding their perceptions of the importance attached to each of the QCOAI. Therefore, it is possible to accept the null hypothesis $H8.2_0$, "There are no significant differences among respondents (according to their level of education) regarding the importance attached to each of the QCOAI" for these four characteristics and reject the alternative hypothesis ($H8.2_1$). However, it is possible to reject the null hypotheses for other characteristics and accept the alternative one.

8.3.2.3 Effect of Experience:

This section is about investigation of the effect of respondents' experience. It aims to answer the following questions:

- Are there significant differences among respondents (according to their years of experience) regarding their perceptions of the importance attached to each of the selected QCOAI?

- What is the amount of agreement among respondents of different experience regarding their ranking of the QCOAI?

The following null research hypothesis is formulated to answer the first question, while the other question can be answered using descriptive statistics.

$H8.3_0$ There are no significant differences among respondents (according to their years of experience) regarding the importance attached to each of the QCOAI.

8.3.2.3.1 Descriptive Statistics:

Table 8.18 below reveals that both groups, "After 1991" and "Before 1991", ranked "timeliness" as the most important characteristic, as 99.1% and 97.2 chose important or very important (the highest mean scores of 4.74 and 4.81 and the same lowest standard deviation of .46). The two groups ranked the other characteristics, "reliability", "faithful representation", "consistency", and "materiality", similarly as the third, the sixth, the tenth, and the eleventh most important characteristics.

The first group gave high rankings to "comparability", "reliability" and rated "understandability" as the second, the third and the fourth most important. Other characteristics such as "verifiability" and "predictive value" were ranked moderately.

Table 8.18 Users' Perceptions of the Importance Attached to Each of the QCOAI: Respondent Groups (Experience)

	Groups		Understand.	Relevance	Reliability	Verifiability	Neutrality	Faithful rep.	Comparability	Timeliness	Predictive v.	Consistency	Materiality
After 1991	(4)Important	(%)	39.1	53.1	29.6	35.7	40.0	37.4	33.3	24.3	39.1	49.1	47.8
	(5)V. important	(%)	57.4	39.8	65.2	54.8	48.7	50.4	64.9	74.8	50.4	37.7	35.7
	(4)+(5)	(%)	96.5	92.9	94.8	90.5	88.7	87.8	98.2	99.1	89.5	86.8	83.5
	Mean		4.54	4.32	4.60	4.44	4.37	4.38	4.63	**4.74**	4.38	4.21	4.14
	S. Deviation		.57	.63	.59	.69	.71	.70	.52	.46	.73	.77	.84
	Ranking		4	9	3	5	8	6	2	1	7	10	11
Before 1991	(4)Important	(%)	19.6	29.9	26.4	39.3	29.0	28.0	31.8	13.1	31.8	33.0	41.1
	(5)V. important	(%)	76.6	65.4	69.8	53.3	66.4	66.4	64.5	84.1	61.7	53.8	46.7
	(4)+(5)	(%)	96.2	95.3	96.2	92.6	95.4	94.4	96.3	97.2	93.5	86.8	87.8
	Mean		4.71	4.61	4.66	4.46	4.62	4.60	4.59	**4.81**	4.55	4.39	4.34
	S. Deviation		.60	.58	.55	.63	.58	.63	.63	.46	.62	.76	.71
	Ranking		2	5	3	9	4	6	7	1	8	10	11

The second group, "Before 1991", gave "understandability" a high ranking; they also gave "neutrality" and "relevance" relatively high rankings as the fourth and the fifth most important characteristics. "Comparability", "predictive value", and "verifiability" received relatively low rankings as the seventh, the eighth, and the ninth most important characteristics.

The above results reveal that:

1- Generally, the results of these two groups do not differ remarkably from the results of the two groups in the last section, since there is a complete agreement between the two groups regarding the rankings given to five characteristics, namely, "timeliness", "reliability", "faithful representation", "consistency", and "materiality". Again, this result agrees with and confirms the above results of the overall sample and partly agrees with the results for the occupation and education groups.

2- Differences in the rankings of the other characteristics were not very great, except for "comparability", which was ranked second by "After 1991", while it was ranked seventh by "Before 1991". These results suggest that the first group, "After 1991", is more

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interested in "comparability" and "verifiability" than the other group, while it is slightly less interested in "relevance" and "neutrality" than the other one.

In the light of the above, it is possible to conclude that respondents' experience does not affect their perceptions of the importance attached to five of the QCOAI, while it affects other characteristics.

The next table, Table 8.19, shows the respondents' rankings of the QCOAI for the two groups of experience. For instance, it shows that 22.6% of "After 1991", the first group, ranked "reliability" as the first most important characteristic, 18.3% as the second, 20.9% as the third, and 7.0% as the fourth most important characteristic, while 31.3% of them did not rank it as one of the four most important characteristics.

Table 8.19 Ranking the QCOAI - Respondent Groups (Experience):

Groups			Understand.	Relevance	Reliability	Verifiability	Neutrality	Faithful rep.	Comparability	Timeliness	Predictive v.	Consistency	Materiality
After 1991	First	%	26.1	7.0	22.6	4.3	3.5	6.1	1.7	19.1	3.5	4.3	1.7
	Second	%	13.0	13.0	18.3	12.2	10.4	6.1	5.2	12.2	4.3	2.6	2.6
	Third	%	11.3	8.7	20.9	5.2	6.1	5.2	14.8	13.9	7.8	2.6	3.5
	Fourth	%	8.7	6.1	7.0	16.5	8.7	6.1	8.7	16.5	8.7	3.5	7.8
	Not chosen	%	40.9	65.2	31.3	61.7	71.3	76.5	69.7	38.3	75.7	87.0	84.3
	Total	%	100	100	100	100	100	100	100	100	100	100	100
	Mean		**1.75**	.90	**1.94**	.81	.66	.59	.61	**1.57**	.51	.34	.30
	Ranking		2	4	1	5	6	8	7	3	9	10	11
	Kendall's W. = .159					N = 115					Asymp. Sig. = .000		
Before 1991	First	%	32.7	9.3	16.8	0.9	11.2	6.5	0.9	16.8	4.7	-	-
	Second	%	16.8	19.6	11.2	5.6	6.5	10.3	10.3	8.4	7.5	3.7	-
	Third	%	13.1	6.5	13.1	9.3	9.3	7.5	10.3	14.0	9.3	4.7	2.8
	Fourth	%	6.5	7.5	8.4	6.5	3.7	13.1	12.1	14.0	12.1	10.3	5.6
	Not chosen	%	30.8	57.0	50.5	77.6	69.2	62.6	66.4	46.7	66.4	81.3	91.6
	Total	%	100	100	100	100	100	100	100	100	100	100	100
	Mean		**2.14**	1.17	**1.36**	.46	.87	.85	.67	**1.35**	.72	.31	.11
	Ranking		1	4	2	9	5	6	8	3	7	10	11
	Kendall's W. = .142					N = 107					Asymp. Sig. = .000		

The two groups nearly similarly ranked "reliability", "understandability", "timeliness", and "relevance" as the four most important characteristics. This ranking, which agrees with other rankings by the overall sample and some of the occupation and education groups, partly agrees with what was suggested in Chapter Three of this study.

Also, the above table shows that the value of W for the two groups was low (.159 and .142 for the two groups respectively with significant values of .000). This result, which

agrees with other results for the overall sample and the various groupings, suggests that the degree of agreement of the two groups was nearly the same and it was not a high degree of agreement. Consequently, the answer to the related research question is that there is a weak agreement among respondents of the experience groups regarding their ranking of the QCOAI.

8.3.2.3.2 Statistical Analysis:

The results of the Mann-Whitney Test, reported in Table 8.20 below, indicate that there are no statistically significant differences for six characteristics, namely, "reliability", "verifiability", "comparability", "timeliness", "predictive value", and "materiality" as their probability values are non-significant ($p > 0.05$), while there are significant differences for other characteristics. Besides, the test shows the values of the mean rank of each characteristic (refer to Appendix E).

Table 8.20 Mann-Whitney Test Results of Difference among Groups (Experience): Importance of Each of the QCOAI

QCOAI	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
1- Understand.	5020.500	11690.500	-2.876	.004
2- Relevance	4517.500	10958.500	-3.657	.000
3- Reliability	5799.000	12469.000	-.761	.447
4- Verifiability	6130.500	11908.500	-.052	.959
5- Neutrality	4977.000	11647.000	-2.800	.005
6- Faithful rep.	5099.000	11769.000	-2.515	.012
7- Comparability	6029.000	11807.000	-.177	.860
8- Timeliness	5613.500	12283.500	-1.602	.109
9- Predictive v.	5410.500	12080.500	-1.757	.079
10- Consistency	5194.500	11749.500	-1.967	.049
11- Materiality	5393.000	12063.000	-1.732	.083

- Grouping Variable: Experience

Regarding the above result, the answer to the question posed earlier is that there are no significant differences, for six of eleven characteristics, namely, "reliability", "verifiability", "comparability", "timeliness", "predictive value", and "materiality" between the experience groups regarding their perceptions of the importance attached to each of the QCOAI. Consequently, it is possible to accept the null hypothesis H8.3$_0$, that there are no significant differences among respondents (according to their years of experience) regarding the importance attached to each of the QCOAI, for these six characteristics, and

reject the alternative hypothesis (H8.3₁), while it is possible to reject the null hypotheses for other characteristics and accept the alternative one.

8.3.3 Comparing Results of the Current Study with Those of Other Studies: (Users' Perceptions of the Importance of Each of the QCOAI)

In the previous sections, sections 8.3.1 and 8.3.2, an analysis of data related to the users' perceptions of the importance attached to each of the QCOAI was presented. In the present section, a comparison will be conducted between the results of this section of the current study and those of similar sections in other related studies.

Similarly to what has been done in the last chapter, the comparison will be made between this study and other studies carried out in Egypt, other Arab countries, and some developed countries. Again, these studies could differ from the current one in the time when or the place where they were carried out, the population from which the sample was drawn, the methodology used to carry out the study, and the response rates. The comparison will include the following studies: Shohaieb (1990), Abdullah (1992), and Ali's study (1992), which were accomplished in Egypt; Abu-Nassar and Rutherford (1996), which was accomplished in Jordan; Stamp (1982) and Joyce et al. (1982) which were accomplished in the UK and the US respectively.

Table 8.21 below, shows that "timeliness", which was ranked as the most important characteristic in this study (the highest mean score and percentage, 4.77 and 98.2 respectively) received a high ranking in other studies carried out in Egypt (second in Ali's study (1992), with a mean score of 3.3, and third in Shohaieb's study (1990), with a mean score of 1.71). Also, this characteristic received a high ranking in Abu-Nassar and Rutherford's study (1996), as the second most importance characteristic. On the other hand, it received a moderate ranking, as the seventh characteristic, in Stamp's study, while it was ranked as the ninth, a low ranking, in Joyce et al. (1982).

"Understandability", which received a relatively high ranking in the present study (a mean score of 4.62 and a percentage of 96.4), was ranked almost similarly in Abdullah's study (1992), as the second with a percentage of 89.41, and Ali's study (1992) as the fourth

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with a mean score of 3.7. While it was ranked as the seventh characteristic by Shohaieb (1990) with a mean score of 2.05. This characteristic was ranked thirteenth in Stamp's study, and third by Joyce et al. (1982).

"Reliability", which was ranked as the seventh characteristic in this study (a mean score of 4.46 and a percentage of 94.0), was ranked first in studies carried out in the developed countries. Other characteristics received different rankings in other studies, whether in Egypt or in other countries.

The above results shown in Table 8.21 above suggest that there is no general agreement about any characteristic between studies included in the above table. However, there is a degree of correspondence in users' perceptions of the importance attached to each of the QCOAI in the current study and in previous studies carried out in Egypt and in other developing and developed countries for most characteristics (e.g. "timeliness", "understandability", "reliability", "relevance", and "neutrality" which received almost similar rankings in the current study and in few other studies. For example, "timeliness" was perceived as an important characteristic in the current study and in Shohaieb's study (1990), Ali's study (1992), and Abu-Nassar and Rutherford's study (1996), while the same characteristic was perceived as less important in other studies such as Stamp (1982) and Joyce et al. (1982) as it was ranked as the seventh and the ninth respectively.

"Understandability" was perceived as an important characteristic in this study and in Abdullah (1992), and Joyce et al. (1982), while it was perceived as of moderate importance in Shohaieb (1990) and Ali (1992). Conversely, the same characteristic was perceived as less important in Stamp (1982).

Consequently, it is possible to conclude that the comparison of this study's results and results of other studies in developing and developed countries regarding the perceived importance of QCOAI suggested that there are differences in the perceived importance of most characteristics. Therefore, the answer to the related question, "Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?" is yes, there are differences between results of the

current study and those of previous studies, whether in Egypt or other developing countries or in developed countries.

8.4 Summary:

This chapter presented the results of analysing the third part of the questionnaire. Two main sections were included related to the users' perceptions of the selected set of QCOAI and their opinion about specific characteristics whether included in the selected set of QCOAI or not (section 8.2), and the importance attached to each QCOAI and their ranking (sections 8.3). Descriptive statistics and non-parametric tests were also used to analyse respondents' perceptions as a whole sample and in relation to their occupation, level of education, and years of experience.

In section 8.2, the purpose of this analysis was first to describe answers about respondents' perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in corporate annual reports; second, to examine whether there are significant differences in respondents' perceptions, overall, of the suitability of the selected set of QCOAI; third, to examine whether there are significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the suitability of the selected set of QCOAI.

In section 8.3, the purpose of the analysis was also first to describe answers about respondents' perceptions of the importance attached to each of the selected characteristics included in this set; second, to measure the amount of agreement among respondents, whether of the overall sample or of different occupation, qualification or experience user groups, regarding their ranking of the importance of each of the QCOAI; third, to examine whether there are significant differences in respondents' perceptions, in the overall sample, regarding the importance attached to each of the selected QCOAI; fourth, to examine whether there are significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the importance attached to each of the selected QCOAI.

In addition, a comparison was conducted between the results of the present study and those similar parts in other related studies carried out whether in Egypt, other developing countries, or some developed countries.

CHAPTER NINE

The Usefulness of Financial Information Items

9.1 Introduction:

In the last two chapters, the survey findings about the users' perceptions of the importance of the various sources of financial information and the different sections of corporate annual reports (Chapter siven) and the users' perceptions of the suitability of the selected set of the QCOAI and the importance attached to each of the selected characteristics (Chapter eight) were presented. In the current chapter, further analysis will be presented of the survey data regarding the users' perceptions of some selected financial information items.

In this chapter, data collected from question No. 4 (refer to Appendix A, part four) of the questionnaire will be analysed to investigate respondents' perceptions of the importance attached to some selected financial information items in making decisions of securities investment, and to determine whether the QCOAI are served as a result of the disclosure of the selected financial information items.

Several reasons for asking this question were mentioned earlier in some detail (see 6.5.1.4 of Chapter Six). Respondents were requested to point out the level of importance they attached to each of the given financial information items, and also to point out which of the QCOAI, if any, will be served, and then improve the usefulness of financial information included in corporate annual reports through disclosing each of these items. The aim here is to use the QCOAI to gather more confirmation of the importance attached to each of the information items. The idea is that the more the attributes of QCOAI, especially those ranked high, are seen as being served and the higher the percentage of respondents who see it/them as being served by an item, the more importance is attached to the item in improving the usefulness of corporate annual reports.

In other words, in addition to the importance measure used to rank the importance of the financial information items, the relationship between the QCOAI on the one side and the financial information items on the other will be investigated (i.e., whether the disclosure of

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the item is thought to serve one or more characteristics and what is the percentage of respondents who had this perception).

As mentioned earlier, in Chapter Six, thirty-two information items were selected to be investigated in this question, representing two separate groups. The first, were items disclosed by most listed companies; most, at the same time, are mandatorily required. This group of items includes 14 information items, according to the order of the questionnaire, (items No. 5, 6, 7, 9, 11, 16, 18, 20, 22, 23, 25, 27, 28, and 30). The second, were items not disclosed by the most of listed companies, whether mandatorily required or not.

In this chapter an attempt is made to answer research questions and test research hypotheses which have been defined in details in 6.2.5 of Chapter Six (page 179 – 180). Percentages are used here to describe the proportions of the answers and to illustrate the characteristics that were served as a result of disclosing each item, while the mean is used to rank the financial information items, and the standard deviation to describe how these answers are dispersed around the mean.

9.2 Users' Perceptions of the Importance Attached to the Financial Information Items (the First Group):

This section presents the results of analysing question 4 of the questionnaire (see Appendix A, part four) regarding the first group of financial information items for the overall sample and occupation, education, and experience groups.

9.2.1 The Overall Sample

9.2.1.1 Descriptive Statistics

Table 9.1 below reveals that, according to both the percentage and the mean score, item 11 "Amount of long-term debts, their breakdown, and their interest rates" was seen as the most important item by the overall sample. 92.3% of respondents chose important, and 5.4% chose neutral, while only 2.3% chose unimportant, and this item received the highest mean score of 2.90 with the lowest standard deviation of .37. Respondents thought that disclosing this item improves the usefulness of the corporate annual reports because all characteristics, especially the most important characteristics, are served, with different relatively high

percentages, as a result of disclosing this item. For instance, 20.3% of respondents thought that "timeliness", which was ranked as the first most important characteristic by respondents of the overall sample, is served. Also, 27.9%, 27.5%, 29.7%, and 13.5% of respondents thought that "reliability", "understandability", "comparability", and "neutrality" are served, respectively. These relatively high percentages confirm the importance attached to this item and suggest that the disclosure of this item improves the usefulness of corporate annual reports.

The above finding was expected, especially as this information helps users, especially financial analysts, in determining the financial position of a given company through calculating very important ratios, namely, capital structure ratios. In other words, the long-term debts are a fundamental element in capital structure ratios. Furthermore, the annual interest payment is also a vital element in calculating the debt service coverage. The literature gives empirical evidence that this item is perceived as important information in some previous studies (e.g. Chandra, 1974; Wallace, 1988; Shohaieb, 1990; and Al-Razeen, 1999). Conversely, several previous studies (Ibrahim and Kim, 1994; Wallace, 1988; and Firth, 1978) reported that information about long term debts is not among the very important items.

The table reveals that items 2 "Interim information", 6 "Forecasts of contingent liabilities and anticipated future investment", 10 "Authorised, issued, and paid-up capital; and types of shares and share book value", and 8 "Post balance sheet events and their impacts" received the second, the third, the fourth, and the fifth rankings respectively.

The relatively high percentages that these items received confirm the importance attached to them and imply that disclosing these items will enhance the usefulness of corporate annual reports. For example, item 2, "Interim information", whether presented as a full set of financial reports or not, helps user groups to know a lot of information about the company such as its performance for short periods and its financial position at the end of these periods. The availability of this interim information keeps users up-to-dated, which is especially important for those who need to make decisions regarding the company in a short time. Regarding the importance attached to interim information, it should be noted

Table 9.1 Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) the Overall Sample

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3* %	Relevance 7 %	Reliability 2 %	Verifiability 9 %	Neutrality 5 %	Faithful rep. 6 %	Comparability 4 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	5.9	279	66.2	2.60	.60	8	31.1	22.5	26.1	9.0	14.9	18.9	28.8	12.2	14.0	8.1	14.0
2- Interim information	2.7	11.9	85.4	2.83	.45	2	25.7	19.4	31.1	16.7	9.9	18.5	36.9	31.1	26.1	16.2	9.9
3- Inventory and its types and valuation methods	7.7	34.1	58.2	2.50	.64	11	20.7	17.6	22.1	11.7	9.0	15.3	19.8	8.6	17.6	16.2	13.5
4- Tax position	6.8	24.2	68.9	2.62	.61	7	22.1	18.9	21.2	6.3	14.0	26.1	14.0	11.3	17.1	6.8	8.6
5- Assets types and applied depreciation methods	6.3	29.9	63.8	2.57	.61	9	32.4	18.9	26.6	14.9	11.3	24.8	24.8	10.4	10.8	20.7	14.4
6- Forecasts of contingent liabilities and anticipated future investment	2.7	13.2	84.1	2.81	.46	3	23.0	16.7	24.3	15.8	11.7	17.6	20.3	18.0	45.5	5.4	10.8
7- Extraordinary items and their impacts	12.4	39.6	47.9	2.35	.69	13	25.2	17.1	20.7	11.3	10.8	18.0	12.2	11.7	12.6	5.9	18.0
8- Post balance sheet events and their impacts	5.0	18.6	76.4	2.71	.55	5	24.4	19.9	24.0	17.2	15.8	30.8	19.9	20.8	22.2	4.5	15.4
9- Revenue recognition policy	7.8	27.1	65.1	2.57	.63	10	27.0	22.1	22.1	18.9	10.8	22.5	18.0	11.7	15.3	13.1	8.1
10- Authorised, issued, and paid-up capital; and types of shares and share book value	4.5	18.6	76.9	2.72	.54	4	31.1	23.0	27.9	13.5	9.0	21.2	19.8	12.2	16.7	9.5	14.9
11- Amount of long-term debts, their breakdown, and their interest rates	2.3	5.4	92.3	2.90	.37	1	27.5	23.4	27.9	23.0	13.5	25.2	29.7	20.3	28.4	12.6	23.0
12- The enterprise's efforts in protecting the environment	19.1	48.2	32.7	2.14	.71	14	16.7	14.0	11.3	9.9	5.9	11.7	11.3	7.7	9.5	5.4	15.8
13- Capitalisation policy of debts cost	5.6	25.7	68.7	2.63	.59	6	24.8	16.2	26.6	14.4	10.8	23.4	19.8	15.3	18.9	11.7	17.1
14- Detailed information on the enterprise's transactions with related parties	8.1	33.8	58.1	2.50	.64	11	19.8	16.7	21.2	9.9	15.8	21.6	17.1	11.3	12.6	8.1	17.6

* These numbers represent the rankings of each of the QCOAI (see 8.3 of the previous chapter).

that the CASE in its new listing rules, issued in late 2000, requires all listed companies to provide the CASE with quarterly financial reports of its transactions and financial results, including an audit report from its auditor, after a maximum of 45 days from the end of the quarter (see 5.5.1.2 of Chapter Five). Interim information was perceived as important information in other studies. For instance, Mohamed (1991) reported that 71% of the sample perceived this type of information as important information, while in Almelegy's study 86.4% of users of financial information perceived this item as important information.

Item 6, "Forecasts of contingent liabilities and anticipated future investment", was perceived as the third important item. The reason behind this high importance might be that users could use this information as an indication about the future financial position of a company, as both liabilities and investment affect the financial position and the capability to continue of a company. This information was perceived, also, as important information in Almelegy (1998) as 86.4 of user perceived it as important information.

In addition to the above items, item 10, "Authorised, issued, and paid-up capital; and types of shares and share book value", was perceived as the fourth most important item. Users may need to know the number of authorised, issued, paid shares, and they also need to know information about paid-up capital which, together with other information of shareholders' equity, are essential elements of ratios of capital structure. Item 8 was perceived as the fifth important item. This information refers to the events that may happen in the period between the date of the balance sheet and the date when the financial reports are ready and authorised for issue. Failure to disclose these items may influence users' capability to make appropriate evaluations and rational decisions.

Conversely, other financial information items received lower rankings. For instance, item 12, "The enterprise's efforts in protecting the environment", was ranked lowest, since only 32.7% of respondents chose important, while 48.2% chose neutral and 19.1% chose unimportant. This item received the lowest mean score (2.14) and the highest standard deviation (.71). Despite the low ranking that this item received, some respondents, though smaller percentages than for the above items, thought that the disclosure of this item improves the usefulness of the corporate annual reports. This item was perceived as the last

item among the fourteen items. Generally, this type of information was expected to be perceived as less important by most users, especially investors and their agents, who are interested in different types of information, such as information on financial position, the company's performance and earning per share. Almelegy (1998) reported that this information was perceived by users as moderate in importance (a percentage of 53.5%).

Other items, such as items 3, "Inventory and its types and valuation methods", 14 "Detailed information on the enterprise's transactions with related parties", and 7 "Extraordinary items and their impact", were considered less important, since they received comparatively low mean scores of 2.50, 2.50, and 2.35 with high standard deviations of .64, .64, and .69. However, in a previous study 83.2% of users perceived information on inventory and its types and valuation methods as important information. Another item, "Extraordinary items and their impact", was perceived as important information in Ibrahim and Kim (1994) and Almelegy (1998). In spite of the low rankings that these item received in the current study, some respondents thought that the disclosure of these items would improve the usefulness of the corporate annual reports.

With regard to the above findings, the answer to the research question: What are the respondents' perceptions of the importance attached to each of the selected financial information items for the purposes of securities investment? is that respondents (the overall sample) considered nearly all the fourteen financial information items important, since the mean score of all items was above 2.00 (the mid-point of the measure), but some items were regarded as more important than others, such as items 11, 2, 6. 10, and 8 which were perceived as the five most important items. Regarding the question which characteristics are served as a result of disclosing each item? the above findings show that respondents thought that all the QCOAI are served, to varying degrees, as a result of disclosing the items.

9.2.1.2 Statistical Analysis:

The Chi-square for one sample test was used to test for significant differences in respondents' choice of answers on this group of financial information items. Table 9.2 below, shows the results of this test. As all values of Chi-square were significant (p < 0.05), it is possible to say that respondents' answers were not equally distributed among the different

levels of perception of the importance attached to each of the selected financial information items (the first group).

Table 9.2 Chi-square Results for Users' Perception (the Overall Sample) of the Importance Attached to Each of the Financial Information Items (the First Group):

Information Items	Chi-Square	df	Asymp. Sig.
1- Consolidated financial statements	122.301	2	.000
2- Interim information	269.781	2	.000
3- Inventory and its types and valuation methods	84.064	2	.000
4- Tax position	134.904	2	.000
5- Assets types and applied depreciation methods	110.670	2	.000
6- Forecasts of contingent liabilities and anticipated future investment	258.664	2	.000
7- Extraordinary items and their impacts	44.857	2	.000
8- Post balance sheet events and their impacts	189.445	2	.000
9- Revenue recognition policy	111.367	2	.000
10- Authorised, issued, and paid-up capital; and types of shares and share book value	195.484	2	.000
11- Amount of long-term debts, their breakdown, and their interest rates	346.217	2	.000
12- The enterprise's efforts in protecting the environment	27.964	2	.000
13- Capitalisation policy of debts cost	133.355	2	.000
14- Detailed information on the enterprise's transactions with related parties	83.270	2	.000

Consequently, the answer to the question: "Are respondents' perceptions equally distributed among the levels of perceptions of the importance attached to each of the selected financial information items?" is that there are significant differences for all of the items. Consequently, the null hypothesis $H9_0$: "There are no significant differences in respondents' choice of answers on the perceptions of the importance attached to each of the selected financial information items"; should be rejected for all the items and the alternative hypothesis ($H9_1$) should be accepted.

9.2.2 Effect of Background Variables:

The present section of the chapter concerns respondents' perceptions in relation to their occupation, level of education, and years of experience. This analysis tries to investigate whether the differences in background characteristics of respondents affect their perception of the importance of each of the selected financial information items.

9.2.2.1 Effect of Occupation:

This sub-section tries to answer the following research questions: "Are there significant differences among respondents of different occupation regarding their perceptions of the

importance attached to each of the selected financial information items?". The following null research hypothesis is formulated to answer this question.

H10.1₀ There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the selected financial information items.

9.2.2.1.1 Descriptive Statistics:

Tables 9.3a, b, c, d, and e present the results of the first group of financial information items. In general, item No. 11 "Amount of long-term debts, their breakdown, and their interest rates", which was ranked as the most important item by the overall sample, was ranked similarly by three of the five occupation groups and second and third by the other two groups. This result, which agrees with and confirms the finding from the overall sample, suggests that there is a good agreement among the five groups regarding the importance attached to this item. On the other hand, other items such as item No. 12 "The enterprise's efforts in protecting the environment, and No. 7 "Extraordinary items and their impacts" received low mean scores with a high standard deviation from all groups. Also, this finding agrees with and confirms the finding from the overall sample and suggests that there is agreement among the occupation groups regarding the importance attached to these items. Respondents thought, by different percentages, that the disclosure of each item improves the usefulness of the corporate annual reports, as they saw, with varied percentages, that all characteristics are served as a result of disclosing the items.

The first group, "Financial analysts" ranked items No.11 "Amount of long-term debts, their breakdown, and their interest rates", 2 "Interim information", 6 "Forecasts of contingent liabilities and anticipated future investment", 13 "Capitalisation policy of debts cost", and 10 "Authorised, issued, and paid-up capital; and types of shares and share book value" as the most important items. The mean scores of these items were 2.92, 2.85, 2.84, 2.75, and 2.75 with standard deviations of .32, .43, .49, .47, and .49 respectively. Respondents in this group thought that disclosing the financial information items enhances the usefulness of corporate annual reports. Percentages given to the characteristics

Table 9.3a Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Occupation Groups (Financial Analysts)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 9 %	Reliability 3 %	Verifiability 5 %	Neutrality 7 %	Faithful rep. 6 %	Comparability 1 %	Timeliness 2 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	1.3	28.0	70.7	2.69	.49	6	31.6	21.1	21.1	9.2	13.2	5.3	23.7	9.2	13.2	5.3	11.8
2- Interim information	2.7	9.3	88.0	2.85	.43	2	25.0	11.8	39.5	21.1	10.5	15.8	32.9	31.6	25.0	14.5	13.2
3- Inventory and its types and valuation methods	4.0	41.3	54.7	2.51	.58	11	17.1	14.5	21.1	11.8	10.5	17.1	17.1	6.6	21.1	7.9	13.2
4- Tax position	8.1	21.6	70.3	2.62	.63	8	14.5	13.2	21.1	9.2	10.5	19.7	13.2	6.6	22.4	10.5	11.8
5- Assets types and applied depreciation methods	2.7	28.0	69.3	2.67	.53	7	31.6	18.4	34.2	15.8	7.9	14.5	19.7	9.2	14.5	15.8	18.4
6- Forecasts of contingent liabilities and anticipated future investment	5.3	5.3	89.5	2.84	.49	3	23.7	14.5	25.0	25.0	10.5	9.2	27.6	15.8	36.8	5.3	9.2
7- Extraordinary items and their impacts	10.7	49.3	40.0	2.29	.65	13	23.7	11.8	25.0	14.5	7.9	7.9	9.2	6.6	6.6	5.3	23.7
8- Post balance sheet events and their impacts	9.3	28.0	62.7	2.53	.66	10	24.0	10.7	21.3	16.0	12.0	14.7	13.3	10.7	18.7	1.3	9.3
9- Revenue recognition policy	4.1	37.0	58.9	2.55	.58	9	27.6	15.8	25.0	21.1	9.2	15.8	21.1	10.5	14.5	13.2	7.9
10- Authorised, issued, and paid-up capital; and types of shares and share book value	2.6	19.7	77.6	2.75	.49	5	23.7	18.4	38.2	11.8	10.5	15.8	22.4	10.5	6.6	10.5	18.4
11- Amount of long-term debts, their breakdown, and their interest rates	1.3	5.3	93.4	2.92	.32	1	27.6	14.5	31.6	25.0	10.5	15.8	27.6	21.1	30.3	10.5	19.7
12- The enterprise's efforts in protecting the environment	21.1	60.5	18.4	1.97	.63	14	17.1	10.5	11.8	11.8	10.5	11.8	10.5	5.3	9.2	2.6	13.2
13- Capitalisation policy of debts cost	1.3	22.7	76.0	2.75	.47	4	22.4	11.8	34.2	15.8	9.2	13.2	18.4	15.8	26.3	10.5	15.8
14- Detailed information on the enterprise's transactions with related parties	7.9	38.2	53.9	2.46	.64	12	14.5	11.8	23.7	9.2	11.8	15.8	18.4	10.5	11.8	3.9	13.2

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Table 9.3b Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Occupation Groups (Decision makers)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3 %	Relevance 6 %	Reliability 2 %	Verifiability 8 %	Neutrality 5 %	Faithful rep. 11 %	Comparability 4 %	Timeliness 1 %	Predictive v. 7 %	Consistency 8 %	Materiality 8 %
1- Consolidated financial statements	16.1	19.4	64.5	2.48	.77	12	21.9	21.9	15.6	6.3	9.4	18.8	28.1	9.4	15.6	6.3	15.6
2- Interim information	3.1	12.5	84.4	2.81	.47	5	12.5	12.5	21.9	6.3	6.3	12.5	40.6	31.3	31.3	12.5	9.4
3- Inventory and its types and valuation methods	15.6	9.4	75.0	2.59	.76	10	15.6	12.5	18.8	12.5	9.4	12.5	15.6	12.5	21.9	18.8	3.1
4- Tax position	0	15.6	84.4	2.84	.37	2	18.8	15.6	21.9	3.1	6.3	21.9	15.6	12.5	28.1	6.3	12.5
5- Assets types and applied depreciation methods	3.1	21.9	75.0	2.72	.52	8	28.1	12.5	25.0	9.4	12.5	12.5	9.4	9.4	15.6	21.9	12.5
6- Forecasts of contingent liabilities and anticipated future investment	3.1	9.4	87.5	2.84	.45	4	15.6	18.8	28.1	3.1	9.4	18.8	18.8	21.9	37.5	9.4	3.1
7- Extraordinary items and their impacts	13.8	31.0	55.2	2.41	.73	13	15.6	21.9	18.8	9.4	6.3	15.6	6.3	9.4	9.4	3.1	9.4
8- Post balance sheet events and their impacts	0	15.6	84.4	2.84	.37	2	12.5	18.8	28.1	3.1	3.1	31.3	15.6	25.0	21.9	3.1	15.6
9- Revenue recognition policy	0	29.0	71.0	2.71	.46	9	12.5	15.6	21.9	3.1	9.4	18.8	9.4	6.3	9.4	15.6	6.3
10- Authorised, issued, and paid-up capital; and types of shares and share book value	6.3	9.4	84.4	2.78	.55	6	21.9	25.0	15.6	9.4	3.1	15.6	6.3	15.6	28.1	12.5	6.3
11- Amount of long-term debts, their breakdown, and their interest rates	0	0	100.0	3.00	.00	1	12.5	12.5	25.0	9.4	15.6	21.9	18.8	12.5	34.4	6.3	25.0
12- The enterprise's efforts in protecting the environment	12.5	46.9	40.6	2.28	.68	14	12.5	18.8	12.5	9.4	3.1	6.3	6.3	12.5	9.4	18.8	12.5
13- Capitalisation policy of debts cost	3.2	16.1	80.6	2.77	.50	7	25.0	18.8	21.9	9.4	3.1	3.1	0	21.9	21.9	9.4	6.3
14- Detailed information on the enterprise's transactions with related parties	3.1	43.8	53.1	2.50	.57	11	25.0	6.3	21.9	3.1	6.3	15.6	15.6	9.4	18.8	9.4	15.6

Table 9.3c Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Occupation Groups (Academics)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 2 %	Reliability 3 %	Verifiability 9 %	Neutrality 7 %	Faithful rep. 7 %	Comparability 6 %	Timeliness 1 %	Predictive v. 5 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	6.1	32.7	61.2	2.55	.61	6	22.4	14.3	24.5	2.0	8.2	10.2	26.5	10.2	10.2	4.1	10.2
2- Interim information	6.4	14.9	78.7	2.72	.58	4	18.4	24.5	18.4	4.1	2.0	16.3	24.5	24.5	18.4	8.2	6.1
3- Inventory and its types and valuation methods	12.2	34.7	53.1	2.41	.70	12	18.4	10.2	12.2	8.2	6.1	12.2	12.2	4.1	10.2	14.3	10.2
4- Tax position	8.2	40.8	51.0	2.43	.65	11	16.3	16.3	10.2	0	8.2	36.7	6.1	6.1	10.2	2.0	6.1
5- Assets types and applied depreciation methods	12.2	24.5	63.3	2.51	.71	7	30.6	16.3	10.2	10.2	4.1	30.6	26.5	6.1	8.2	20.4	12.2
6- Forecasts of contingent liabilities and anticipated future investment	2.1	10.6	87.2	2.85	.42	1	16.3	16.3	14.3	8.2	14.3	16.3	12.2	12.2	55.1	4.1	8.2
7- Extraordinary items and their impacts	12.5	39.6	47.9	2.35	.70	13	24.5	22.4	16.3	2.0	8.2	16.3	6.1	10.2	16.3	4.1	12.2
8- Post balance sheet events and their impacts	2.0	12.2	85.7	2.84	.43	2	18.4	20.4	20.4	12.2	20.4	44.9	18.4	18.4	22.4	4.1	22.4
9- Revenue recognition policy	18.4	14.3	67.3	2.49	.79	10	24.5	30.6	14.3	12.2	10.2	26.5	12.2	6.1	18.4	4.1	6.1
10- Authorised, issued, and paid-up capital; and types of shares and share book value	10.4	20.8	68.8	2.58	.68	5	28.6	14.3	18.4	2.0	4.1	20.4	20.4	8.2	14.3	10.2	18.4
11- Amount of long-term debts, their breakdown, and their interest rates	6.1	10.2	83.7	2.78	.55	3	16.3	26.5	18.4	6.1	4.1	22.4	20.4	8.2	22.4	6.1	28.6
12- The enterprise's efforts in protecting the environment	12.8	23.4	63.8	2.51	.72	8	14.3	14.3	12.2	14.3	6.1	14.3	14.3	6.1	6.1	2.0	10.2
13- Capitalisation policy of debts cost	17.8	42.2	40.0	2.22	.74	14	12.2	16.3	14.3	2.0	6.1	32.7	14.3	4.1	14.3	2.0	12.2
14- Detailed information on the enterprise's transactions with related parties	12.2	26.5	61.2	2.49	.71	9	18.4	22.4	16.3	6.1	18.4	32.7	14.3	4.1	6.1	2.0	14.3

Table 9.3d Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Occupation Groups (Stock brokers)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 2 %	Relevance 8 %	Reliability 3 %	Verifiability 6 %	Neutrality 6 %	Faithful rep. 5 %	Comparability 4 %	Timeliness 1 %	Predictive v. 9 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	6.7	46.7	46.7	2.40	.62	8	22.6	22.6	16.1	9.7	19.4	25.8	22.6	6.5	9.7	12.9	16.1
2- Interim information	0	19.4	80.6	2.81	.40	3	29.0	16.1	22.6	9.7	12.9	19.4	38.7	25.8	25.8	16.1	6.5
3- Inventory and its types and valuation methods	10.0	50.0	40.0	2.30	.65	11	12.9	19.4	12.9	9.7	9.7	22.6	19.4	6.5	6.5	9.7	12.9
4- Tax position	10.0	16.7	73.3	2.63	.67	6	19.4	16.1	19.4	9.7	16.1	32.3	22.6	6.5	9.7	9.7	9.7
5- Assets types and applied depreciation methods	12.9	41.9	45.2	2.32	.70	10	22.6	19.4	12.9	16.1	9.7	22.6	19.4	9.7	12.9	16.1	9.7
6- Forecasts of contingent liabilities and anticipated future investment	0	16.1	83.9	2.84	.37	2	29.0	25.8	22.6	29.0	16.1	41.9	29.0	19.4	35.5	6.5	9.7
7- Extraordinary items and their impacts	19.4	41.9	38.7	2.19	.75	13	19.4	19.4	6.5	9.7	9.7	19.4	16.1	9.7	9.7	6.5	12.9
8- Post balance sheet events and their impacts	6.7	23.3	70.0	2.63	.61	5	19.4	22.6	12.9	12.9	16.1	22.6	25.8	25.8	22.6	9.7	12.9
9- Revenue recognition policy	12.9	35.5	51.6	2.39	.72	9	19.4	16.1	9.7	9.7	6.5	22.6	16.1	12.9	12.9	9.7	19.4
10- Authorised, issued, and paid-up capital; and types of shares and share book value	3.2	19.4	77.4	2.74	.51	4	35.5	25.8	19.4	16.1	9.7	29.0	19.4	12.9	19.4	9.7	22.6
11- Amount of long-term debts, their breakdown, and their interest rates	3.2	3.2	93.5	2.90	.40	1	32.3	32.3	25.8	35.5	19.4	38.7	32.3	32.3	22.6	19.4	16.1
12- The enterprise's efforts in protecting the environment	35.5	48.4	16.1	1.81	.70	14	12.9	12.9	6.5	6.5	3.2	3.2	9.7	16.1	6.5	6.5	12.9
13- Capitalisation policy of debts cost	3.3	36.7	60.0	2.57	.57	7	22.6	9.7	19.4	16.1	12.9	19.4	19.4	16.1	16.1	12.9	16.1
14- Detailed information on the enterprise's transactions with related parties	16.1	38.7	45.2	2.29	.74	12	16.1	12.9	12.9	16.1	22.6	12.9	22.6	9.7	9.7	9.7	19.4

Table 9.3e Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Occupation Groups (Others)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 10 %	Reliability 6 %	Verifiability 11 %	Neutrality 3 %	Faithful rep. 7 %	Comparability 8 %	Timeliness 1 %	Predictive v. 5 %	Consistency 9 %	Materiality 2 %
1- Consolidated financial statements	5.9	11.8	82.4	2.76	.55	8	58.8	38.2	58.8	20.6	29.4	55.9	50.0	29.4	23.5	17.6	20.6
2- Interim information	0	5.9	94.1	2.94	.24	1	47.1	38.2	47.1	41.2	20.6	32.4	58.8	44.1	35.3	35.3	11.8
3- Inventory and its types and valuation methods	0	26.5	73.5	2.74	.45	9	44.1	38.2	50.0	17.6	8.8	11.8	41.2	17.6	26.5	41.2	29.4
4- Tax position	5.9	20.6	73.5	2.68	.59	10	52.9	41.2	38.2	8.8	35.3	23.5	17.6	32.4	11.8	2.9	0
5- Assets types and applied depreciation methods	2.9	38.2	58.8	2.56	.56	13	50.0	29.4	47.1	23.5	29.4	52.9	52.9	20.6	0	35.3	14.7
6- Forecasts of contingent liabilities and anticipated future investment	0	35.3	64.7	2.65	.49	11	32.4	11.8	35.3	5.9	8.8	14.7	8.8	26.5	67.6	2.9	26.5
7- Extraordinary items and their impacts	8.8	23.5	67.6	2.59	.66	12	44.1	14.7	32.4	20.6	26.5	44.1	29.4	29.4	26.5	11.8	26.5
8- Post balance sheet events and their impacts	2.9	5.9	91.2	2.88	.41	3	50.0	38.2	41.2	44.1	29.4	52.9	35.3	38.2	29.4	8.8	20.6
9- Revenue recognition policy	2.9	14.7	82.4	2.79	.48	7	50.0	35.3	38.2	47.1	20.6	35.3	29.4	26.5	20.6	26.5	2.9
10- Authorised, issued, and paid-up capital; and types of shares and share book value	0	20.6	79.4	2.79	.41	5	55.9	41.2	38.2	35.3	17.6	32.4	26.5	17.6	29.4	2.9	2.9
11- Amount of long-term debts, their breakdown, and their interest rates	0	6.1	93.9	2.94	.24	2	52.9	41.2	38.2	44.1	26.5	41.2	55.9	32.4	32.4	26.5	26.5
12- The enterprise's efforts in protecting the environment	14.7	55.9	29.4	2.15	.66	14	26.5	17.6	11.8	2.9	0	20.6	14.7	2.9	17.6	2.9	35.3
13- Capitalisation policy of debts cost	3.0	9.1	87.9	2.85	.44	4	50.0	29.4	38.2	32.4	26.5	55.9	50.0	23.5	8.8	29.4	38.2
14- Detailed information on the enterprise's transactions with related parties	0	20.6	79.4	2.79	.41	5	32.4	32.4	29.4	17.6	23.5	32.4	14.7	26.5	20.6	23.5	32.4

as a result of disclosing each item differed from item to another. It should be noted that "Financial analysts" were the only group that perceived item 8 "Post balance sheet events and their impacts" as of low importance (the tenth in importance with a mean score of 2.53 and a standard deviation of .66).

The second group, "Decision makers" ranked items 11 "Amount of long-term debts, their breakdown, and their interest rates", 4 "Tax position", 8 " Post balance sheet events and their impact", 6 "Forecasts of contingent liabilities and anticipated future investment", and 2 "Interim information" as the most important items. These items received high mean scores of 3.00, 2.84, 2.84, 2.84, and 2.81 with a standard deviation of .00, .37, .37, .45, and .47 respectively. It should be noted that this group is the only one that gave item 4 "Tax position" a high ranking (as the second most important item). Furthermore, none of the respondents chose "Unimportant" for three items (items 4, 6, and 9) and all respondents (100%) chose "Important" for item 11. Also, respondents in this group thought that disclosing the items enhances the usefulness of corporate annual reports (with the exception of item 13 "Capitalisation policy of debts cost" where none of respondents thought that disclosing the item served "Comparability".

The third group, "Academics" ranked items 6 "Forecasts of contingent liabilities and anticipated future investment", 8 " Post balance sheet events and their impact", 11 "Amount of long-term debts, their breakdown, and their interest rates", 2 "Interim information", and 10 "Authorised, issued, and paid-up capital; and types of shares and share book value", as the most important items. The above information items received high mean scores of 2.85, 2.84, 2.78, 2.72 and 2.58 with a standard deviation of .42, .43, .55, .58, and .68 respectively. It should be noted that "Academics" were the only group that did not rank item 11 as the first or the second most important item; they ranked the item third in importance. Also, respondents in this group thought that disclosing the items enhances the usefulness of corporate annual reports (with the exception of item 4 "Tax position", which none of respondents thought serves "Verifiability").

The fourth group, "Stock brokers" ranked items 11 "Amount of long-term debts, their breakdown, and their interest rates", 6 "Forecasts of contingent liabilities and

anticipated future investment", 2 "Interim information", 10 "Authorised, issued, and paid-up capital; and types of shares and share book value", and 8 "Post balance sheet events and their impact" as the most important items. These items received high mean scores of 2.90, 2.84, 2.81, 2.74 and 2.63 with a standard deviation of .40, .37, .40, .51, and .61 respectively. Further, respondents in this group thought that disclosing the financial information items improves the usefulness of corporate annual reports.

The fifth group, "Others" ranked items 2 "Interim information", 11 "Amount of long-term debts, their breakdown, and their interest rates", 8 " Post balance sheet events and their impact", 13 "Capitalisation policy of debts cost", and 14 "Detailed information on the enterprise's transactions with related parties" as the most important items. These items received high mean scores of 2.94, 2.94, 2.88, 2.85 and 2.79 with a standard deviation of .24, .24, .41, .44, and .41 respectively. It should be noted that item 2, which was perceived as the most important item by this group, was also perceived as one of the five most important items by the other four groups. This finding is consistent with the finding in Chapter Eight, that "timeliness" was perceived as the most important characteristic, interim information of course provide users with more timely information than annual information. Also, none of the respondents in this group chose "Unimportant" for six items (items 2, 3, 6, 10, 11, and 14). Moreover, "Others" were the only group that did not give item 6 a high ranking, as they ranked the item eleventh. Conversely, they were the only group that gave the last item (item 14) a high ranking (the fifth in importance). Also, respondents in this group thought that disclosing the items enhances the usefulness of corporate annual reports (with the exception of items 4, 5, and 12; none of the respondents thought that disclosing these items served "Materiality", "Predictive value" and "Neutrality" respectively).

9.2.2.1.2 Statistical Analysis

To test for significant differences among the occupation groups regarding their perceptions of the importance attached to each of the selected financial information items, the Kruskal - Wallis Test was used. Table 9.4 below, shows that there are statistically significant differences in eight (items 1, 3, 4, 6, 8, 12, 13, and 14) of the fourteen items (the values for all these eight items were less than 0.05), while there are no statistically

significant differences in other items, since their probability values were not significant (p >

0.05). Furthermore, this test gives the values of the mean rank of each characteristic (refer to

Appendix F).

Table 9.4 Kruskal-Wallis Test Results for Difference among Groups (Occupation)
Users' Perceptions of the Importance Attached to the Financial Information Items
(the First Group):

Information Items	Chi-Square	Df	Asymp. Sig.
1- Consolidated financial statements	9.829	4	**.043**
2- Interim information	4.827	4	.306
3- Inventory and its types and valuation methods	10.508	4	**.033**
4- Tax position	10.943	4	**.027**
5- Assets types and applied depreciation methods	8.566	4	.073
6- Forecasts of contingent liabilities and anticipated future investment	10.463	4	**.033**
7- Extraordinary items and their impacts	7.352	4	.118
8- Post balance sheet events and their impacts	16.455	4	**.002**
9- Revenue recognition policy	8.663	4	.070
10- Authorised, issued, and paid-up capital; and types of shares and share book value	3.320	4	.506
11- Amount of long-term debts, their breakdown, and their interest rates	8.231	4	.083
12- The enterprise's efforts in protecting the environment	26.686	4	**.000**
13- Capitalisation policy of debts cost	29.925	4	**.000**
14- Detailed information on the enterprise's transactions with related parties	10.342	4	**.035**

- Grouping Variable: Sample groups

The above results suggest that there are significant differences in eight of fourteen

items, across the occupation groups. Accordingly, the answer to the related question is that

there are significant differences for eight out of fourteen items. Therefore, it is possible to

reject the null hypothesis $H10.1_0$ There are no significant difference among respondent

groups (according to their occupation) regarding the importance attached to each of the

selected financial information items; for eight items (items 1, 3, 4, 6, 8, 12, 13, and 14), and

accept the alternative hypothesis $(H10.1_1)$. However for the other items, the null hypothesis

is accepted and the alternative rejected.

9.2.2.2 Effect of Education:

The present sub-section tries to answer the following research questions: "Are there

significant differences among respondents of different qualification regarding their

perceptions of the importance attached to each of the selected financial information items?".

This question can be formulated as the following null research hypothesis:

H10.2$_0$ There are no significant differences among respondent groups (according to their level of education) regarding the importance attached to each of the selected financial information items.

9.2.2.2.1 Descriptive Statistics:

Tables 9.5a, and b below introduce the results for the first group of financial information items. Generally speaking, the two groups gave similar ranks to three items (items No. 11, 7, and 12) as they were perceived as the first, the thirteenth, and the fourteenth items. On the other hand, three other items were perceived differently by the two groups (items No. 5, 8, and 13). For example, item No. 5, which was ranked as the eleventh item by the first group "University degree" received a higher ranking (as the sixth item) by the other group "Above university degree". The rest of the items received nearly similar rankings by the two groups. These results suggest that there is a complete agreement among the two groups regarding the importance attached to three items and some agreement regarding the importance attached to some other items such as items No. 1, 2, 3, 4, and 10. In addition, it should be noted that respondents in the two groups thought that disclosing the financial information items improves the usefulness of corporate annual reports, though the percentages given to each characteristic as a result of disclosing each item differed from one item to another and from one characteristic to another.

The first group, "University degree" ranked items No. 11 "Amount of long-term debts, their breakdown, and their interest rates", 2 "Interim information", 6 "Forecasts of contingent liabilities and anticipated future investment", 10 "Authorised, issued, and paid-up capital; and types of shares and share book value", and 13 "Capitalisation policy of debts cost" as the most important items. These items received the highest mean scores (2.92, 2.82, 2.77, 2.73, and 2.72) with a standard deviation of .33, .45, .46, .52, and .51 respectively.

The second group, "Above university degree" ranked items No.11 "Amount of long-term debts, their breakdown, and their interest rates", 6 "Forecasts of contingent liabilities and anticipated future investment", 8 "Post balance sheet events and their impacts", 2 "Interim information", and 10 "Authorised, issued, and paid-up capital; and types of shares and share book value" as the most important items. Also, these items received the highest

Table 9.5a Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Education Groups (University Degree)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3 %	Relevance 9 %	Reliability 4 %	Verifiability 5 %	Neutrality 7 %	Faithful rep. 6 %	Comparability 2 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	4.4	31.9	63.7	2.59	.58	8	30.4	18.3	26.1	7.8	15.7	16.5	27.8	7.0	13.9	5.2	9.6
2- Interim information	2.6	13.0	84.3	2.82	.45	2	24.3	12.2	33.9	18.3	8.7	13.0	37.4	22.6	21.7	16.5	10.4
3- Inventory and its types and valuation methods	7.0	34.2	58.8	2.52	.63	10	16.5	18.3	23.5	13.0	10.4	13.0	18.3	7.8	20.0	11.3	6.1
4- Tax position	8.0	23.2	68.8	2.61	.63	6	25.5	17.0	20.8	10.4	7.5	17.9	21.7	9.4	15.1	21.7	21.7
5- Assets types and applied depreciation methods	6.1	36.8	57.0	2.51	.61	11	27.8	19.1	31.3	13.0	9.6	22.6	25.2	7.8	9.6	15.7	11.3
6- Forecasts of contingent liabilities and anticipated future investment	1.7	19.1	79.1	2.77	.46	3	24.3	20.0	23.5	17.4	11.3	18.3	24.3	14.8	36.5	5.2	5.2
7- Extraordinary items and their impacts	16.1	44.6	39.3	2.23	.71	13	19.1	13.9	17.4	16.5	6.1	14.8	16.5	7.8	11.3	7.0	14.8
8- Post balance sheet events and their impacts	8.0	23.9	68.1	2.60	.63	7	25.4	16.7	21.1	15.8	13.2	20.2	23.7	15.8	21.1	5.3	7.9
9- Revenue recognition policy	4.5	35.1	60.4	2.56	.58	9	24.3	13.9	17.4	19.1	3.5	17.4	18.3	8.7	13.0	9.6	10.4
10- Authorised, issued, and paid-up capital; and types of shares and share book value	3.5	20.0	76.5	2.73	.52	4	32.2	20.9	27.0	13.9	7.0	19.1	19.1	13.9	14.8	8.7	13.0
11- Amount of long-term debts, their breakdown, and their interest rates	1.8	4.4	93.9	2.92	.33	1	32.2	18.3	27.0	27.0	13.9	25.2	32.2	21.7	30.4	10.4	15.7
12- The enterprise's efforts in protecting the environment	22.6	53.9	23.5	2.01	.68	14	14.8	13.0	11.3	7.0	6.1	10.4	11.3	7.0	10.4	6.1	14.8
13- Capitalisation policy of debts cost	2.7	22.5	74.8	2.72	.51	5	23.5	13.0	32.2	15.7	6.1	15.7	20.9	13.9	17.4	10.4	16.5
14- Detailed information on the enterprise's transactions with related parties	8.7	43.5	47.8	2.39	.64	12	20.9	13.9	22.6	10.4	9.6	15.7	18.3	8.7	13.9	7.0	10.4

Table 9.5b Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Education Groups (Above University Degree)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3 %	Relevance 6 %	Reliability 2 %	Verifiability 9 %	Neutrality 5 %	Faithful rep. 7 %	Comparability 4 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	7.6	22.9	69.5	2.62	.63	9	32.1	27.4	26.4	10.4	14.2	21.7	30.2	17.9	14.2	11.3	17.9
2- Interim information	2.9	10.7	86.4	2.83	.44	4	27.4	27.4	28.3	15.1	11.3	24.5	36.8	39.6	31.1	16.0	9.4
3- Inventory and its types and valuation methods	7.6	34.3	58.1	2.50	.64	12	25.5	17.0	20.8	10.4	7.5	17.9	21.7	9.4	15.1	21.7	21.7
4- Tax position	5.7	24.5	69.8	2.64	.59	7	27.4	21.7	22.6	4.7	16.0	29.2	13.2	15.1	17.0	3.8	9.4
5- Assets types and applied depreciation methods	6.6	21.7	71.7	2.65	.60	6	37.7	18.9	21.7	17.0	13.2	27.4	24.5	13.2	12.3	26.4	17.0
6- Forecasts of contingent liabilities and anticipated future investment	2.9	6.7	90.4	2.88	.41	2	21.7	13.2	25.5	14.2	12.3	17.0	16.0	21.7	55.7	5.7	17.0
7- Extraordinary items and their impacts	8.6	34.3	57.1	2.49	.65	13	32.1	20.8	24.5	5.7	16.0	21.7	7.5	16.0	14.2	4.7	21.7
8- Post balance sheet events and their impacts	1.9	12.3	85.8	2.84	.42	3	23.6	23.6	27.4	18.9	18.9	41.5	16.0	26.4	23.6	3.8	23.6
9- Revenue recognition policy	11.3	17.9	70.8	2.59	.69	10	30.2	31.1	27.4	18.9	18.9	28.3	17.9	15.1	17.9	17.0	5.7
10- Authorised, issued, and paid-up capital; and types of shares and share book value	5.7	17.1	77.1	2.71	.57	5	30.2	25.5	29.2	13.2	11.3	22.6	20.8	10.4	18.9	10.4	17.0
11- Amount of long-term debts, their breakdown, and their interest rates	2.8	6.6	90.6	2.88	.41	1	22.6	28.3	29.2	18.9	13.2	25.5	27.4	18.9	26.4	15.1	31.1
12- The enterprise's efforts in protecting the environment	15.4	41.3	43.3	2.28	.72	14	18.9	15.1	11.3	13.2	5.7	13.2	11.3	8.5	8.5	4.7	16.0
13- Capitalisation policy of debts cost	8.8	28.4	62.7	2.54	.66	11	26.4	19.8	20.8	13.2	16.0	32.1	18.9	17.0	20.8	13.2	17.9
14- Detailed information on the enterprise's transactions with related parties	7.5	22.6	69.8	2.62	.62	8	18.9	19.8	19.8	9.4	22.6	28.3	16.0	14.2	11.3	9.4	25.5

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mean scores (2.88, 2.88, 2.84, 2.83, and 2.71) with standard deviations of .41, .41, .42, .44, and .57 respectively.

9.2.2.2.2 Statistical Analysis

The Mann-Whitney Test was employed here to test for significant differences between these the two groups. The results, reported in Table 9.6 below, indicate that there are statistically significant difference across the two groups in seven (items 5, 6, 7, 8, 12, 13, and 14) of the fourteen items as all their probability values are significant ($p < 0.05$), while there are no statistically significant differences between the two groups in the other items. In addition, this test provides the values of the mean rank of each characteristic (refer to Appendix F).

Table 9.6 Mann-Whitney Test Results of Difference among Groups (Education) Users' Perceptions of the Importance Attached to the Financial Information Items (the First Group)

Information Items	Mann-Whitney U	Wilcoxon W	Z	Asymp.Sig. (2-tailed)
1- Consolidated financial statements	5672.0	12113.0	-.677	.499
2- Interim information	5806.5	12476.5	-.406	.685
3- Inventory and its types and valuation methods	5932.5	11497.5	-.129	.898
4- Tax position	5834.0	12162.0	-.271	.786
5- Assets types and applied depreciation methods	5221.5	11776.5	-2.063	.039
6- Forecasts of contingent liabilities and anticipated future investment	5333.0	12003.0	-2.199	.028
7- Extraordinary items and their impacts	4731.0	11059.0	-2.736	.006
8- Post balance sheet events and their impact	4897.0	11338.0	-3.164	.002
9- Revenue recognition policy	5458.0	11674.0	-1.099	.272
10- Authorised, issued, and paid-up capital; and types of shares and share book value	6033.0	12703.0	-.013	.990
11- Amount of long-term debts, their breakdown, and their interest rates	5842.5	11513.5	-.914	.361
12- The enterprise's efforts in protecting the environment	4733.5	11403.5	-2.892	.004
13- Capitalisation policy of debts cost	4911.0	10164.0	-2.063	.039
14- Detailed information on the enterprise's transactions with related parties	4835.0	11505.0	-3.037	.002

a Grouping Variable: Education

According to the above result, the answer to the question posed earlier, "Are there significant differences among respondents of different qualification regarding their perceptions of the importance attached to each of the selected financial information items?" is that there are significant differences in seven of fourteen items (items 5, 6, 7, 8, 12, 13, and 14) between the education groups regarding their perceptions of the importance attached to each of the financial information items. Consequently, it is possible to reject the null hypothesis $H10.2_0$ "There are no significant differences among respondent groups (according to their level of education) regarding the importance attached to each of the

selected financial information items"; for these seven items and accept the alternative hypothesis (H10.2$_1$), while it is possible to accept the null hypotheses for other items and reject the alternative one.

9.2.2.3 Effect of Experience:

This sub-section aims to answer the following research questions: "Are there significant differences among respondents of different experience regarding their perceptions of the importance attached to each of the selected financial information items?". To answer this question, the following null research hypothesis is formulated:

H10.3$_0$ There are no significant differences among respondent groups (according to their experience) regarding the importance attached to each of the selected financial information items.

9.2.2.3.1 Descriptive Statistics:

Tables 9.7a, and b below show that, in general, the two groups gave similar rankings to six items (items 3, 5, 7, 9, 11, and 12) as they were perceived as the eleventh, the ninth, the thirteenth, the tenth, the first and the fourteenth items. On the other hand, another item was perceived differently by the two groups (item 13), because it was ranked as the fifth item by the first group "After 1991" and as the twelfth by the second group "Before 1991". Other items received almost similar rankings from the two groups. These results suggest that there is a complete agreement among the two groups regarding the importance attached to six items and some agreement regarding the importance attached to some other items, such as items 1, 2, 4, 6, 8, 10, and 14. Also, item 11, which was ranked as the first most important item by the respondents of the overall sample, some occupation groups, and the education groups, was given the same ranking by the experience groups.

Similar to what was mentioned in the previous analysis (section 9.2.2.2), respondents in the two groups thought that the disclosure of financial information items improves the usefulness of corporate annual reports. The percentages given to each characteristic as a result of disclosing each item differed from one item to another and from one characteristic to another.

Table 9.7a Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Experience Groups (After 1991)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 9 %	Reliability 3 %	Verifiability 5 %	Neutrality 8 %	Faithful rep. 6 %	Comparability 2 %	Timeliness 1 %	Predictive v. 7 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	5.3	32.7	61.9	2.57	.60	8	28.7	23.5	21.7	9.6	14.8	14.8	23.5	7.8	11.3	7.8	14.8
2- Interim information	2.6	12.2	85.2	2.83	.44	2	25.2	13.9	33.9	20.0	10.4	17.4	37.4	32.2	27.0	15.7	11.3
3- Inventory and its types and valuation methods	7.1	39.8	53.1	2.46	.63	11	17.4	15.7	20.0	11.3	11.3	19.1	18.3	6.1	16.5	13.0	13.0
4- Tax position	8.0	20.5	71.4	2.63	.63	6	20.0	14.8	21.7	9.6	12.2	23.5	15.7	7.0	19.1	9.6	12.2
5- Assets types and applied depreciation methods	5.3	35.1	59.6	2.54	.60	9	28.7	18.3	28.7	14.8	9.6	18.3	21.7	8.7	14.8	16.5	18.3
6- Forecasts of contingent liabilities and anticipated future investment	4.3	11.3	84.3	2.80	.50	3	22.6	18.3	26.1	23.5	12.2	18.3	27.0	16.5	39.1	7.0	12.2
7- Extraordinary items and their impacts	12.5	48.2	39.3	2.27	.67	13	22.6	16.5	19.1	16.5	7.0	11.3	8.7	6.1	8.7	6.1	22.6
8- Post balance sheet events and their impacts	7.1	24.8	68.1	2.61	.62	7	18.4	15.8	18.4	18.4	14.9	20.2	18.4	16.7	22.8	4.4	10.5
9- Revenue recognition policy	6.3	33.3	60.4	2.54	.61	10	25.2	16.5	22.6	19.1	8.7	18.3	20.9	10.4	13.9	12.2	11.3
10- Authorised, issued, and paid-up capital; and types of shares and share book value	3.5	19.1	77.4	2.74	.51	4	27.8	20.0	30.4	14.8	9.6	21.7	20.0	12.2	12.2	12.2	17.4
11- Amount of long-term debts, their breakdown, and their interest rates	1.8	5.3	93.0	2.91	.34	1	27.8	22.6	28.7	31.3	13.9	24.3	31.3	25.2	30.4	11.3	19.1
12- The enterprise's efforts in protecting the environment	25.2	55.7	19.1	1.94	.67	14	17.4	13.0	10.4	9.6	7.0	8.7	10.4	7.8	8.7	5.2	13.9
13- Capitalisation policy of debts cost	2.7	24.8	72.6	2.70	.52	5	25.2	12.2	29.6	17.4	9.6	14.8	18.3	16.5	23.5	13.0	16.5
14- Detailed information on the enterprise's transactions with related parties	9.6	40.9	49.6	2.40	.66	12	19.1	13.0	20.9	13.0	13.0	16.5	18.3	8.7	12.2	5.2	16.5

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Table 9.7b Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the First Group) Experience Groups (Before 1991)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 2 %	Relevance 5 %	Reliability 3 %	Verifiability 9 %	Neutrality 4 %	Faithful rep. 6 %	Comparability 7 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Consolidated financial statements	6.6	22.6	70.8	2.64	.60	6	33.6	21.5	30.8	8.4	15.0	23.4	34.6	16.8	16.8	8.4	13.1
2- Interim information	2.9	11.5	85.6	2.83	.45	3	26.2	25.2	28.0	13.1	9.3	19.6	36.4	29.9	25.2	16.8	8.4
3- Inventory and its types and valuation methods	8.4	28.0	63.6	2.55	.65	11	24.3	19.6	24.3	12.1	6.5	11.2	21.5	11.2	18.7	19.6	14.0
4- Tax position	5.6	28.0	66.4	2.61	.59	7	24.3	23.4	20.6	2.8	15.9	29.0	12.1	15.9	15.0	3.7	4.7
5- Assets types and applied depreciation methods	7.5	24.3	68.2	2.61	.63	9	36.4	19.6	24.3	15.0	13.1	31.8	28.0	12.1	6.5	25.2	10.3
6- Forecasts of contingent liabilities and anticipated future investment	1.0	15.2	83.8	2.83	.40	2	23.4	15.0	22.4	7.5	11.2	16.8	13.1	19.6	52.3	3.7	9.3
7- Extraordinary items and their impacts	12.4	30.5	57.1	2.45	.71	13	28.0	17.8	22.4	5.6	15.0	25.2	15.9	17.8	16.8	5.6	13.1
8- Post balance sheet events and their impacts	2.8	12.1	85.0	2.82	.45	4	30.8	24.3	29.9	15.9	16.8	42.1	21.5	25.2	21.5	4.7	20.6
9- Revenue recognition policy	9.3	20.6	70.1	2.61	.66	10	29.0	28.0	21.5	18.7	13.1	27.1	15.0	13.1	16.8	14.0	4.7
10- Authorised, issued, and paid-up capital; and types of shares and share book value	5.7	17.9	76.4	2.71	.57	5	34.6	26.2	25.2	12.1	8.4	20.6	19.6	12.1	21.5	6.5	12.1
11- Amount of long-term debts, their breakdown, and their interest rates	2.8	5.6	91.6	2.89	.40	1	27.1	24.3	27.1	14.0	13.1	26.2	28.0	15.0	26.2	14.0	27.1
12- The enterprise's efforts in protecting the environment	12.4	40.0	47.6	2.35	.69	14	15.9	15.0	12.1	10.3	4.7	15.0	12.1	7.5	10.3	5.6	17.8
13- Capitalisation policy of debts cost	8.9	26.7	64.4	2.55	.66	12	24.3	20.6	23.4	11.2	12.1	32.7	21.5	14.0	14.0	10.3	17.8
14- Detailed information on the enterprise's transactions with related parties	6.5	26.2	67.3	2.61	.61	8	20.6	20.6	21.5	6.5	18.7	27.1	15.9	14.0	13.1	11.2	18.7

The first group, "After 1991" ranked items No.11 "Amount of long-term debts, their breakdown, and their interest rates", 2 "Interim information", 6 "Forecasts of contingent liabilities and anticipated future investment", 10 "Authorised, issued, and paid-up capital; and types of shares and share book value", and 13 "Capitalisation policy of debts cost" as the most important items. These items received the highest mean scores (2.91, 2.83, 2.80, 2.74, and 2.70) with a standard deviation of .34, .44, .50, .51, and .52 respectively.

The second group, "Before 1991" also ranked items No.11 "Amount of long-term debts, their breakdown, and their interest rates", 6 "Forecasts of contingent liabilities and anticipated future investment", 2 "Interim information", 8 "Post balance sheet events and their impacts", and 10 "Authorised, issued, and paid-up capital; and types of shares and share book value" as the most important items. Also, these items received the highest mean scores (2.89, 2.83, 2.83, 2.82, and 2.71) with a standard deviation of .40, .40, .45, .45, and .57 respectively.

9.2.2.3.2 Statistical Analysis:

Table 9.8 below show that there are statistically significant differences between the two groups in only four (items No. 7, 8, 12, and 14) of the fourteen items, as all their probability values are significant (p < 0.05), while there is no statistically significant difference between

Table 9.8 Mann-Whitney Test Results of Difference among Groups (Experience) Users' Perceptions of the Importance Attached to the Financial Information Items (the First Group)

Information Items	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
1- Consolidated financial statements	5519.0	11960.0	-1.209	.227
2- Interim information	5961.5	12631.5	-.064	.949
3- Inventory and its types and valuation methods	5496.0	11937.0	-1.333	.182
4- Tax position	5754.0	11532.0	-.626	.531
5- Assets types and applied depreciation methods	5653.0	12213.0	-1.099	.272
6- Forecasts of contingent liabilities and anticipated future investment	6036.5	12706.5	-.003	.997
7- Extraordinary items and their impacts	4957.0	11285.0	-2.198	.028
8- Post balance sheet events and their impacts	5013.5	11454.5	-2.954	.003
9- Revenue recognition policy	5468.5	11684.5	-1.204	.229
10- Authorised, issued, and paid-up capital; and types of shares and share book value	6007.5	11678.5	-.251	.802
11- Amount of long-term debts, their breakdown, and their interest rates	6011.0	11789.0	-.401	.688
12- The enterprise's efforts in protecting the environment	4124.5	10794.5	-4.410	.000
13- Capitalisation policy of debts cost	5152.5	10303.5	-1.509	.131
14- Detailed information on the enterprise's transactions with related parties	5072.5	11742.5	-2.583	.010

a Grouping Variable: Respondents' experience

the two groups in the other items. This test provides the values of the mean rank of each characteristic (refer to Appendix F).

In the light of the above result, the answer to the question posed earlier, "Are there significant differences among respondents of different experience regarding their perceptions of the importance attached to each of the selected financial information items?" is that in four items (items 7, 8, 12, and 14) out of fourteen items there are significant differences between the experience groups regarding their perceptions of the importance attached to each of the financial information items. Accordingly, it is possible to reject the null hypothesis $H10.3_0$ "There are no significant differences among respondent groups (according to their level of experience) regarding the importance attached to each of the selected financial information items"; for these four items and accept the alternative hypothesis ($H10.3_1$), while it is possible to accept the null hypothesis for other items and reject the alternative one.

Certain points regarding the above group of financial information items should be noted:

1- Items 2, 6, 8, 10, 11, and 13 were noticeably considered as more important than other items by the respondents, whether of the overall sample or of the background groupings. This indicates that respondents think that these six items are more important than others.

2- Although item 3 "Inventory and its types and valuation methods" is an essential part of the current assets in the balance sheet and also a direct determinant of the cost of goods sold, it was not perceived as one of the most five important items, by the overall sample, or any of the background groupings.

3- Similarly to the above item, item 14 "Detailed information on the enterprise's transactions with related parties", which enables users to be aware of the lack of independence and its effects, was not perceived as one of five most important items, by either respondents of the overall sample or the background groups, with the exception of the "Others" occupation group, which ranked it as the fifth most important item.

4- Surprisingly, item 7 "Extraordinary items and their impacts", which enable users to distinguish between them and income or expenses resulting from the normal activities of the

company, was perceived as of moderate or low importance by respondents of the overall sample and different groupings.

5- Unexpectedly, item no 10, "Authorised, issued, and paid-up capital; and types of shares and share book value", which to the best knowledge of the researcher has not previously been empirically tested in the Egyptian environment, was perceived by respondents of the overall sample as the fourth item in importance; by "Stock brokers" as the fourth, as the fifth item by "Financial analysts", "Academics", and "Others", and as the sixth by "Decision makers". Moreover, this item was perceived as fourth and fifth item by the first and second education groups respectively, and also by first and second experience groups. It is possible to conclude that this finding indicates that this item is seen as very important by different user groups.

9.3 Users' Perceptions of the Importance Attached to the Financial Information Items (the Second Group):

Similarly to the previous section, this one introduces the results of analysing question No. 4 of the questionnaire (see Appendix A, part four) regarding the second group of financial information items for the overall sample and occupation, education, and experience groups.

9.3.1 The Overall Sample:

9.3.1.1 Descriptive Statistics

Table 9.9 below shows that, according to both the percentage and the mean score, item No. 5 "Present and anticipated earnings per share" was considered as the most important item by respondents of the overall sample. 95.0% of respondents chose important, and 5.0% chose neutral, while none of them chose unimportant, and this item received the highest mean score of 2.95 with the lowest standard deviation of .22. Besides, respondents saw that the disclosure of this item improves the usefulness of the corporate annual reports as all characteristics are served, with various relatively high percentages, as a result of disclosing the item. For example, 23.0% of respondents saw that "timeliness", which was ranked as the most important characteristic, is served. Other percentages were 26.6% for "reliability", 23.9% for "understandability", 32.9% for "comparability", and 45.0% for "predictive value".

The relatively high percentages that this item received confirm the importance attached to it and suggest that the disclosure of this item improves the usefulness of corporate annual reports.

Information on "Present and anticipated earnings per share" is very important for most user groups, especially investors and their agents, as this information helps them in determining the return provided by their investments. Also, this information enables them to compare different alternatives of investment. Two interviewed stock brokers reported that the majority of their individual investors clients were interested first in the capital earning; second in the earning per share. Another interviewed financial analyst who confirmed the above conclusion added that institutional investors are interested, in addition to the earning per share, in the company's financial position and its capability to continue in business as well. This information was perceived also as important in some previous studies (e.g. Chandra, 1974; Mohamed, 1991; Ibrahim and Kim, 1994; Almelegy, 1998; and Al-Razeen, 1999).

The table also shows that items 9 "Anticipated cash flow", 10 "Enterprise's reputation and its competitive capability", 1 "Estimation of future gains, profits or losses and future sales and purchases", and 3 " Present return earned on share prices" received the second, the third, the fourth, and the fifth rankings respectively. Moreover, respondents thought that disclosing these items improves the usefulness of the corporate annual reports as all characteristics are served as a result of disclosing the items. The relatively high percentages that these items received confirm the importance attached to them and suggest that disclosing these items will enhance the usefulness of corporate annual reports.

For instance, item 9 "Anticipated cash flow", was perceived as the second important item of information that may be useful in understanding the company's operations, in evaluating its financing activities, and in assessing its liquidity and solvency. In a previous study, Shohaieb (1990), this information was perceived as important information.

Item 10 "Enterprise's reputation and its competitive capability", was perceived as the third important item. Some interviewed stock brokers reported that many investment decisions made by individual investors are based on the company's reputation. Accordingly,

Table 9.9 Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) The Overall Sample

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3 %	Relevance 7 %	Reliability 2 %	Verifiability 9 %	Neutrality 5 %	Faithful rep. 6 %	Comparability 4 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	1.8	8.1	90.1	2.88	.37	4	18.5	20.7	28.4	19.4	12.6	13.5	26.1	18.0	59.0	6.3	8.6
2- Movement of share prices for the last 12 months	2.3	20.4	77.4	2.75	.48	6	15.3	13.1	23.0	12.2	7.7	15.8	39.2	10.8	28.4	5.0	8.1
3- Present return earned on share prices	1.8	12.3	85.9	2.84	.41	5	18.5	20.3	31.5	18.5	8.6	17.6	32.9	13.1	19.8	6.3	9.9
4- Maintenance of dividends rate	2.3	24.2	73.5	2.71	.50	9	14.4	17.6	19.4	11.7	9.0	14.9	32.0	7.2	23.9	20.3	8.6
5- Present and anticipated earnings per share	0	5.0	95.0	2.95	.22	1	23.9	24.8	26.6	17.1	13.1	22.5	32.9	23.0	45.0	8.1	9.0
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	10.9	35.5	53.6	2.43	.68	14	23.9	19.8	13.5	7.7	5.9	14.4	24.8	13.5	21.6	4.1	11.7
7- Internal transfer prices	33.5	42.1	24.4	1.91	.76	18	19.4	9.5	10.8	6.8	7.2	10.8	7.7	4.5	4.1	4.5	7.2
8- Leases and hire purchase contracts	11.1	43.5	45.4	2.34	.67	16	23.9	21.6	17.6	11.3	9.9	19.4	13.5	11.3	12.6	6.8	13.1
9- Anticipated cash flow	.9	6.4	92.7	2.92	.31	2	25.8	24.9	29.9	23.5	16.7	19.0	26.7	20.8	49.8	8.1	11.3
10- Enterprise's reputation and its competitive capability	.5	8.7	90.8	2.90	.31	3	22.5	20.3	27.5	13.1	19.8	27.9	32.4	10.4	24.3	6.3	10.4
11- The position of individual enterprises within a group	6.1	29.2	64.6	2.58	.61	11	26.7	17.6	24.0	12.7	16.3	23.5	34.4	10.9	15.8	5.9	14.5
12- Retained earnings for the last few years	8.1	18.6	73.3	2.65	.63	10	22.1	14.4	23.4	12.2	7.2	21.6	29.3	16.2	21.2	9.9	8.1
13- Financing structure	4.1	16.8	79.1	2.75	.52	7	27.5	21.6	24.8	15.8	11.7	25.2	25.2	16.2	26.6	7.2	18.5
14- The enterprise's transaction with abroad	6.4	29.1	64.5	2.58	.61	12	24.3	18.9	23.0	14.0	15.3	17.1	21.2	11.7	21.6	5.9	16.7
15- Present and future goals of the enterprise	1.8	25.2	73.0	2.71	.49	8	31.5	23.0	25.7	23.9	9.5	17.6	19.8	16.2	38.7	7.2	12.2
16- Employees and their productivity	13.6	38.2	48.2	2.35	.71	15	18.6	14.0	18.5	9.5	9.9	12.6	23.4	6.8	14.0	4.5	9.9
17- The social impact of the enterprise's activities	29.1	43.6	27.3	1.98	.75	17	16.2	16.2	11.7	8.6	5.9	9.9	5.9	6.8	8.1	2.7	14.0
18- The enterprise's efforts on research and development	9.1	35.0	55.9	2.47	.66	13	17.1	18.0	18.9	13.5	8.6	10.4	15.8	11.3	24.3	5.4	18.9

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it is possible to conclude that the company's reputation is a very important factor that affects decisions made by investors, especially individual investors, in Egypt.

Two different cases relate to leading shares in the Egyptian securities market support the above conclusion. First, the market value of shares of a communication company rose from LE.10 (the book value) to nearly LE. 180 during two or three years in which this company did not have profits and there were no dividends. In a subsequent year, when the company realised a good amount of profits, unexpectedly, before these dividends, the share price went down to between LE. 70 - 80; second, the market value of shares of an entertainment company rose from LE. 10 (the book value) to around LE. 70 during a period of two years in which the company did not issue enough financial information, meaning that investors could buy its shares without having enough financial information about the company.

In addition to the above items, Items 1 and 3 received high mean scores andwere ranked as the fourth and the fifth important items. Item 1 "Estimation of future gains, profits or losses and future sales and purchases" provides essential information to investors and their advisors. This information includes the return provided by their investment, future sales and purchases that give indications about the firm future performance and profitability. Also, this information helps them to assess the company's ability to pay expected dividends, and its ability to generate enough cash to meet its future obligations. This type of information, information on future expectations, was perceived as important information in several previous studies (e.g. Baker and Haslem, 1973; Lee and Tweedie, 1975; Mohamed, 1991; and McNally, Eng, and Haseldine, 1982).

Item 3, "Present return earned on share prices" enables users, especially investors, to compare the alternatives of their securities investment, and to make a decision about which shares they should buy, hold, or sell.

Other items, such as items 2, 13, 15, 4 and 12, were also seen as important items and received relatively high mean scores of 2.75, 2.75, 2.71, 2.71 and 2.65 respectively, while some items, such as items 11, and 14, were seen as less important than the above items; each received a mean score of 2.58.

Conversely, some other financial information items were ranked lower. For instance, items No. 17 "The social impact of the enterprise's activities" and 7 "Internal transfer prices" obtained the lowest rankings, since they received the lowest mean scores (1.98, and 1.91). Despite the low rankings that these items received, some respondents (though smaller percentages than for the above items) thought that the disclosure of these items improves the usefulness of the corporate annual reports. For instance, information on social impact of the enterprise's activities was found among the least important items in several previous studies (Wallace, 1988; McNally et al., 1982; and Firth, 1978), while it was perceived as moderate in importance in Almelegy's study (1998).

It should be noted that, among the eighteen items, only the above two items received low mean scores (less than 2.00). Concerning the above findings, the answer to the research question: "What are the respondents' perceptions of the importance attached to each of the selected financial information items for the purposes of securities investment?, and which characteristics are served as a result of disclosing each item?" is that respondents (the overall sample) consider that out of the eighteen financial information items, sixteen items are important since the mean score of these items is above 2.00 (the mid-point of the measure), but some items are regarded as more important than others such as items No. 11, 2, 6, 10, and 8, which were perceived as the five most important items respectively. Furthermore, the above findings show that respondents thought that all the QCOAI are served as a result of disclosing the items, with different percentages.

9.3.1.2 Statistical Analysis:

Table 9.10, below, shows the results of the Chi-square for one sample test. As all values of Chi-square were significant ($p < 0.05$), it is possible to say that respondents' answers were not equally distributed among the different levels of perception of the importance attached to each of the selected financial information items (the second group). Accordingly, the answer to the question: "Are respondents' perceptions equally distributed among the levels of perception of the importance attached to each of the selected financial information items?" is that there are significant differences for all of the items. Therefore, the null hypothesis $H9_0$:

"There are no significant differences in respondents' choice of answers on the perceptions of the importance attached to each of the selected financial information items"; should be rejected for all the items and the alternative hypothesis (H9₁) should be accepted.

Table 9.10 Chi-square Results for Users' Perceptions (the Overall Sample) of the
Importance Attached to Each of the Financial Information Items (the Second Group):

Information Items	Chi-Square	Df	Asymp. Sig.
1- Estimation of future gains, profits or losses and future sales and purchases	323.135	2	.000
2- Movement of share prices for the last 12 months	203.765	2	.000
3- Present return earned on share prices	277.264	2	.000
4- Maintenance of dividends rate	174.904	2	.000
5- Present and anticipated earnings per share	178.200	1	.000
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	60.691	2	.000
7- Internal transfer prices	10.326	2	.006
8- Leases and hire purchase contracts	48.111	2	.000
9- Anticipated cash flow	350.218	2	.000
10- Enterprise's reputation and its competitive capability	326.486	2	.000
11- The position of individual enterprises within a group	110.387	2	.000
12- Retained earnings for the last few years	162.471	2	.000
13- Financing structure	212.627	2	.000
14- The enterprise's transaction with abroad	113.491	2	.000
15- Present and future goals of the enterprise	175.243	2	.000
16- Employees and their productivity	41.709	2	.000
17- The social impact of the enterprise's activities	10.618	2	.005
18- The enterprise's efforts on research and development	72.609	2	.000

9.3.2 Effect of Background Variables:

Respondents' perceptions are analysed in relation to their occupation, level of education, and years of experience in this section of the chapter. The aim here is to test whether the differences in background characteristics of respondents affect their perceptions of the importance of each of the selected financial information items.

9.3.2.1 Effect of Occupation:

The current sub-section aims to answer the following research questions: "Are there significant differences among respondents of different occupation regarding their perceptions of the importance attached to each of the selected financial information items?". To answer this question, the following null research hypothesis is formulated.

H10.1₀ There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the selected financial information items.

9.3.2.1.1 Descriptive Statistics:

Tables 9.11a, b, c, d, and e portray the results of the second group of financial information items. As a general note, there is a good agreement among the five groups concerning the high importance that some items received. For instance, item No. 5 "Present and anticipated earnings per share", which was perceived as the most important item by the overall sample, received the same ranking by "Financial analysts", and was ranked second by three groups namely "Decision makers", "Academics", and "Others", and a third by "Stock brokers". Also, items No. 9 "Anticipated cash flow" and 10 "Enterprise's reputation and its competitive capability", which received high rankings as the second and the third most important item from respondents of the overall sample, also received high rankings from all groups. For example, item No. 9 was ranked first by both "Academics" and "Others", second by "Decision makers", third by "Financial analysts", and fifth by "Stock brokers". In addition, there is a good agreement among the groups regarding the lower importance of other items, such as items No. 7, 8, 16, 17, and 18. For example, item No. 7, which was ranked as the least important by respondents of the overall sample received low rankings from the five groups: eighteenth from "Financial analysts", "Decision makers", and "Academics", and seventeenth from the other two groups.

Item No. 1 "Estimation of future gains, profits or losses and future sales and purchases", which was ranked as the fourth item by respondents of the overall sample, was ranked first by "Stock brokers", second by "Decision makers", third by "Academics", and the fourth by "Financial analysts". In contrast, this item was ranked ninth by "Others".

The first group, "Financial analysts" ranked items No. 5 "Present and anticipated earnings per share", 10 "Enterprise's reputation and its competitive capability", 9 "Anticipated cash flow", 1 "Estimation of future gains, profits or losses and future sales and purchases", and 13 " Financing structure" as the most important items. The mean scores of these items were 2.95, 2.91, 2.87, 2.86, and 2.78 with standard deviations of .22, .29, .41, .45, and .53 respectively. Respondents in this group thought that disclosing the financial information items enhances the usefulness of corporate annual reports. Percentages given to the characteristics as a result of disclosing each item differed from one item to another. It

Table 9.11a Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Occupation Groups (Financial Analysts)

Financial Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 9 %	Reliability 3 %	Verifiability 5 %	Neutrality 7 %	Faithful rep. 6 %	Comparability 1 %	Timeliness 2 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	3.9	6.6	89.5	2.86	.45	4	13.2	15.8	28.9	19.7	15.8	6.6	23.7	14.5	51.3	3.9	5.3
2- Movement of share prices for the last 12 months	2.6	28.9	68.4	2.66	.53	9	14.5	13.2	22.4	10.5	9.2	9.2	28.9	9.2	18.4	3.9	5.3
3- Present return earned on share prices	3.9	15.8	80.3	2.76	.51	6	13.2	7.9	31.6	21.1	13.2	11.8	28.9	15.8	13.2	5.3	5.3
4- Maintenance of dividends rate	1.4	26.0	72.6	2.71	.49	8	11.8	5.3	11.8	10.5	7.9	10.5	25.0	3.9	14.5	23.7	9.2
5- Present and anticipated earnings per share	0	5.3	94.7	2.95	.22	1	18.4	15.8	30.3	17.1	11.8	17.1	30.3	18.4	44.7	9.2	9.2
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	9.2	34.2	56.6	2.47	.66	14	18.4	11.8	14.5	11.8	6.6	11.8	28.9	9.2	21.1	5.3	14.5
7- Internal transfer prices	30.7	44.0	25.3	1.95	.75	18	23.7	9.2	14.5	7.9	3.9	7.9	7.9	2.6	2.6	1.3	7.9
8- Leases and hire purchase contracts	13.7	43.8	42.5	2.29	.70	16	23.7	15.8	17.1	10.5	10.5	11.8	7.9	7.9	11.8	2.6	18.4
9- Anticipated cash flow	2.7	8.0	89.3	2.87	.41	3	25.3	16.0	29.3	24.0	17.3	14.7	28.0	17.3	44.0	8.0	12.0
10- Enterprise's reputation and its competitive capability	0	9.3	90.7	2.91	.29	2	19.7	13.2	35.5	18.4	15.8	19.7	36.8	9.2	17.1	3.9	10.5
11- The position of individual enterprises within a group	6.8	28.4	64.9	2.58	.62	10	25.3	16.0	29.3	16.0	17.3	12.0	37.3	10.7	12.0	5.3	13.3
12- Retained earnings for the last few years	11.8	21.1	67.1	2.55	.70	12	25.0	13.2	26.3	18.4	6.6	14.5	23.7	13.2	15.8	7.9	9.2
13- Financing structure	5.3	11.8	82.9	2.78	.53	5	27.6	17.1	28.9	18.4	9.2	18.4	21.1	11.8	26.3	6.6	10.5
14- The enterprise's transaction with abroad	6.6	30.3	63.2	2.57	.62	11	28.9	13.2	32.9	14.5	10.5	6.6	23.7	11.8	19.7	3.9	17.1
15- Present and future goals of the enterprise	0	25.0	75.0	2.75	.44	7	31.6	15.8	26.3	26.3	7.9	13.2	21.1	15.8	40.8	1.3	11.8
16- Employees and their productivity	12.0	36.0	52.0	2.40	.70	15	18.4	13.2	22.4	10.5	10.5	5.3	22.4	5.3	13.2	3.9	11.8
17- The social impact of the enterprise's activities	23.7	50.0	26.3	2.03	.71	17	15.8	13.2	13.2	13.2	7.9	5.3	6.6	3.9	5.3	1.3	17.1
18- The enterprise's efforts on research and development	6.6	32.9	60.5	2.54	.62	13	21.1	14.5	27.6	21.1	11.8	9.2	23.7	14.5	27.6	5.3	14.5

Table 9.11b Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Occupation Groups (Decision Makers)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3 %	Relevance 6 %	Reliability 2 %	Verifiability 8 %	Neutrality 5 %	Faithful rep. 11 %	Comparability 4 %	Timeliness 1 %	Predictive v. 7 %	Consistency 8 %	Materiality 8 %
1- Estimation of future gains, profits or losses and future sales and purchases	0	6.3	93.8	2.94	.25	2	6.3	12.5	25.0	21.9	6.3	9.4	25.0	18.8	53.1	6.3	6.3
2- Movement of share prices for the last 12 months	3.1	21.9	75.0	2.72	.52	11	9.4	15.6	25.0	3.1	0	18.8	46.9	18.8	28.1	9.4	3.1
3- Present return earned on share prices	0	9.7	90.3	2.90	.30	5	9.4	18.8	15.6	6.3	0	9.4	37.5	15.6	21.9	9.4	9.4
4- Maintenance of dividends rate	6.3	9.4	84.4	2.78	.55	9	6.3	15.6	18.8	3.1	6.3	12.5	28.1	6.3	40.6	18.8	3.1
5- Present and anticipated earnings per share	0	6.3	93.8	2.94	.25	2	15.6	12.5	25.0	9.4	6.3	12.5	37.5	25.0	37.5	9.4	3.1
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	9.4	25.0	65.6	2.56	.67	14	21.9	18.8	18.8	6.3	6.3	6.3	21.9	3.1	28.1	6.3	15.6
7- Internal transfer prices	28.1	40.6	31.3	2.03	.78	18	15.6	6.3	12.5	9.4	12.5	15.6	3.1	3.1	9.4	3.1	9.4
8- Leases and hire purchase contracts	6.5	41.9	51.6	2.45	.62	15	18.8	6.3	15.6	6.3	3.1	15.6	12.5	9.4	18.8	9.4	6.3
9- Anticipated cash flow	0	6.3	93.8	2.94	.25	2	15.6	15.6	21.9	15.6	6.3	12.5	12.5	15.6	40.6	6.3	12.5
10- Enterprise's reputation and its competitive capability	0	3.2	96.8	2.97	.18	1	6.3	15.6	28.1	9.4	15.6	18.8	18.8	12.5	21.9	9.4	12.5
11- The position of individual enterprises within a group	0	29.0	71.0	2.71	.46	13	15.6	12.5	28.1	3.1	12.5	12.5	31.3	12.5	12.5	12.5	6.3
12- Retained earnings for the last few years	3.1	12.5	84.4	2.81	.47	7	9.4	9.4	21.9	3.1	3.1	18.8	18.8	15.6	18.8	6.3	3.1
13- Financing structure	3.1	9.4	87.5	2.84	.45	6	21.9	18.8	18.8	0	3.1	21.9	15.6	15.6	25.0	9.4	15.6
14- The enterprise's transaction with abroad	3.1	15.6	81.3	2.78	.49	8	9.4	12.5	15.6	6.3	9.4	18.8	18.8	6.3	21.9	6.3	12.5
15- Present and future goals of the enterprise	0	25.0	75.0	2.75	.44	10	18.8	21.9	21.9	18.8	6.3	21.9	12.5	15.6	31.3	9.4	12.5
16- Employees and their productivity	12.5	31.3	56.3	2.44	.72	16	18.8	12.5	15.6	6.3	9.4	18.8	25.0	3.1	15.6	9.4	3.1
17- The social impact of the enterprise's activities	18.8	43.8	37.5	2.19	.74	17	12.5	25.0	12.5	12.5	9.4	18.8	3.1	6.3	18.8	6.3	6.3
18- The enterprise's efforts on research and development	3.1	21.9	75.0	2.72	.52	11	15.6	9.4	37.5	12.5	12.5	12.5	12.5	9.4	25.0	9.4	12.5

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Table 9.11c Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Occupation Groups (Academics)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 2 %	Reliability 3 %	Verifiability 9 %	Neutrality 7 %	Faithful rep. 7 %	Comparability 6 %	Timeliness 1 %	Predictive v. 5 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	0	8.2	91.8	2.92	.28	3	14.3	22.4	22.4	4.1	4.1	6.1	10.2	10.2	75.5	4.1	6.1
2- Movement of share prices for the last 12 months	2.1	16.7	81.3	2.79	.46	6	8.2	16.3	18.4	10.2	4.1	14.3	44.9	4.1	30.6	0	10.2
3- Present return earned on share prices	0	20.8	79.2	2.79	.41	5	18.4	22.4	30.6	8.2	4.1	24.5	26.5	6.1	18.4	0	8.2
4- Maintenance of dividends rate	2.0	22.4	75.5	2.73	.49	7	16.3	22.4	20.4	4.1	10.2	12.2	22.4	8.2	24.5	20.4	6.1
5- Present and anticipated earnings per share	0	2.1	97.9	2.98	.14	2	14.3	32.7	14.3	8.2	8.2	18.4	32.7	16.3	44.9	4.1	10.2
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	12.5	41.7	45.8	2.33	.69	16	16.3	18.4	14.3	4.1	2.0	22.4	18.4	18.4	22.4	2.0	14.3
7- Internal transfer prices	36.7	34.7	28.6	1.92	.81	18	20.4	8.2	10.2	2.0	8.2	14.3	8.2	6.1	2.0	8.2	8.2
8- Leases and hire purchase contracts	10.4	27.1	62.5	2.52	.68	12	22.4	20.4	12.2	8.2	6.1	18.4	14.3	6.1	16.3	2.0	12.2
9- Anticipated cash flow	0	0	100.0	3.00	.00	1	14.3	24.5	22.4	14.3	14.3	14.3	20.4	22.4	63.3	8.2	12.2
10- Enterprise's reputation and its competitive capability	0	14.6	85.4	2.85	.36	4	16.3	20.4	16.3	6.1	24.5	38.8	28.6	8.2	22.4	4.1	8.2
11- The position of individual enterprises within a group	13.3	35.6	51.1	2.38	.72	15	22.4	12.2	14.3	4.1	8.2	28.6	24.5	12.2	16.3	4.1	12.2
12- Retained earnings for the last few years	10.4	22.9	66.7	2.56	.68	10	16.3	16.3	16.3	4.1	10.2	26.5	36.7	6.1	20.4	8.2	14.3
13- Financing structure	2.1	27.1	70.8	2.69	.51	8	18.4	20.4	16.3	10.2	10.2	30.6	18.4	12.2	32.7	6.1	22.4
14- The enterprise's transaction with abroad	8.2	32.7	59.2	2.51	.65	13	22.4	20.4	16.3	10.2	12.2	22.4	18.4	4.1	26.5	2.0	16.3
15- Present and future goals of the enterprise	4.1	22.4	73.5	2.69	.55	9	22.4	26.5	18.4	8.2	2.0	12.2	14.3	10.2	36.7	0	12.2
16- Employees and their productivity	8.3	39.6	52.1	2.44	.65	14	18.8	20.4	18.4	10.2	10.2	22.4	24.5	8.2	12.2	2.0	18.4
17- The social impact of the enterprise's activities	22.4	38.8	38.8	2.16	.77	17	20.4	20.4	18.4	6.1	4.1	18.4	10.2	8.2	4.1	2.0	18.4
18- The enterprise's efforts on research and development	8.2	28.6	63.3	2.55	.65	11	12.2	32.7	14.3	12.2	6.1	14.3	18.4	12.2	24.5	6.1	18.4

Table 9.11d Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Occupation Groups (Stock Brokers)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 2 %	Relevance 8 %	Reliability 3 %	Verifiability 6 %	Neutrality 6 %	Faithful rep. 5 %	Comparability 4 %	Timeliness 1 %	Predictive v. 9 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	0	3.2	96.8	2.97	.18	1	19.4	19.4	32.3	32.3	16.1	19.4	32.3	19.4	48.4	9.7	16.1
2- Movement of share prices for the last 12 months	0	12.9	87.1	2.87	.34	5	19.4	9.7	25.8	12.9	9.7	19.4	51.6	9.7	22.6	3.2	6.5
3- Present return earned on share prices	0	3.2	96.8	2.97	.18	1	25.8	29.0	32.3	19.4	16.1	29.0	32.3	16.1	19.4	6.5	16.1
4- Maintenance of dividends rate	0	25.8	74.2	2.74	.44	7	16.1	22.6	25.8	22.6	16.1	25.8	41.9	12.9	22.6	16.1	9.7
5- Present and anticipated earnings per share	0	6.5	93.5	2.94	.25	3	22.6	25.8	25.8	19.4	16.1	38.7	38.7	22.6	41.9	12.9	16.1
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	13.3	56.7	30.0	2.17	.65	14	22.6	16.1	9.7	3.2	12.9	9.7	12.9	9.7	6.5	6.5	9.7
7- Internal transfer prices	29.0	54.8	16.1	1.87	.67	17	16.1	12.9	6.5	12.9	9.7	9.7	16.1	9.7	6.5	9.7	9.7
8- Leases and hire purchase contracts	16.1	64.5	19.4	2.03	.60	16	9.7	22.6	12.9	6.5	9.7	16.1	16.1	16.1	12.9	6.5	19.4
9- Anticipated cash flow	0	12.9	87.1	2.87	.34	5	29.0	29.0	22.6	35.5	19.4	25.8	35.5	19.4	38.7	12.9	16.1
10- Enterprise's reputation and its competitive capability	3.2	3.2	93.5	2.90	.40	4	16.1	25.8	12.9	19.4	16.1	29.0	32.3	9.7	22.6	16.1	22.6
11- The position of individual enterprises within a group	6.9	34.5	58.6	2.52	.63	12	25.8	16.1	6.5	9.7	16.1	22.6	35.5	12.9	16.1	6.5	16.1
12- Retained earnings for the last few years	9.7	19.4	71.0	2.61	.67	10	19.4	22.6	25.8	16.1	12.9	38.7	32.3	25.8	16.1	12.9	6.5
13- Financing structure	6.7	30.0	63.3	2.57	.63	11	29.0	25.8	19.4	9.7	9.7	16.1	25.8	16.1	16.1	9.7	25.8
14- The enterprise's transaction with abroad	6.7	23.3	70.0	2.63	.61	8	19.4	19.4	12.9	16.1	29.0	19.4	19.4	19.4	19.4	12.9	12.9
15- Present and future goals of the enterprise	3.2	32.3	64.5	2.61	.56	9	29.0	9.7	25.8	22.6	12.9	22.6	29.0	19.4	35.5	12.9	16.1
16- Employees and their productivity	19.4	45.2	35.5	2.16	.73	15	9.7	6.5	16.1	9.7	16.1	12.9	16.1	9.7	3.2	9.7	6.5
17- The social impact of the enterprise's activities	45.2	38.7	16.1	1.71	.74	18	9.7	16.1	6.5	3.2	6.5	6.5	3.2	12.9	3.2	6.5	9.7
18- The enterprise's efforts on research and development	22.6	35.5	41.9	2.19	.79	13	12.9	19.4	6.5	9.7	16.1	6.5	9.7	9.7	9.7	6.5	19.4

Table 9.11e Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Occupation Groups (Others)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 10 %	Reliability 6 %	Verifiability 11 %	Neutrality 3 %	Faithful rep. 7 %	Comparability 8 %	Timeliness 1 %	Predictive v. 5 %	Consistency 9 %	Materiality 2 %
1- Estimation of future gains, profits or losses and future sales and purchases	2.9	17.6	79.4	2.76	.50	9	47.1	38.2	35.3	26.5	20.6	38.2	50.0	35.3	67.6	11.8	14.7
2- Movement of share prices for the last 12 months	2.9	11.8	85.3	2.82	.46	8	29.4	8.8	26.5	26.5	8.8	26.5	35.3	17.6	52.9	11.8	17.6
3- Present return earned on share prices	2.9	2.9	94.1	2.91	.38	4	32.4	38.2	47.1	38.2	5.9	17.6	47.1	11.8	35.3	14.7	17.6
4- Maintenance of dividends rate	2.9	35.3	61.8	2.59	.56	11	23.5	35.3	29.4	23.5	5.9	20.6	55.9	8.8	29.4	17.6	14.7
5- Present and anticipated earnings per share	0	6.1	93.9	2.94	.24	2	58.8	44.1	38.2	35.3	26.5	35.3	29.4	41.2	55.9	5.9	5.9
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	11.8	20.6	67.6	2.56	.70	12	50.0	44.1	8.8	8.8	2.9	20.6	38.2	29.4	29.4	0	0
7- Internal transfer prices	44.1	38.2	17.6	1.74	.75	17	14.7	11.8	5.9	2.9	5.9	8.8	2.9	2.9	2.9	2.9	0
8- Leases and hire purchase contracts	6.1	48.5	45.5	2.39	.61	14	44.1	50.0	32.4	26.5	20.6	44.1	23.5	23.5	2.9	20.6	2.9
9- Anticipated cash flow	0	5.9	94.1	2.94	.24	1	50.0	50.0	55.9	32.4	26.5	35.3	38.2	32.4	61.8	5.9	2.9
10- Enterprise's reputation and its competitive capability	0	9.1	90.9	2.91	.29	3	58.8	35.3	38.2	8.8	29.4	38.2	41.2	14.7	47.1	2.9	0
11- The position of individual enterprises within a group	0	18.2	81.8	2.82	.39	7	47.1	35.3	38.2	29.4	29.4	52.9	44.1	5.9	26.5	2.9	26.5
12- Retained earnings for the last few years	0	11.8	88.2	2.88	.33	5	38.2	11.8	26.5	14.7	2.9	17.6	38.2	29.4	41.2	17.6	2.9
13- Financing structure	2.9	8.8	88.2	2.85	.44	6	44.1	32.4	38.2	38.2	29.4	44.1	52.9	32.4	29.4	5.9	26.5
14- The enterprise's transaction with abroad	6.1	39.4	54.5	2.48	.62	13	35.3	35.3	26.5	23.5	23.5	29.4	23.5	20.6	20.6	8.8	23.5
15- Present and future goals of the enterprise	2.9	23.5	73.5	2.71	.52	10	58.8	47.1	38.2	47.1	23.5	26.5	23.5	23.5	47.1	23.5	8.8
16- Employees and their productivity	20.6	41.2	38.2	2.18	.76	16	26.5	14.7	14.7	8.8	2.9	8.8	29.4	8.8	26.5	0	2.9
17- The social impact of the enterprise's activities	46.9	40.6	12.5	1.66	.70	18	20.6	8.8	2.9	2.9	0	2.9	2.9	5.9	14.7	0	11.8
18- The enterprise's efforts on research and development	9.4	62.5	28.1	2.19	.59	15	20.6	11.8	0	2.9	2.9	8.8	2.9	5.9	29.4	0	35.3

should be noted that none of respondents in this group, "Financial analysts", chose "Unimportant" for items No. 5, 10, and 15. Also, all items received mean scores above 2.00, with the exception of item No. 7, which received a mean score of 1.95 with a standard deviation of .75.

The second group, "Decision makers" ranked item No. 10 "Enterprise's reputation and its competitive capability" as the first item. Items No. 1 "Estimation of future gains, profits or losses and future sales and purchases", 5 "Present and anticipated earnings per share", and 9 "Anticipated cash flow" received a similar ranking, with the same mean score (2.94) and the same standard deviation (.25). In addition to the above items, item No. 3 " Present return earned on share prices" was perceived as the fifth most important item (a mean score of 2.90 with a standard deviation of .30). It should be noted that none of the respondents chose "Unimportant" for seven items (items No. 1, 3, 5, 9, 10, 11, and 15). Also, respondents in this group thought that disclosing the items improves the usefulness of corporate annual reports (with the exception of items No. 2 and 3, which none of the respondents thought serves "Neutrality", and item No. 13, which also none of the respondents thought serves "Verifiability"). Moreover, all items received mean scores above 2.00.

The third group, "Academics" ranked items No. 9 "Anticipated cash flow", 5 "Present and anticipated earnings per share", 1 "Estimation of future gains, profits or losses and future sales and purchases", 10 "Enterprise's reputation and its competitive capability", and 3 " Present return earned on share prices" as the most important items. The above information items received high mean scores of 3.00, 2.98, 2.92, 2.85 and 2.79 with standard deviations of .00, .14, .28, .36, and .41 respectively. It should be noted that all respondents in this group chose "Important" for item No. 9, and none of them chose "Unimportant" for items No. 1, 3, 5, and 10. Also, respondents in this group thought that disclosing the items enhances the usefulness of corporate annual reports (with the exception of items No. 2, 3 and 15; none of the respondents thought that disclosing these items serves "Consistency"). Further, all items received mean scores above 2.00 with the exception of item No. 7, which received a mean score of 1.92 with a standard deviation of .81.

The fourth group, "Stock brokers" gave equal rankings, as the most important items, to items No. 1 "Estimation of future gains, profits or losses and future sales and purchases" and 3 " Present return earned on share prices". These two items received a mean score of 2.97 with a standard deviation of .18. Items No. 5 "Present and anticipated earnings per share" and 10 "Enterprise's reputation and its competitive capability" were ranked as the third and the fourth items, as they received mean scores of 2.94 and 2.90 with standard deviations of .25 and .40 respectively. Items No. 2 "Movement of share prices for last 12 months" and 9 "Anticipated cash flow" were ranked equal fifth in importance, and received a mean score of 2.87 with a standard deviation of .34. It should be noted that none of respondents chose "Unimportant" for items No. 1, 2, 3, 4, 5, and 9, and all items received mean scores above 2.00, with the exception of items No. 7 and 17, which received mean scores of 1.87 and 1.71 with standard deviations of .67 and .74 respectively. Also, respondents in this group thought that disclosing the items enhances the usefulness of corporate annual reports.

The last group, "Others" ranked items No. 9 "Anticipated cash flow", 5 "Present and anticipated earnings per share", 10 "Enterprise's reputation and its competitive capability", 3 " Present return earned on share prices", and 12 "Retained earnings for the last few years" as the most important items. These items received high mean scores of 2.94, 2.94, 2.91, 2.91 and 2.88 with a standard deviation of .24, .24, .29, .38, and .33 respectively. It should be noted that none of respondents in this group chose "Unimportant" for five items (items No. 5, 9, 10, 11 and 12). Also, all items received mean scores above 2.00 with the exception of items No. 7 and 17, which received mean scores of 1.74 and 1.66 with a standard deviation of .75 and .70 respectively. In addition, respondents thought that disclosing the items improves the usefulness of corporate annual reports (with the exceptions of items No. 6, 7, 10, 16, 17 and 18; in each case there was one or more characteristics to be served by none of the respondents.

9.3.2.1.2 Statistical Analysis

Table 9.12 below, which displays the results of the Kruskal - Wallis Test, shows that there are statistically significant differences in six (No. 6, 8, 11, 13, 17 and 18) of the eighteen

financial information items, across the occupation groups, since their probability values were significant (less than or equal to 0.05), while there are no statistically significant differences in other items since their probability values were not significant (p > 0.05). Also, the test gives the values of the mean rank of each characteristic (refer to Appendix F).

The above findings suggest that there are significant differences in six of eighteen items, across the occupation groups. Accordingly, the answer to the related question: "Are there significant differences among respondents of different occupation regarding their perceptions of the importance attached to each of the selected financial information items?" is that there are significant differences for six out of eighteen items. For that reason, it is possible to reject the null hypothesis $H10.1_0$. There are no significant differences among respondent groups (according to their occupation) regarding the importance attached to each of the selected financial information items; for the six items (items No. 6, 8, 11, 13, 17 and 18), and accept the alternative hypothesis $(H10.1_1)$. Conversely, it is possible to accept the null hypothesis for other items and reject the alternative one.

Table 9.12 Kruskal-Wallis Test Results for Difference among Groups (Occupation)
Users' Perceptions of the Importance Attached to the Financial Information Items
(the Second Group)

Information Items	Chi-Square	df	Asymp. Sig.
1- Estimation of future gains, profits or losses and future sales and purchases	6.580	4	.160
2- Movement of share prices for the last 12 months	6.729	4	.151
3- Present return earned on share prices	9.033	4	.060
4- Maintenance of dividends rate	3.971	4	.410
5- Present and anticipated earnings per share	1.186	4	.880
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	10.306	4	.036
7- Internal transfer prices	2.879	4	.578
8- Leases and hire purchase contracts	13.026	4	.011
9- Anticipated cash flow	6.643	4	.156
10- Enterprise's reputation and its competitive capability	3.177	4	.529
11- The position of individual enterprises within a group	10.404	4	.034
12- Retained earnings for the last few years	9.258	4	.055
13- Financing structure	9.475	4	.050
14- The enterprise's transaction with abroad	6.052	4	.195
15- Present and future goals of the enterprise	1.508	4	.825
16- Employees and their productivity	5.751	4	.219
17- The social impact of the enterprise's activities	15.577	4	.004
18- The enterprise's efforts on research and development	18.642	4	.001

- Grouping Variable: Sample groups

9.3.2.2 Effect of Education:

This sub-section aims to answer the following research question: "Are there significant differences among respondents of different qualification regarding their perceptions of the importance attached to each of the selected financial information items?". This question can be formulated as the following null research hypothesis:

H10.2$_0$ There are no significant differences among respondent groups (according to their level of education) regarding the importance attached to each of the selected financial information items.

9.3.2.2.1 Descriptive Statistics:

Tables 9.13a, and b below present the results for the second group of financial information items. As a general note, the two groups gave similar rankings to four items (items 5, 9, 7, and 17) as they were perceived as the first, the second, the eighteenth, and the seventeenth items. On the other hand, other items were perceived slightly differently by the two groups. These results suggest that there is a complete agreement among the two groups regarding the importance attached to four items and some agreement regarding the importance attached to some other items. Besides, it should be noted that respondents in the two groups saw that disclosing the financial information items improve the usefulness of corporate annual reports, and percentages given to each characteristic as a result of disclosing each item differed from one item to another and from one characteristic to another.

The first group, "University degree" ranked items 5 "Present and anticipated earnings per share", 9 "Anticipated cash flow", 3 " Present return earned on share prices", 10 "Enterprise's reputation and its competitive capability", 1 "Estimation of future gains, profits or losses and future sales and purchases" as the most important items. These items received the highest mean scores (2.96, 2.90, 2.90, 2.89, and 2.86) with a standard deviation of .20, .33, .35, .34, and .39 respectively. Moreover, all items received mean scores above 2.00 with the exception of items 7 and 17, which received mean scores of 1.90 and 1.96 with standard deviations of .76 and .72 respectively.

Table 9.13a Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Education Groups (University Degree)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3 %	Relevance 9 %	Reliability 4 %	Verifiability 5 %	Neutrality 7 %	Faithful rep. 6 %	Comparability 2 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	.39	10.4	87.8	2.86	.39	5	20.0	17.4	26.1	27.8	13.9	13.9	28.7	17.4	52.2	7.0	7.0
2- Movement of share prices for the last 12 months	.46	19.1	79.1	2.77	.46	6	18.3	13.0	24.3	13.0	10.4	17.4	42.6	11.3	24.3	7.0	7.0
3- Present return earned on share prices	.35	6.1	92.2	2.90	.35	3	19.1	22.6	30.4	20.0	10.4	15.7	33.0	14.8	22.6	9.6	9.6
4- Maintenance of dividends rate	.48	17.9	79.5	2.77	.48	7	13.9	17.4	20.9	13.9	10.4	17.4	30.4	7.0	20.0	21.7	10.4
5- Present and anticipated earnings per share	.20	4.3	95.7	2.96	.20	1	25.2	21.7	27.0	16.5	11.3	20.0	28.7	20.0	40.9	9.6	6.1
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	.73	31.6	54.4	2.40	.73	13	19.1	16.5	13.9	8.7	8.7	12.2	21.7	8.7	20.9	2.6	7.8
7- Internal transfer prices	.76	41.2	24.6	1.90	.76	18	17.4	11.3	13.9	10.4	7.0	7.0	8.7	4.3	3.5	1.7	4.3
8- Leases and hire purchase contracts	.66	54.1	30.6	2.15	.66	16	20.0	20.0	14.8	10.4	6.1	15.7	8.7	8.7	7.8	4.3	13.0
9- Anticipated cash flow	.33	7.9	91.2	2.90	.33	2	28.9	26.3	31.6	22.8	14.9	17.5	26.3	16.7	38.6	8.8	6.1
10- Enterprise's reputation and its competitive capability	.34	8.8	90.3	2.89	.34	4	25.2	17.4	30.4	14.8	13.0	24.3	32.2	11.3	20.0	4.3	8.7
11- The position of individual enterprises within a group	.58	33.3	62.2	2.58	.58	12	23.7	15.8	24.6	11.4	14.0	18.4	36.0	9.6	15.8	7.0	7.0
12- Retained earnings for the last few years	.61	20.0	73.0	2.66	.61	9	25.2	14.8	27.0	16.5	3.5	17.4	27.8	17.4	21.7	9.6	4.3
13- Financing structure	.58	17.5	76.3	2.70	.58	8	28.7	20.9	20.0	13.9	7.8	20.0	24.3	10.4	21.7	6.1	11.3
14- The enterprise's transaction with abroad	.59	27.4	67.3	2.62	.59	11	21.7	13.0	24.3	12.2	13.0	10.4	18.3	9.6	20.9	5.2	12.2
15- Present and future goals of the enterprise	.52	33.0	65.2	2.63	.52	10	34.8	19.1	25.2	26.1	7.8	13.9	20.0	12.2	32.2	5.2	9.6
16- Employees and their productivity	.68	43.0	44.7	2.32	.68	15	15.7	10.4	18.3	9.6	8.7	11.3	21.7	5.2	12.2	4.3	6.1
17- The social impact of the enterprise's activities	.72	47.8	23.9	1.96	.72	17	14.8	17.4	10.4	8.7	7.8	5.2	6.1	5.2	8.7	2.6	11.3
18- The enterprise's efforts on research and development	.68	39.8	48.7	2.37	.68	14	16.5	13.0	20.0	13.9	10.4	8.7	18.3	11.3	18.3	5.2	13.9

Table 9.13b Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Education Groups (Above University Degree)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 3 %	Relevance 6 %	Reliability 2 %	Verifiability 9 %	Neutrality 5 %	Faithful rep. 7 %	Comparability 4 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	1.9	5.7	92.5	2.91	.35	4	17.0	23.6	31.1	10.4	11.3	13.2	23.6	18.9	67.0	5.7	10.4
2- Movement of share prices for the last 12 months	2.9	21.0	76.2	2.73	.51	8	12.3	13.2	20.8	11.3	4.7	14.2	35.8	10.4	33.0	2.8	9.4
3- Present return earned on share prices	1.9	19.2	78.8	2.77	.47	7	17.9	17.9	33.0	17.0	6.6	18.9	33.0	11.3	17.0	2.8	10.4
4- Maintenance of dividends rate	1.9	31.1	67.0	2.65	.52	9	15.1	17.9	17.9	9.4	7.5	12.3	33.0	7.5	28.3	18.9	6.6
5- Present and anticipated earnings per share	0	5.8	94.2	2.94	.23	1	22.6	28.3	26.4	17.9	15.1	25.5	36.8	26.4	50.0	6.6	12.3
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	7.6	40.0	52.4	2.45	.64	15	29.2	22.6	13.2	6.6	2.8	17.0	28.3	18.9	22.6	5.7	16.0
7- Internal transfer prices	33.0	42.5	24.5	1.92	.76	18	21.7	7.5	7.5	2.8	7.5	15.1	6.6	4.7	4.7	7.5	9.4
8- Leases and hire purchase contracts	6.7	31.7	61.5	2.55	.62	13	28.3	23.6	20.8	12.3	14.2	23.6	18.9	14.2	17.9	9.4	12.3
9- Anticipated cash flow	1.0	3.8	95.2	2.94	.27	2	22.6	23.6	28.3	24.5	18.9	20.8	27.4	25.5	62.3	7.5	16.0
10- Enterprise's reputation and its competitive capability	0	8.7	91.3	2.91	.28	3	19.8	23.6	24.5	11.3	26.4	32.1	33.0	9.4	29.2	8.5	12.3
11- The position of individual enterprises within a group	7.9	24.8	67.3	2.59	.64	11	30.2	19.8	23.6	14.2	18.9	29.2	33.0	12.3	16.0	4.7	22.6
12- Retained earnings for the last few years	9.5	16.2	74.3	2.65	.65	10	18.9	13.2	19.8	7.5	11.3	26.4	31.1	15.1	20.8	10.4	12.3
13- Financing structure	1.9	15.2	82.9	2.81	.44	5	26.4	22.6	30.2	17.9	16.0	31.1	26.4	21.7	32.1	8.5	26.4
14- The enterprise's transaction with abroad	7.5	30.2	62.3	2.55	.63	14	27.4	25.5	21.7	16.0	17.9	24.5	24.5	14.2	22.6	6.6	21.7
15- Present and future goals of the enterprise	1.9	17.0	81.1	2.79	.45	6	28.3	27.4	26.4	21.7	11.3	20.8	19.8	20.8	46.2	9.4	15.1
16- Employees and their productivity	15.2	32.4	52.4	2.37	.74	16	21.9	17.9	18.9	9.4	11.3	14.2	25.5	8.5	16.0	4.7	14.2
17- The social impact of the enterprise's activities	30.2	38.7	31.1	2.01	.79	17	17.9	15.1	13.2	8.5	3.8	15.1	5.7	8.5	7.5	2.8	17.0
18- The enterprise's efforts on research and development	6.6	29.2	64.2	2.58	.62	12	17.9	23.6	17.9	13.2	6.6	12.3	13.2	11.3	31.1	5.7	24.5

The second group, "Above university degree" ranked items No. 5 "Present and anticipated earnings per share", 9 "Anticipated cash flow", 10 "Enterprise's reputation and its competitive capability", 1 "Estimation of future gains, profits or losses and future sales and purchases", and 13 " Financing structure" as the most important items. Also, these items received the highest mean scores (2.94, 2.94, 2.91, 2.91, and 2.81) with standard deviations of .23, .27, .28, .35, and .44 respectively. In addition, none of respondents chose "Unimportant" for items No. 5, and 10, and all items received mean scores above 2.00, with the exception of item No. 7, which received a mean score of 1.92 with a standard deviation of .76.

9.3.2.2.2 Statistical Analysis:

Table 9.14 below shows that there are statistically significant differences between the two groups in five (items No. 3, 4, 8, 15 and 18) of the eighteen items as all of their probability values are significant ($p < 0.05$), while there are no statistically significant differences between the two groups in the other items. Also, this test provides the values of the mean rank of each characteristic (refer to Appendix F).

Table 9.14 Mann-Whitney Test Results of Difference among Groups (Education)
Users' Perceptions of the Importance Attached to the Financial Information Items
(the Second Group)

Information Items	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
1- Estimation of future gains, profits or losses and future sales and purchases	5819.0	12489.0	-1.120	.263
2- Movement of share prices for the last 12 months	5849.0	11414.0	-.553	.580
3- Present return earned on share prices	5196.0	10656.0	-2.769	.006
4- Maintenance of dividends rate	5224.5	10895.5	-1.990	.047
5- Present and anticipated earnings per share	5895.0	11355.0	-.480	.631
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	5913.0	12468.0	-.172	.864
7- Internal transfer prices	5989.0	12544.0	-.120	.904
8- Leases and hire purchase contracts	3917.5	10133.5	-4.485	.000
9- Anticipated cash flow	5747.5	12302.5	-1.158	.247
10- Enterprise's reputation and its competitive capability	5808.0	12249.0	-.294	.769
11- The position of individual enterprises within a group	5401.5	11617.5	-.545	.586
12- Retained earnings for the last few years	6009.5	12679.5	-.077	.939
13- Financing structure	5557.5	12112.5	-1.298	.194
14- The enterprise's transaction with abroad	5662.0	11333.0	-.832	.405
15- Present and future goals of the enterprise	5145.0	11815.0	-2.589	.010
16- Employees and their productivity	5681.5	12236.5	-.711	.477
17- The social impact of the enterprise's activities	5763.5	12204.5	-.515	.607
18- The enterprise's efforts on research and development	5018.0	11459.0	-2.346	.019

a Grouping Variable: Education

In the light of the above result, the answer to the question posed earlier is that there are significant differences in five of eighteen items (items 3, 4, 8, 15 and 18) between the education groups regarding their perception of the importance attached to each of the financial information items (the second group). Therefore, it is possible to reject the null hypothesis H10.2_0, "There are no significant difference among respondent groups (according to their level of education) regarding the importance attached to each of the selected financial information items", for these five items and accept the alternative hypothesis (H10.2_1), while it is possible to accept the null hypothesis for other items and reject the alternative one.

9.3.2.3 Effect of Experience:

This sub-section aims to answer the following research questions: "Are there significant differences among respondents of different experience regarding their perceptions of the importance attached to each of the selected financial information items?". To answer this question, the following null research hypothesis is formulated:

H10.3_0 There are no significant differences among respondent groups (according to their experience) regarding the importance attached to each of the selected financial information items.

9.3.2.3.1 Descriptive Statistics:

Tables 9.15a, and b below present the results of the second group of financial information items. In general, the two groups gave similar rankings to seven items (items 1, 3, 7, 12, 14, 17 and 18) as they were perceived as the third, the fifth, the eighteenth, the tenth, the eleventh, the seventeenth, and the thirteenth most important items.

On the other hand, other items were perceived slightly differently by the two groups. For example, item 2, which was ranked eighth by the first group "After 1991" received a higher rank (sixth) from the other group "Before 1991". These results suggest that there is a complete agreement among the two groups regarding their ranking of the importance attached to seven items and some agreement for other items. In addition, it should be noted that respondents in the two groups saw that disclosing the financial information items

Table 9.15a Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Experience Groups (After 1991)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 4 %	Relevance 9 %	Reliability 3 %	Verifiability 5 %	Neutrality 8 %	Faithful rep. 6 %	Comparability 2 %	Timeliness 1 %	Predictive v. 7 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	3.5	5.2	91.3	2.88	.42	3	15.8	20.2	27.2	28.9	14.0	12.3	27.2	17.5	50.9	5.3	9.6
2- Movement of share prices for the last 12 months	2.7	24.3	73.0	2.70	.51	8	18.4	13.2	22.8	11.4	10.5	15.8	34.2	11.4	19.3	4.4	7.0
3- Present return earned on share prices	3.5	10.4	86.1	2.83	.46	5	17.5	18.4	30.7	20.2	12.3	16.7	32.5	17.5	15.8	5.3	9.6
4- Maintenance of dividends rate	2.7	24.1	73.2	2.71	.51	6	11.4	13.2	19.3	15.8	9.6	14.0	29.8	5.3	17.5	19.3	9.6
5- Present and anticipated earnings per share	0	6.1	93.9	2.94	.24	1	21.9	22.8	28.1	19.3	14.0	24.6	32.5	21.9	43.9	11.4	12.3
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	13.1	36.0	50.9	2.38	.71	14	21.1	16.7	13.2	12.3	9.6	11.4	23.7	9.6	19.3	5.3	12.3
7- Internal transfer prices	34.2	43.0	22.8	1.89	.75	18	20.2	7.9	9.6	8.8	6.1	7.9	10.5	3.5	3.5	3.5	7.0
8- Leases and hire purchase contracts	14.3	50.0	35.7	2.21	.68	16	21.1	15.8	16.7	10.5	9.6	15.8	8.8	9.6	10.5	5.3	17.5
9- Anticipated cash flow	1.6	9.6	88.7	2.87	.39	4	29.2	21.2	28.3	31.0	16.8	18.6	30.1	19.5	41.6	8.8	13.3
10- Enterprise's reputation and its competitive capability	0	7.1	92.9	2.93	.26	2	20.2	20.2	29.8	18.4	17.5	25.4	35.1	10.5	20.2	7.9	14.9
11- The position of individual enterprises within a group	6.4	31.8	61.8	2.55	.61	12	27.4	15.9	22.1	15.0	17.7	16.8	37.2	9.7	13.3	7.1	15.0
12- Retained earnings for the last few years	10.4	18.3	71.3	2.61	.67	10	23.7	14.9	26.3	19.3	7.9	20.2	28.1	17.5	20.2	9.6	7.9
13- Financing structure	6.2	17.5	76.3	2.70	.58	9	28.1	20.2	27.2	16.7	9.6	18.4	21.1	14.0	26.3	7.9	16.7
14- The enterprise's transaction with abroad	7.1	29.2	63.7	2.57	.63	11	23.7	14.9	26.3	14.9	14.9	10.5	21.9	12.3	18.4	6.1	15.8
15- Present and future goals of the enterprise	0.9	28.7	70.4	2.70	.48	7	31.6	16.7	24.6	28.9	9.6	17.5	21.1	14.9	38.6	4.4	14.9
16- Employees and their productivity	14.9	41.2	43.9	2.29	.71	15	15.8	8.8	21.1	11.4	11.4	9.6	24.6	5.3	11.4	5.3	11.4
17- The social impact of the enterprise's activities	31.3	48.7	20.0	1.89	.71	17	14.9	13.2	12.3	10.5	7.9	6.1	5.3	5.3	4.4	3.5	15.8
18- The enterprise's efforts on research and development	10.4	38.3	51.3	2.41	.67	13	18.4	12.3	20.2	18.4	10.5	9.6	17.5	9.6	22.8	5.3	18.4

Table 9.15b Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Second Group) Experience Groups (Before 1991)

Information Items	Unimportant %	Neutral %	Important %	Mean	Standard D.	Ranking	Understand. 2 %	Relevance 5 %	Reliability 3 %	Verifiability 9 %	Neutrality 4 %	Faithful rep. 6 %	Comparability 7 %	Timeliness 1 %	Predictive v. 8 %	Consistency 10 %	Materiality 11 %
1- Estimation of future gains, profits or losses and future sales and purchases	0	11.2	88.8	2.89	.32	3	21.5	20.6	29.9	9.3	11.2	15.0	25.2	18.7	68.2	7.5	7.5
2- Movement of share prices for the last 12 months	1.9	16.0	82.1	2.80	.45	6	12.1	13.1	22.4	13.1	4.7	15.9	44.9	10.3	38.3	5.6	9.3
3- Present return earned on share prices	0	14.3	85.7	2.86	.35	5	19.6	22.4	32.7	16.8	4.7	17.8	33.6	8.4	24.3	7.5	10.3
4- Maintenance of dividends rate	1.9	24.3	73.8	2.72	.49	9	17.8	22.4	19.6	7.5	8.4	15.9	33.6	9.3	30.8	21.5	7.5
5- Present and anticipated earnings per share	0	3.8	96.2	2.96	.19	2	26.2	27.1	25.2	15.0	12.1	20.6	32.7	24.3	46.7	4.7	5.6
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	8.5	34.9	56.6	2.48	.65	15	27.1	22.4	14.0	2.8	1.9	17.8	26.2	17.8	24.3	2.8	11.2
7- Internal transfer prices	32.7	41.1	26.2	1.93	.77	18	18.7	11.2	12.1	4.7	8.4	14.0	4.7	5.6	4.7	5.6	6.5
8- Leases and hire purchase contracts	7.7	36.5	55.8	2.48	.64	14	27.1	28.0	18.7	12.1	10.3	23.4	18.7	13.1	15.0	8.4	7.5
9- Anticipated cash flow	0	2.8	97.2	2.97	.17	1	22.4	29.0	31.8	15.9	16.8	19.6	23.4	22.4	58.9	7.5	8.4
10- Enterprise's reputation and its competitive capability	1.0	10.5	88.6	2.88	.36	4	25.2	20.6	25.2	7.5	21.5	30.8	29.9	10.3	29.0	4.7	5.6
11- The position of individual enterprises within a group	5.9	26.5	67.6	2.62	.60	11	26.2	19.6	26.2	10.3	15.0	30.8	31.8	12.1	18.7	4.7	14.0
12- Retained earnings for the last few years	5.7	18.9	75.5	2.70	.57	10	20.6	13.1	20.6	4.7	6.5	23.4	30.8	15.0	22.4	10.3	8.4
13- Financing structure	1.9	16.0	82.1	2.80	.45	6	27.1	23.4	22.4	15.0	14.0	32.7	29.9	17.8	27.1	6.5	20.6
14- The enterprise's transaction with abroad	5.6	29.0	65.4	2.60	.60	11	25.2	23.4	19.6	13.1	15.9	24.3	20.6	11.2	25.2	5.6	17.8
15- Present and future goals of the enterprise	2.8	21.5	75.7	2.73	.51	8	31.8	29.9	27.1	18.7	9.3	16.8	18.7	17.8	39.3	10.3	9.3
16- Employees and their productivity	12.3	34.9	52.8	2.41	.70	16	21.7	19.6	15.9	7.5	8.4	15.9	22.4	8.4	16.8	3.7	8.4
17- The social impact of the enterprise's activities	26.7	38.1	35.2	2.09	.79	17	17.8	19.6	11.2	6.5	3.7	14.0	6.5	8.4	12.1	1.9	12.1
18- The enterprise's efforts on research and development	7.6	31.4	61.0	2.53	.64	13	15.9	24.3	17.8	8.4	6.5	11.2	14.0	13.1	26.2	5.6	19.6

improves the usefulness of corporate annual reports, and percentages given to each characteristic as a result of disclosing each item differed from one item to another and from one characteristic to another.

The first group, "After 1991" ranked items 5 "Present and anticipated earnings per share", 10 "Enterprise's reputation and its compctitive capability", 1 "Estimation of future gains, profits or losses and future sales and purchases", 9 "Anticipated cash flow", and 3 " Present return earned on share prices" as the most important items. These items received the highest mean scores (2.94, 2.93, 2.88, 2.87, and 2.83) with standard deviations of .24, .26, .42, .39, and .46 respectively. Moreover, none of the respondents chose "Unimportant" for items 5, and 10, and all items received mean scores above 2.00, with the exceptions of items 7 and 17, both of which received a mean score of 1.89, with standard deviations of .75 and .71 respectively.

The second group, "Before 1991" also ranked items No. 9 "Anticipated cash flow", 5 "Present and anticipated earnings per share"1 "Estimation of future gains, profits or losses and future sales and purchases", 10 "Enterprise's reputation and its competitive capability", and 3 " Present return earned on share prices" as the most important items. The above items received the highest mean scores (2.97, 2.96, 2.89, 2.88, and 2.86) with standard deviations of .17, .19, .32, .36, and .35 respectively. Also, none of respondents chose "Unimportant" for items No. 1, 3, 5, and 9, and all items received mean scores above 2.00, with the exception of item No. 7 (mean 1.93 with a standard deviation of .77).

9.3.2.3.2 Statistical Analysis:

The results of the Mann-Whitney Test, reported in Table 9.16 below, indicate that there are statistically significant differences between the two groups in only two (items No. 8, and 9) of the eighteen items as their probability values are significant (p < .05), while there are no statistically significant differences between the two groups in the other items. Furthermore, this test provides the values of the mean rank of each characteristic (refer to Appendix F).

Therefore, the answer to the question posed earlier, "Are there significant difference among respondents of different experience regarding their perceptions of the importance

**Table 9.16 Mann-Whitney Test Results of Difference among Groups (Experience)
Users' Perceptions of the Importance Attached to the Financial Information Items
(the Second Group)**

Information Items	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
1- Estimation of future gains, profits or losses and future sales and purchases	6021.5	11799.5	-.529	.597
2- Movement of share prices for the last 12 months	5547.0	12217.0	-1.588	.112
3- Present return earned on share prices	6030.0	12700.0	-.026	.979
4- Maintenance of dividends rate	5943.0	12271.0	-.136	.892
5- Present and anticipated earnings per share	5899.0	12454.0	-.803	.422
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	5603.0	12158.0	-1.041	.298
7- Internal transfer prices	5893.5	12448.5	-.463	.643
8- Leases and hire purchase contracts	4576.0	10904.0	-2.998	**.003**
9- Anticipated cash flow	5521.0	12076.0	-2.455	**.014**
10- Enterprise's reputation and its competitive capability	5670.5	11235.5	-1.126	.260
11- The position of individual enterprises within a group	5293.5	11398.5	-.845	.398
12- Retained earnings for the last few years	5784.0	12454.0	-.846	.398
13- Financing structure	5654.5	12209.5	-1.161	.246
14- The enterprise's transaction with abroad	5917.5	12358.5	-.323	.747
15- Present and future goals of the enterprise	5866.5	12536.5	-.775	.438
16- Employees and their productivity	5491.0	12046.0	-1.282	.200
17- The social impact of the enterprise's activities	5181.5	11851.5	-1.944	.052
18- The enterprise's efforts on research and development	5433.0	12103.0	-1.450	.147

a Grouping Variable: Respondents' experience

attached to each of the selected financial information items?" is that there are significant differences in two (items 8 and 9) of the eighteen items between experience groups regarding their perceptions of the importance attached to financial information items. Accordingly, it is possible to reject the null hypothesis H10.3$_0$ "There are no significant differences among respondent groups (according to their level of experience) regarding the importance attached to each of the selected financial information items"; for these two items and accept the alternative hypothesis (H10.3$_1$), while it is possible to accept the null hypothesis for the other items and reject the alternative one.

Certain points regarding the above group of financial information items should be noted:

1- Items 1, 2, 3, 5, 9, 10, 12, and 13 were noticeably considered as more important than other items by the respondents, whether of the overall sample or of the background groupings. This indicates that respondents saw these eight items as more important than other items.

2- Although item No. 4, "Maintenance of dividends rate", may help users to determine the stability and profitability of a company, it was not perceived as one of the five most

important items, either by respondents of the overall sample, or by any of the background groups.

3- Items No. 4, 10, 11, and 12, which to the best knowledge of the researcher have not been empirically tested previously in the Egyptian environment, were perceived to be of varying importance. Items No. 4 and 11 were perceived as of average and below average importance by all respondents, whether of the overall sample or of occupation, education, and experience groups. However, the other two items were perceived as of high importance by all respondents, whether of the overall sample or of occupation, education, and experience groups.

9.4 Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Two Groups of Items):

In the previous sections of this chapter, users' perceptions of the importance attached to each of the financial information items in the two groups of items were presented separately. However, it is interesting to present their perceptions of the 32 items as one group. The aim of this section is to investigate the importance attached to each of financial information items when list them in one group. This will reveal which group of items, items disclosed by most listed companies and mandatorily required (the first group) or items not disclosed by most of the listed companies (the second group), includes more important items.

Table 9.17 below shows users' perceptions of the importance attached to each of the thirty-two items. According to the mean score, the table reveals that item no 19, "Present and anticipated earnings per share" (mean score of 2.95 with a standard deviation of .22) was perceived as the most important among the thirty two items, followed by items No. 23, "Anticipated cash flow", 24, "Enterprise's reputation and its competitive capability", 11, "Amount of long-term debts, their breakdown, and their interest rates", and 15, "Estimation of future gains, profits or losses and future sales and purchases" were perceived as the most important items as they received the second, third, fourth, and fifth rankings respectively. The next five most important items, items No. 17, "Present return earned on share prices", 2, "Interim information", 6, "Forecasts of contingent liabilities and anticipated future investment", 16, "Movement of share prices for the last 12 months", and 27, "Financing

structure", received the sixth, seventh, eighth, ninth, and tenth rankings respectively.

Table 9.17 Users' Perceptions of the Importance Attached to Each of the Financial Information Items (the Two Groups of Items)*

Financial Information Items	Unimportant	Neutral	Important	Mean	Standard D.	Ranking
	%	%	%			
1- Consolidated financial statements	5.9	27.9	66.2	2.60	.60	18
2- Interim information	2.7	11.9	85.4	2.83	.45	7
3- Inventory and its types and valuation methods	7.7	34.1	58.2	2.50	.64	23
4- Tax position	6.8	24.2	68.9	2.62	.61	17
5- Assets types and applied depreciation methods	6.3	29.9	63.8	2.57	.61	21
6- Forecasts of contingent liabilities and anticipated future investment	2.7	13.2	84.1	2.81	.46	8
7- Extraordinary items and their impacts	12.4	39.6	47.9	2.35	.69	27
8- Post balance sheet events and their impacts	5.0	18.6	76.4	2.71	.55	14
9- Revenue recognition policy	7.8	27.1	65.1	2.57	.63	22
10- Authorised, issued, and paid-up capital; and types of shares and share book value	4.5	18.6	76.9	2.72	.54	11
11- Amount of long-term debts, their breakdown, and their interest rates	2.3	5.4	92.3	2.90	.37	4
12- The enterprise's efforts in protecting the environment	19.1	48.2	32.7	2.14	.71	30
13- Capitalisation policy of debts cost	5.6	25.7	68.7	2.63	.59	16
14- Detailed information on the enterprise's transactions with related parties	8.1	33.8	58.1	2.50	.64	24
15- Estimation of future gains, profits or losses and future sales and purchases	1.8	8.1	90.1	2.88	.37	5
16- Movement of share prices for the last 12 months	2.3	20.4	77.4	2.75	.48	9
17- Present return earned on share prices	1.8	12.3	85.9	2.84	.41	6
18- Maintenance of dividends rate	2.3	24.2	73.5	2.71	.50	13
19- Present and anticipated earnings per share	0	5.0	95.0	2.95	.22	1
20- Classification of sales revenue by geographical areas, major product lines, and customer classes	10.9	35.5	53.6	2.43	.68	26
21- Internal transfer prices	33.5	42.1	24.4	1.91	.76	32
22- Leases and hire purchase contracts	11.1	43.5	45.4	2.34	.67	29
23- Anticipated cash flow	.9	6.4	92.7	2.92	.31	2
24- Enterprise's reputation and its competitive capability	.5	8.7	90.8	2.90	.31	3
25- The position of individual enterprises within a group	6.1	29.2	64.6	2.58	.61	19
26- Retained earnings for the last few years	8.1	18.6	73.3	2.65	.63	15
27- Financing structure	4.1	16.8	79.1	2.75	.52	10
28- The enterprise's transaction with abroad	6.4	29.1	64.5	2.58	.61	20
29- Present and future goals of the enterprise	1.8	25.2	73.0	2.71	.49	12
30- Employees and their productivity	13.6	38.2	48.2	2.35	.71	28
31- The social impact of the enterprise's activities	29.1	43.6	27.3	1.98	.75	31
32- The enterprise's efforts on research and development	9.1	35.0	55.9	2.47	.66	25

* Note that items 1 to 14 represent the first group, while items 15 to 32 represent the second group.

An important note about the above findings is that among the five most important items, there are four items from the second group (items undisclosed by most listed companies). Similarly, among the ten most important items there are seven items also from the same group (undisclosed items). Therefore, it is possible to say that the above findings provide empirical evidence that most of the financial information items that are perceived as the most important items (seven out of ten items) are not disclosed and may not be

mandatorily required from listed companies, while only three items among the ten most important are. It can be concluded that many financial information items needed for users of corporate annual reports are not available, as they are not mandatorily required and so the majority of listed companies do not disclose them. On the other hand, Items 30 "Employees and their productivity", 22 "Leases and hire purchase contracts", 12 "The enterprise's efforts in protecting the environment", 31 "The social impact of the enterprise's activities", 21 "Internal transfer prices", were perceived as the least important items, because they were ranked twenty-eighth, twenty- ninth, thirtieth, thirty-first, and thirty-second, respectively.

9.5 Summary:

The aim of this chapter was to investigate respondents' perceptions of the importance attached to some selected financial information items in making decisions of securities investment, and to determine whether the QCOAI are served as a result of the disclosure of each of these items. These items, as mentioned earlier in the chapter (see 9.1), were divided into two main groups. The first group included 14 items while 18 items were included in the second group. So, the results were presented in two main sections, section 9.2 for the first group and section 9.3 for the second group.

Similarly to the two previous chapters, Chapters 7 and 8, descriptive statistics and non-parametric tests were used to analyse respondents' perceptions as a whole sample and in relation to their background information. In both sections, 9.2 and 9.3, the purpose of this analysis was first to describe answers about respondents' perceptions of importance attached to each item of the selected financial information items and the characteristics served as a result of disclosing each item; second, to examine whether there are significant differences in respondents' perceptions, for the overall sample, about the importance attached to each of the selected financial information items; third, to examine whether there are significant differences among respondents of different occupation, qualification or experience regarding their perceptions of the importance attached to each of the selected financial information items. Section 9.4 was devoted to investigating users' perceptions of the importance attached to each of all the items in both groups.

CHAPTER TEN

Summary, Conclusions and Recommendations

10.1 Introduction:

The purpose of this chapter is first, to give a summary of the study, and second to draw conclusions based on its main findings. The research contribution is highlighted and several recommendations are made, as well as suggestions for future research.

10.2 Summary:

As mentioned earlier in the thesis, the main objective of this study is to investigate empirically users' perceptions of the usefulness of the financial information that could be provided in the corporate annual reports presented by listed companies in Egypt, for the purpose of securities investment. This investigation was carried out in the light of the requirements of the EASs, the listing rules of the CASE and related laws, especially CML No. 95/1992, using the QCOAI.

In achieving this objective, the thesis included ten chapters. The first chapter was an introduction to the study. It introduced the research problem and its objectives, followed by the research importance. The limitations of the study were explained and a summary of the research methodology was provided. The objectives of financial reports were introduced in Chapter Two, followed by the definitions, the nature and features of QCOAI. Also, the importance of QCOAI was discussed. A brief review of the literature related to users' perceptions of the importance attached to sources of financial information, sections of corporate annual reports, and sets of information items was provided. Previous studies related to QCOAI, whether by accounting professional bodies such as the ASB the FASB, and the CICA, or by individuals, were also introduced.

With the aim of presenting a theoretical analysis of what has been presented in the literature of QCOAI that could help in the selection of a suitable set of QCOAI, which could be used to investigate users' perceptions, thirty QCOAI were discussed in Chapter Three. Furthermore, a set of eleven qualitative characteristics, which should be possessed

by financial information, if it is to be useful to its users, was selected. Those characteristics were: understandability, relevance, reliability, comparability, predictive value, timeliness, faithful representation, neutrality, verifiability, consistency and materiality. Understandability was selected as a basic characteristic. They were presented in three hierarchical levels. The first level consisted of relevance and reliability, as main characteristics. Each of the first level characteristics has some components that represent second level characteristics. Predictive value, timeliness and comparability are the components of relevance, while faithful representation, neutrality, and verifiability are components of reliability. The third level includes consistency, as a component of comparability. In addition to the above selected characteristics, materiality was considered as a threshold characteristic in the hierarchy.

Several issues related to accounting standard setting were discussed in Chapter Four. The nature of accounting standards and their features and importance, especially for developing countries such as Egypt, were explained as well. As both the UK and the USA have extensive experience in setting accounting standards, and also have a strong influence on accounting practice in Egypt, the process of accounting standard setting in these two Anglo-Saxon countries was discussed, including different institutional arrangements and the roles of both the government and the profession in the process. Since the EASs issued in 1997 were mainly based on the IASs, the importance of IASs for achieving comparability among financial reports of different countries was discussed, followed by their usefulness for developing countries, which might have no national standards-setting bodies or no resources to undertake the full process of accounting standards-setting. Strategies of setting accounting standards for developing countries were presented as well. Also, EASs, issued in 1997, and their relationship with the IASs were considered in some detail.

In Chapter Five of the study, four development stages of economic and accounting practices in Egypt, namely, the period before 1954, the period between 1954 and 1974, the period between 1974 and 1990, and the period after 1990 were presented. The Egyptian privatisation programme, the reasons for undertaking this programme, and the

methods used for selling the public companies were also explained, followed by a brief background of the Egyptian stock market, which has been activated especially after the issue of the CML No. 95 of 1992 and the start of the privatisation programme. The relevant regulations for mandatory disclosure of listed companies in Egypt were outlined, including the different sources of regulations such as the CASE, the CML No. 95 of 1992, other related laws (e.g. Investment Law No. 8 of 1997, Tax Law No. 157 of 1981, ...etc.), and the EASs.

Research questions and hypotheses were presented in Chapter Six which include also the research methodology. To accomplish the empirical part of the study, the survey was the chosen strategy. Since the main objective of this study (see Chapter One) was to investigate empirically the users' perceptions, it would have been difficult to conduct the research other than by survey, as the data sources were the users themselves, rather than any other source. In carrying out the survey, a questionnaire was chosen as the main instrument for collecting the data needed for this research. This instrument was complemented by personal interviews, which were used to gather data that would give supporting evidence to the findings and could not be gathered by the questionnaire method.

Every possible effort was made to make sure that the questionnaire used in this survey was well designed. In doing so, many factors were taken into consideration, including the question wording, the question order, and the pre-test, which was conducted in two stages, named the pre pre-test and the pre-test or pilot study. The first stage of the pre-test, the pre pre-test, was carried out by distributing both the English and the Arabic versions of the questionnaire to Egyptian students undertaking doctoral research in accounting at UK universities. The second stage, the pre-test or the pilot study, was carried out by sending the Arabic version of the questionnaire to some respondents from the target population in Egypt. In the main survey, the questionnaires were personally distributed to a sample of 320 respondents including five groups of users of financial reports, namely, financial analysts; decision makers; academics; stock brokers; and staff of the observatory and regulatory bodies, who were named as "others". In total, 232

questionnaires were received, and of them, 222 questionnaires were analysed representing 69.38%.

The questionnaire consisted of four parts. Part one was designed to gather information about respondents' background. Part two investigated users' perceptions of the importance of the various sources of financial information and of the different sections of corporate annual reports. In part three, data were elicited on users' perceptions of both the suitability and applicability of the selected set of QCOAI and the importance of each of the QCOAI in evaluating the usefulness of financial information provided in corporate annual reports. Users' perceptions of the importance attached to each of the selected items of financial information, whether included or not in the corporate annual reports presented by listed companies, and the relationship between these items and each of the selected QCOAI, were covered in part four.

The collected data were largely quantifiable and based on a five-point scale. After collection, the data were coded and processed through the computer and analysed using the SPSS. The data analysis was carried out for the overall sample and for the various sub-groups. Data analysis for the overall sample assisted the researcher to investigate the perceptions of the whole sample, while analysis for the different grouping enabled the researcher to investigate differences between various user groups. In addition to the descriptive statistics, which mainly depended on the percentage, the mean, and the standard deviation, a statistical analysis was carried out using some non-parametric tests such as the Chi-square Test, the Kruskal-Wallis H Test and the Mann-Whitney U Test. These statistical tests were utilised to test for significant differences for the overall sample and between various sub-groups. Grouping was done according to respondents' occupation (five groups), level of education (two groups), and years of experience (two groups).

The outcomes of the analysis were presented in three main parts, including users' perceptions of the importance of various sources of financial information and different sections of corporate annual reports (Chapter Seven); the suitability and applicability of the selected set of QCOAI and the importance attached to each of the QCOAI (Chapter

Eight); and users' perceptions of the importance attached to 32 financial information items and their relationship with the each of the selected QCOAI. Furthermore, the results of the present study were compared with the results of related parts of similar studies carried out previously, whether in Egypt, in developing countries, or in developed countries.

10.3 Conclusions:

In this section of the chapter, a summary of its results, in addition to the conclusions, is presented. The data analysis presented earlier in chapters seven, eight and nine is the basis of the following conclusions. The presentation of the summarised findings and the conclusions of the study will be grouped into five main sections as follows:

10.3.1 Users' Perceptions of the Importance of Sources of Financial Information:

A major finding is that the corporate annual reports were perceived as the most important source of financial information by users in Egypt. This finding is consistent with findings of several previous studies, whether in developed or in developing countries, including Egypt. For instance, this finding consists with what was reported in many studies (refer to Chapter Two) that the corporate annual reports are the most important source of financial information (Chang and Most, 1977; Anderson, 1981; Shohaieb, 1990; Ali, 1992; Epstein and Pava, 1993; Abu-Nassar and Rutherford, 1996, and Al-Razeen, 1999). Also, corporate annual reports were ranked as the most important source of financial information by various user groups of occupation, level of education and years of experience.

It was found that users perceived "Newspapers and magazines" and "The direct contact with the company management" as important sources of financial information because they were perceived as the second and third most important sources respectively. These findings are consistent with other findings reported in some previous studies. For example, in several studies (Epstein and Pava, 1993; Anderson and Epstein, 1996; Bartlett and Chandler, 1997) "Newspapers and magazines" were perceived as an important source of financial information, while, in other studies (Shohaieb, 1990; Mohamed, 1991; and Ali, 1992) the same source was perceived as of moderate importance.

Conversely, the study revealed that users in general and in occupation, education and experience groups perceived "Tips & rumours" and "Advice of friends and/or relatives" as the least important sources of financial information. Few users reported that other sources such as governmental bodies, brokerage firms, the Internet, and the CASE' information centre might be used as sources of financial information.

Regarding the effects of users' background characteristics on their perceptions, the statistical analysis revealed that users' occupation affects their perceptions of the importance attached to all sources of financial information except "Newspapers and magazines", since there were statistically significant differences in all sources, except for "Newspapers and magazines", across occupation user groups. This finding is consistent with what has been reported in the literature (refer to Chapter 2) that there are significant differences among different user groups in their perceptions (e.g. Wallace, 1988; Solas and Ibrahim, 1992; and Ali, 1992).

Also, it was revealed that users' level of education does not affect their perceptions of the importance attached to corporate annual reports and any of the other sources of financial information except "Advisory services", since there was no statistically significant difference in all sources, except "Advisory services", across education groups. The literature provides a similar finding that there were no significant differences in users' perceptions of the usefulness of corporate annual reports among education groups Ali, 1992). A further finding was that users' experience affected their perceptions of the importance attached to only some sources of financial information, while it did not affect other sources, because there was no statistically significant difference across the experience groups for three sources, namely, "Corporate annual reports", "Newspapers and magazines", and "Tips & rumours". There were no significant differences in respondents' perceptions of the usefulness of corporate annual reports. Regarding the above finding, the literature provides evidence that years of experience have no effect on users' perceptions of the importance attached to various sources of financial information (Al-Mubarak (1997).

Furthermore, the present study concludes that despite the noticeable improvement in other available sources of financial information such as newspapers and magazines, prospectuses, and advisory services, corporate annual reports, which were perceived as a source high in importance in previous studies in Egypt, are still perceived as having the same importance under the contemporary changes in the financial reporting practice in Egypt resulting from the adoption of EASs based on the IASs, the CML No.95 of 1992, and the new listing rules of the CASE. Also, there were indications that users' perceptions of the importance of corporate annual reports in both Jordan and Saudi Arabia could be similar to those in Egypt.

10.3.2 Users' Perceptions of the Importance of Sections of Corporate Annual Reports:

There was a clear finding that the "Income statement" was considered as the most important section among the various sections of corporate annual reports. The "Balance sheet" was considered as the second most important section, while the "Cash flow statement" and "Suggested dividends statement" were the third and fourth most important sections of corporate annual reports respectively. On the other hand, the findings indicated that "Directors' report" and "Review of operations" were perceived as the least important sections.

Another important result of this study was that all user groups considered the "Income statement" as an important section of corporate annual reports because it was perceived as the most important section by four occupation groups. "Others" (i.e., staff of the regulatory and observatory bodies) were the only user group that did not consider the "Income statement" as the most important section. Although the general trend among occupation groups was almost the same, "Academics" differed noticeably in their perceptions of some sections of corporate annual reports from the other groups. They perceived the "Balance sheet" as fifth in importance and the "Suggested dividends statement" as sixth, whereas these two statements were viewed as more important by other groups. Furthermore, "Academics" were the only group that gave the auditor's

report a high ranking. The "Income statement" was seen as the most important section, by all education and experience groups.

With regard to the effects of background characteristics, it was found that these characteristics affected perceptions of some sections, but not others. For instance, the statistical analysis revealed that there was no statistically significant difference across occupation groups in perceptions of the first four sections, "Income statement", "Balance sheet", "Cash flow statement" and "Suggested dividends statement". On the other hand, it was found that were statistically significant differences across occupation groups in relation to the other sections.

The findings also indicated that there were no statistically significant differences for three sections, "Income statement", "Cash flow statement" and "Suggested dividends statement", across education groups, while there were statistically significant differences in relation to the other sections. No statistically significant differences were found for the first four sections, "Income statement", "Balance sheet", "Cash flow statement" and "Suggested dividends statement", across experience groups. Conversely, there were statistically significant differences in relation to the other four sections.

Similar to findings from some other parts of the world, this study found that "Income statement" and "Balance sheet" are the most important sections of corporate annual reports to the overall sample and to most user groups. Comparison of the findings of the current study with those of other studies indicated that the contemporary changes in the financial reporting practice in Egypt did not greatly affect the users' perceptions of the importance of some sections of corporate annual reports, especially "Income statement", and "Balance sheet". Also, there were indications that users' perceptions of the importance of most sections of corporate annual reports in both Jordan and Saudi Arabia could be similar to those in Egypt reported in the present study.

10.3.3 Users' Perceptions of the Suitability of Selected Set of QCOAI:

Concerning the suitability of the selected set of QCOAI, which is presented in Chapter Three, it was found that users whether as a whole, or as occupation, education and

experience groups, considered the selected set of QCOAI to be suitable for use in the evaluation of the usefulness of financial information provided in corporate annual reports. Additionally, the findings revealed a high level of agreement among users regarding the importance of relevance, reliability and understandability as basic characteristics. On the other hand, the findings revealed a lack of agreement among users as to whether or not uniformity and prudence should be included in the selected set of QCOAI in the light of the contemporary changes in the Egyptian economic environment. This suggests that further investigation is needed to investigate users' perceptions of the importance of these characteristics, uniformity and prudence.

Regarding the effects of users' background characteristics on their perceptions of the suitability of the selected set of QCOAI; the importance of understandability, relevance and reliability as basic characteristics; and about including or excluding uniformity and prudence to or from the selected set of QCOAI, it was found that users' occupation did not affect their perceptions, since there were no significant differences in respondents' perceptions across the occupation groups. It was also revealed that users' level of education did not affect their perceptions, except with regard to the importance of relevance as a basic characteristic. Nor did users' experience affect their perceptions, since there were no statistically significant differences across experience groups.

10.3.4 Users' Perceptions of the Importance Attached to Each of the QCOAI:

The main finding was that all selected characteristics were perceived to be important or very important characteristics, to slightly different degrees. The study found that "timeliness" was considered, both by users in general, and by education, experience, and most occupation groups, as the most important characteristic. The above finding is consistent with the increasing interest during the last few years in "timeliness" of the financial information, especially by the authorities and users' representatives (refer to 8.3.1.1 of Chapter eight). The findings revealed also that "Financial analysts" were the only group that did not consider "timeliness" as the first most important characteristic, because they chose "comparability" as the most important characteristic.

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Also, "reliability", "understandability", and "comparability" were perceived to rank second, third and the fourth in importance, respectively. In contrast, "verifiability", "consistency", and "materiality" were perceived to be slightly less important than the above characteristics, as they were perceived as the ninth, tenth and least important characteristics. The rankings of the selected characteristics, whether by users in general or by occupation, education and experience groups, showed that there was a weak level of agreement among users.

Regarding the effects of users' background characteristics, the results of the study indicated that users' occupation affected their perceptions for only three out of eleven selected characteristics, "relevance", "consistency", and "materiality", since there were statistically significant differences in users' perceptions of these three characteristics, across the occupation groups. Also, the results indicated that users' education affected their perceptions of seven of the eleven selected characteristics, while it did not affect the other four characteristics, namely, "reliability", "verifiability", "comparability", and "materiality". Moreover, it was found that users' experience affected their perceptions of five of the eleven characteristics, namely, "understandability", "relevance", "neutrality", faithful representation" and "consistency". Additionally, the results of the present study suggest that the important changes in the Egyptian economic environment have affected users' perceptions of the importance attached to some of the QCOAI, such as "timeliness", "understandability" and "reliability", while they have not affected others.

10.3.5 Importance of Selected Financial Information Items:

With regard to the first group of financial information items, the results indicated that users, in general and in each of the occupation, education and experience groups, considered nearly all the fourteen financial information items important, but some items were regarded as more important than others. Additionally, it was found that among the fourteen financial information items included in the first group of items, "Amount of long-term debts, their breakdown, and their interest rates" was seen as the most important item by users in general, and by the education and experience groups, and most occupation groups.

Another important finding of the study was that other items such as "Interim information", "Forecasts of contingent liabilities and anticipated future investment", "Authorised, issued, and paid-up capital; and types of shares and share book value", "Post balance sheet events and their impacts" and "Capitalisation policy of debts cost" were noticeably considered as more important than other items by the users, both in general and in different background groupings. Furthermore, users thought that all the QCOAI are served, to varying degrees, as a result of disclosing these items.

Regarding the second group of financial information items, as a general finding, users in general and in each of the occupation, education and experience groups, perceived the majority of the eighteen items as important, but some items were considered as more important than others. "Present and anticipated earnings per share " was seen as the most important item by users in general, and in several background groupings.

An important finding of the study was that some other items such as "Anticipated cash flow", "Enterprise's reputation and its competitive capability", "Estimation of future gains, profits or losses and future sales and purchases", " Present return earned on share prices", and "Financing structure" were markedly seen as more important than others by the users, whether in general or in different background groupings. Also, the findings showed that users thought that all the QCOAI are served, to varying degrees, as a result of disclosing these items.

Evidence was found that items, which to the best of the researcher's knowledge have not been empirically tested previously in the Egyptian environment, were perceived to be of varying importance. For instance, "Maintenance of dividends rate", "The position of individual enterprises within a group" and "Retained earnings for the last few years" were perceived as of average and below average importance by all users, whether in general or in different occupation, education, and experience groups. However, it was found that two other items, "Authorised, issued, and paid-up capital; and types of shares and share book value" and "Enterprise's reputation and its competitive capability", were perceived as of high importance.

Concerning users' perceptions of each of the 32 items when arranged in one group, it was revealed that " Present and anticipated earnings per share" was perceived as the most important among the 32 items. Also, "Anticipated cash flow", "Enterprise's reputation and its competitive capability", "Amount of long-term debts, their breakdown, and their interest rates", and "Estimation of future gains, profits or losses and future sales and purchases" were perceived as the next most important items, as they ranked second, third, fourth, and fifth, respectively.

Another important result of this study was that among the five most important items, when the 32 items are arranged in one group, there are four items from the second group (undisclosed items). Similarly, among the ten most important items there are seven items also from the same group (undisclosed items). Consequently, it is possible to conclude that most of the financial information items that are perceived as the most important items (seven out of ten items, namely, "Present and anticipated earnings per share", "Anticipated cash flow", "Enterprise's reputation and its competitive capability", "Estimation of future gains, profits or losses and future sales and purchases", "Present return earned on share prices", "Movement of share prices for the last 12 months", and "Financing structure") are not disclosed by most of listed companies, whether mandatorily required or not, while only three items among the ten most important are disclosed by most listed companies. Lastly, concerning the effects of users' background characteristics, it was found that their background characteristics affected their perceptions of some financial information items, but did not affect others.

In general, the above findings and the discussion made in section 4.5 of Chapter Four support the view that the strategy of adoption of IASs (refer to 4.5.3 of Chapter Four) which has been adopted in Egypt since the commencement of the interest in setting accounting standards in Egypt, is considered a suitable strategy to be adopted in Egypt and other developing countries. Users had favourable perceptions about the importance attached to corporate annual reports and financial information items, which are presented by listed companies in Egypt under the adoption of the EASs, which are mainly based on

the IASs. The value of the strategy, however, will depend on the consideration given to both environmental factors and the needs of different user groups.

10.4 Recommendations:

In the light of what has been presented earlier in this chapter, it is possible to suggest the following recommendations:

1- In the light of the finding that "timeliness" was perceived as the most important characteristic (see 8.3.1.1 of Chapter Eight), it is necessary for both the CMA and the CASE to require listed companies to adopt a specific time-frame for issuing their financial reports. Also, although the listing rules in the CASE provide for a fine to be paid by companies that do not issue their financial reports by the specified time, two important recommendations should be suggested. First, this fine is not enough and should be increased to be more effective in compelling listed companies to issue their financial reports in the desired time; second, a heavy fine should be imposed on listed companies that give financial information about the company to specific users and withhold it from others.

2- Concerning the noticeable acceptance (refer to 8.2 of Chapter Eight), that the selected set of QCOAI, presented in a hierarchy in Chapter Three, received from users of financial information, it is recommended that accounting regulators should take the QCOAI into consideration when preparing new accounting regulations. The QCOAI can help in the preparation and evaluation of Companies Acts with respect to the accounting subjects (see 2.5 of Chapter Two). This has a special importance, as the Egyptian government is preparing to introduce a new law for the capital market.

3- Regarding the different strategies to be used for setting accounting standards in developing countries, discussed in Chapter Four, it is recommended that Egypt and other developing countries, particularly Arab countries with similar economic and social circumstances to Egypt, adopt the strategy of adoption of IASs. However they should take into consideration their own social, political, economic, legal, and cultural environment and the needs of their different user groups. Moreover, it should be recognized that the

recognized that the IASs are affected by accounting practices in some developed countries which might be not relevant to the needs of the developing countries (refer to 4.4.3 and 4.5.3 of Chapter Four).

4- The EASs must be kept updated in line with their bases, the IASs. The review included in 4.7 of Chapter four regarding the relationship between the EASs and the IASs, showed that there are many IASs that have no counterpart in the EASs such as Income Taxes (IAS 12), Segment Reporting (IAS 14). Furthermore, there is a strong need to translate the current IASs into Arabic, to improve the understanding of both preparers and users of the corporate annual reports. This Arabic version would be extremely helpful to users and preparers, especially in areas that are not covered by the EASs.

5- In the light of findings on users' perceptions of the financial information items, presented in Chapter Nine, some information items (e.g., "Present and anticipated earnings per share", "Present return earned on share prices", "Movement of share prices for the last 12 months", and "Financing structure") should be mandatorily required from listed companies in Egypt, whether in the new CML, which will be issued later, or in CASE's listing rules.

6- Since newspapers and magazines were perceived as the second most important source of financial information, it is recommended that more attention should be directed towards this source. For instance, listed companies should supply newspapers and magazines with appropriate information. The government, represented by the CMA, should support the role of newspapers and magazines by providing information and / or facilitating access to listed companies. Press organisations themselves should improve their products to give more helpful information to their readers, especially those who have no direct access to financial information about listed companies other than the corporate annual reports.

7- For the purpose of improving performance in the Egyptian stock market, it is very important to amend Article No.16 of the CML No. 95 of 1992 to require companies offering their shares for public subscription to be listed in the stock exchanges instead of leaving the listing to the company's discretion.

8- There is much need for some courses to be given, whether by universities, leading accounting firms, the CASE, the CMA or by any other bodies, for both preparers and users to improve their understanding regarding the application of the EASs. These courses would have vital effects in improving accounting practice in Egypt, especially as most Accounting Departments in the Egyptian universities have not yet taught EASs or IASs to undergraduate students. This point leads to the next recommendation.

9- Accounting Departments in Egyptian universities should include, in their teaching programme, some courses about the EASs and IASs, to help in preparing accountants who are capable to deal with these standards.

10- In general, more attention should be paid to protect small investors in the Egyptian capital market, especially as the government is preparing a new CML to be issued in future.

11- It would be better for listed companies, especially those have the most active shares, to issue their corporate annual reports on the Internet, particularly now the number of users of Internet services in Egypt is on the increase, since the government offered the service for free to the public starting from 2002.

10.5 Contribution of the Study:

Although the current study investigated and tested some questions and hypotheses that perhaps have been the subject of previous studies in other countries, the findings of the present study are of particular importance since to the best of the researcher's knowledge, there has been no empirical investigation in Egypt regarding the usefulness of financial information provided in corporate annual reports under the contemporary changes in financial reporting practice. The current study may be one of the first studies to pursue such an investigation (see 1.3 of Chapter One).

In meeting its objectives, the study has made some particular contributions. These contributions can be presented as follows:

1- To the best of the researcher's knowledge, among the four financial statements investigated in this study, one of them, the suggested dividends statement, has been

investigated for the first time in Egypt, since listed companies were first required to prepare this statement in 1997 (for the corporate annual reports of 1998).

2- Among the 32 financial information items tested in Chapter Nine of this study, five items, to the best of the researcher knowledge, have not previously been tested in Egypt. These items are: "Maintenance of dividends rate"; "Enterprise's reputation and its competitive capability"; "The position of individual enterprises within a group"; "Retained earnings for the last few years"; and "Authorised, issued, and paid-up capital; and types of shares and share book value".

3- The findings of this study can provide empirical evidence on the usefulness of financial information provided in corporate annual reports of listed companies under both the EASs issued in 1997 and the new listing rule of CASE issued later in 2000.

4- This study presented and tested the suitability of a set of QCOAI to be used in investigation of the usefulness of financial information in corporate annual reports of listed companies in Egypt. This may help both preparers of corporate annual reports and regulators of accounting practice in improving the financial reporting practice of listed companies in Egypt.

5- Some comparisons have been presented between the results of this study and relevant sections in other similar studies, whether carried out in Egypt, in other developing countries (Jordan and Saudi Arabia) or in developed countries (Australia, New Zealand, the UK, and the US).

6- The empirical evidence presented in this study on the usefulness of 32 financial information items may help regulators to know what sort of information items should be made mandatory.

10.6 Suggestions for Future Studies:

This section offers ideas for further studies, for which the current study provides a basis. The following are some suggestions for future research:

1- As the present study represents the situation in the Egyptian accounting environment in the years between 1998 - 2001 when the EASs were adopted (1998) and the new listing

rules were applied (2000), it would be interesting to duplicate this study in the near future, to investigate this situation a few years later.

2- Because the Egyptian environment was the focus of this study, it would be interesting to duplicate it in other Arab countries or to do a comparative study, so that comparisons could be drawn, especially as these Arab countries have many similarities to the Egyptian environment, such as the emerging stock markets and privatisation programmes.

3- As this study concentrated on the various user groups of the corporate annual reports and their information, other studies could be suggested to investigate preparers' perceptions regarding the requirements of the CML, EASs, and the new listing rules of the CASE.

4- More studies are needed in future to investigate users' perceptions of the importance of both uniformity and prudence, that were omitted from the set of QCOAI selected in this study.

5- As the current research was directed towards five user groups in the Egypt, further evidence could be obtained in other studies from other user groups that were outside the scope of this study.

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APPENDICES

Appendix A: Survey Questionnaire (English and Arabic Versions).

Appendix B: Reliability Test (the Pilot Study).

Appendix C: The Descriptive Statistics.

Appendix D: Testing the Difference among Different Groups (Qs. 2.1 and 2.2).

Appendix E: Testing the Difference among Different Groups (Qs. 3.1, 3.2, 3.3, and 3.4).

Appendix F: Testing the Difference among Different Groups (Q. 4).

Appendix G: A List of the Sampled Firms or Other Bodies.

Questionnaire on the usefulness of financial information presented by listed companies in the light of the requirements of Egyptian Accounting Standards and related Laws for the purposes of Securities investment

The University of Hull
Business School
Hull, HU6 7RX
United Kingdom

Dear Sir / Madam

I am looking for your co-operation in my Ph.D. study being supervised by Prof.
David J. Alexander in the University of Hull, Business School. The study is titled "The
role of qualitative characteristics of accounting information in developing accounting
information systems". It aims to evaluate the usefulness of information provided in
corporate annual reports issued by Egyptian listed companies as requirements of both
Egyptian Accounting Standards and Capital Market Law 95/1992, for the purposes of
stock investment.

You are among those invited to participate in a research questionnaire as you are
one of the interested parties in this subject. Your opinion is very important for completing
this study. All responses will be strictly confidential.

To save your time, this questionnaire was designed to enable you to answer most
of the questions in its four parts easily. Lastly, if you have any comments about the study
itself or the questionnaire, please make them on the blank page at the back of the
questionnaire.

Thank you for your great help,

Yours sincerely,

Abdelmohsen M. Desoky

3

Part 1: (Personal information)

1.1 - Name (optional):

1.2 - Current Occupation:

1.3 - Employer:

1.4 - Education: (Please circle one number)

Level of education	
- Below university degree	1
- University degree	2
- Above university degree	3

1.5 - Years of experience:

(Please circle one number)

Years of experience	
- Up to 5 years	1
- (6 - 10) years	2
- (11 – 15) years	3
- (16 – 20) years	4
- Over 20 years	5

1.6 - Do you wish to receive a copy of the final results of the study?

(Please circle)   Yes   No

If the answer is yes, please write your correspondence address:

....
....
....

4

Part 2:

This part aims to identify the importance of each source of information listed below in your opinion; also to identify the importance of each section of corporate annual reports for the purposes of stock investment.

2.1 - For the purposes of stock investment, how do you rate the importance of the following sources of information?
(Please circle one number for each source)

Code	Sources	Completely unimportant	Fairly unimportant	Neutral	Important	Very important
2.1.1	Corporate annual reports	1	2	3	4	5
2.1.2	Newspapers and magazines	1	2	3	4	5
2.1.3	Direct contact with the company Management	1	2	3	4	5
2.1.4.	Prospectuses	1	2	3	4	5
2.1.5	Tips and rumours	1	2	3	4	5
2.1.6	Advisory services (e.g. accountants)	1	2	3	4	5
2.1.7	Advice of friends and / or relatives	1	2	3	4	5
2.1.8	Other (please identify) -	1	2	3	4	5

2.2 – How do you rate the importance of each of the following sections of corporate annual reports for the purposes of stock investment?

(Please circle one number for each section)

Code	Sources	Completely unimportant	Fairly unimportant	Neutral	Important	Very important
2.2.1	Income statement	1	2	3	4	5
2.2.2	Balance sheet	1	2	3	4	5
2.2.3	Cash flow statement	1	2	3	4	5
2.2.4	Suggested dividends statement	1	2	3	4	5
2.2.5	Directors' report	1	2	3	4	5
2.2.6	Auditor's report	1	2	3	4	5
2.2.7	Review of operations	1	2	3	4	5
2.2.8	Notes to the accounts	1	2	3	4	5
2.2.9	Other (please identify) -	1	2	3	4	5

Part 3:

This part of the questionnaire aims to identify your opinion of the fitness of qualitative characteristics of accounting information to evaluate the usefulness of information provided in corporate annual reports, and to identify the importance of each characteristic.

3.1 - Do you agree that a set of qualitative characteristics of accounting information that includes the following:

- Understandability
- Reliability
- Neutrality
- Comparability
- Predictive value
- Materiality

- Relevance
- Verifiability
- Faithful representation
- Timeliness
- Consistency

is suitable to evaluate the usefulness of information provided in corporate annual reports for the purposes of stock investment?

(Please circle one number)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

3.2 - When evaluating the usefulness of information appearing in corporate annual reports, what is the relative importance that you give to each characteristic of qualitative characteristics of accounting information?

(Please circle one number for each characteristic)

Code	Characteristic	Completely Unimportant	Fairly unimportant	Neutral	Important	Very important
3.2.1	Understandability	1	2	3	4	5
3.2.2	Relevance	1	2	3	4	5
3.2.3	Reliability	1	2	3	4	5
3.2.4	Verifiability	1	2	3	4	5
3.2.5	Neutrality	1	2	3	4	5
3.2.6	Faithful representation	1	2	3	4	5
3.2.7	Comparability	1	2	3	4	5
3.2.8	Timeliness	1	2	3	4	5
3.2.9	Predictive value	1	2	3	4	5
3.2.10	Consistency	1	2	3	4	5
3.2.11	Materiality	1	2	3	4	5
3.2.12	Other (please identify) -	1	2	3	4	5
	-	1	2	3	4	5

3.3 – What are the six most important characteristics that can be used for judging the usefulness of information appearing in corporate annual reports?

(Please rank by putting number 1 for the most important characteristic and so on)

Code	Characteristic	Ranking
3.3.1	Understandability	
3.3.2	Relevance	
3.3.3	Reliability	
3.3.4	Verifiability	
3.3.5	Neutrality	
3.3.6	Faithful representation	
3.3.7	Comparability	
3.3.8	Timeliness	
3.3.9	Predictive value	
3.3.10	Consistency	
3.3.11	Materiality	
3.3.12	Other (please identify) - -	

3.4 - Please indicate the degree of your agreement or disagreement with each of the following statements.
(Please circle one number for each statement)

Code	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
3.4.1	The complete absence of "relevance" surely leads to useless information provided in corporate annual reports.	1	2	3	4	5
3.4.2	The complete absence of "reliability" surely leads to useless information provided in corporate annual reports.	1	2	3	4	5
3.4.3	The complete absence of "understandability" surely leads to useless information provided in corporate annual reports.	1	2	3	4	5
3.4.4	In the light of the significant changes in the Egyptian economic environment, such as privatisation and the growth in stock market, it is possible to omit "uniformity" from a selected set of qualitative characteristics of accounting information for the purposes of evaluating the usefulness of information provided in corporate annual reports.	1	2	3	4	5
3.4.5	It is possible to omit "prudence" from a selected set of qualitative characteristics of accounting information for the purposes of evaluating the usefulness of information provided in corporate annual reports, because it might conflict with other characteristics such as "faithful representation", "consistency", and "relevance".	1	2	3	4	5

7

Part 4:

The aim of this part is to obtain your opinion regarding the impact of availability of some financial information on the usefulness of corporate annual reports for stock investment purposes.

4. Please rate the importance of issuing the following financial information items for enhancing the usefulness of information provided in corporate annual reports, also indicate which of the qualitative characteristics of accounting information - if any - will be served through issuing each of those financial information items.

Please circle one number for each items. Then tick (√) any characteristic which might be served by issuing the item

Code	Item	Unimportant	Neutral	Important	Understandability	Relevance	Reliability	Verifiability	Neutrality	Faithful r.	Comparability	Timeliness	Predictive v.	Consistency	Materiality
4.1	Estimations of future gains, profits or losses and future sales and purchases.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.2	Movement of share prices for the last 12 months.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.3	Information on present return earned on share prices.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.4.	Information on maintenance of dividends rate.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.5	Consolidated financial statements.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.6	Interim information (such as monthly or quarterly statements.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.7	Detailed information on inventory and its types and valuation methods.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.8	Present and anticipated earnings per share.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.9	Information on tax position.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.10	Classification of sales revenue by geographical areas, major product lines, and customer classes.	1	2		---	---	---	---	---	---	---	---	---	---	---
4.11	Detailed information on assets types and applied depreciation methods.	1	2	3	---	---	---	---	---	---	---	---	---	---	---
4.12	Information on internal transfer prices.	1	2	3	---	---	---	---	---	---	---	---	---	---	---

Code	Item	Unimportant	Neutral	Important	Understandability	Relevance	Reliability	Verifiability	Neutrality	Faithful r.	Comparability	Timeliness	Predictive v.	Consistency	Materiality
4.13	Information on leases and hire purchase contracts.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.14	Forecasts of anticipated cash flow.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.15	Enterprise's reputation and its competitive capability.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.16	Forecasts of contingent liabilities and anticipated future investment.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.17	Information on the position of individual enterprises within a group.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.18	Extraordinary items and their impacts.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.19	Information on retained earnings for the last few years.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.20	Post balance sheet events and their impacts.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.21	Information on financing structure.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.22	Information on revenue recognition policy.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.23	Information on authorised, issued, and paid-up capital; and types of shares and share book value.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.24	The enterprise's transactions with abroad.	1	2	3	–	–	–	–	–	–	–	–	–	–	–
4.25	Amount of long-term debts, their breakdown, and their interest rates.	1	2	3	–	–	–	–	–	–	–	–	–	–	–

Code	Item	Unimportant	Neutral	Important	Understandability	Relevance	Reliability	Verifiability	Neutrality	Faithful r.	Comparability	Timeliness	Predictive v.	Consistency	Materiality
4.26	Present and future goals of enterprise.	1	2	3											
4.27	The enterprise's efforts in protecting the environment.	1	2	3											
4.28	Information on capitalisation policy of debts cost.	1	2	3											
4.29	Information on employees and their productivity.	1	2	3											
4.30	Detailed information on the enterprise's transactions with related parties.	1	2	3											
4.31	Information on the social impact of the enterprise's activities.	1	2	3											
4.32	Information on the enterprise's efforts on research and development.	1	2	3											

10

A list of the suggested set of characteristics and their definitions used in this Research

========================

Understandability: "the quality of information that enables users to perceive its significance".

Relevance: "The capacity of information to make a difference in a decision by helping users to form prediction about the outcomes of past, present, and future events or to confirm or correct prior expectations".

Reliability: "the information presented should be reliable in that users should be able to assess what degree of confidence may be reposed in it".

Verifiability: "that attribute of information which allows qualified individuals working independently of one another to develop essentially similar measures of conclusions from an examination of the same evidence".

Neutrality: "Financial information is not neutral if it has been selected or presented in such a way as to influence the making of decisions or judgements in order to achieve a predetermined result or outcome".

Faithful representation: "the correspondence between the way in which a transaction or other event it purports to represent or could reasonably be expect to represent."

Comparability: "the information should be expressed in terms, which enable the user to compare the entity's result over time and with other similar entities".

Timeliness: "having information available to a decision maker before it loses its capacity to influence decisions".

Predictive value: "It has predictive value if it helps users to evaluate or assess past, present or future events."

Consistency: "the procedures used in accounting for a given entity should be appropriate for the measurement of its position and its activities, and should be followed consistently from period to period".

Materiality: "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Prudence: "The attempt to select generally accepted accounting methods that result in any of the following: (1) slower revenue recognition, (2) faster expense recognition, (3) lower asset valuation, (4) higher liability valuation".

Uniformity: "Similar accounting treatment required in broadly similar situations, ignoring possibly different circumstances (rigid uniformity)"

11

قائمة استبيان

عن منفعة المعلومات الواردة في التقارير و القوائم المالية المنشورة من قبل الشركات المسجلة في بورصة الأوراق المالية المصرية في ضوء متطلبات معايير المحاسبة المصرية والقوانين المنظمة وذلك لخدمة أغراض الاستثمار في الأوراق المالية

بسم الله الرحمن الرحيم

السيد المحترم / السيدة المحترمة ٠٠٠٠٠٠

السلام عليكم ورحمة الله وبركاته ،

أتشرف بطلب تعاون سيادتكم في إنجاز دراسة أقوم بإعدادها بجامعة Hull بإنجلترا للحصول على درجة الدكتوراه في المحاسبة تحت إشراف .Professor David J Alexander وتحمل عنوان "دور الخصائص النوعية للمعلومات في تقييم منفعة معلومات التقارير و القوائم المالية المنشورة من قبل الشركات المسجلة في بورصة الأوراق المالية المصرية – دراسة تطبيقية ". ويتمثل الهدف منها في تقييم منفعة المعلومات الواردة في التقارير و القائم المالية المنشورة من قبل الشركات المسجلة في بورصة الأوراق المالية -وفقا لمتطلبات معايير المحاسبة المصرية و القوانين المنظمة وأهمها قانون سوق المال رقـم ٩٥ / ١٩٩٢ – لخدمة أغراض الاستثمار في الأوراق المالية. ويعتقد الباحث أن الخصائص النوعية للمعلومات المحاسبية تعد أداة صالحة للاستخدام في تقييم تلك المنفعة.

ولقد تم اختيار سيادتكم ضمن عينة الدراسة باعتباركم من الأطـراف المهتمة بـهذا الموضوع حيث أن الوقوف على وجهة نظركم سوف يسهم بدرجة كبيرة في تحقيـق أهـداف الدراسة. ونؤكد لسيادتكم أن البيانات الواردة بهذا الاستبيان سوف تستخدم فقط لأغراض البحث العلمي.

ومراعاة لضيق وقتكم فقد تم تصميم قائمة الاستبيان بحيث يمكن الإجابة علـى معظم أسئلة أجزائها الأربعة بشكل ميسر، وان كان لديكم إضافة أو تعليق يخص الدراسـة أو قائمـة الاستبيان فانه يمكنكم استخدام الورقة الخالية الموجودة في نهاية قائمة الاستبيان. أخيـرا، عنـد الانتهاء من ملء قائمة الاستبيان يرجى ردها باستخدام المظروف البريدى المعنون ومدفـوع الأجر.

وتفضلوا بقبول خالص الشكر والتقدير على حسن تعاونكم

الباحث

عبد المحسن محمد دسوقى

عضو بعثة خارجية من جامعة جنوب الوادى

الجزء الأول: (بيانات شخصية)

١-١   الاسم (اختياري) :   ....

١-٢   الوظيفة الحالية :   ....

١-٣   جهة العمل :   ....

١-٤   مستوى التعليم :   (من فضلك ضع دائرة حول الرقم المناسب)

الرقم	مستوى التعليم	الكود
١	أقل من درجة جامعية	١-٤-١
٢	درجة جامعية	٢-٤-١
٣	أعلى من درجة جامعية	٣-٤-١

١-٥   سنوات الخبرة :   (من فضلك ضع دائرة حول الرقم المناسب)

الرقم	سنوات الخبرة	الكود
١	أقل من ٦ سنوات	١-٥-١
٢	من ٦ إلى ١٠ سنوات	٢-٥-١
٣	من ١١ إلى ١٥ سنة	٣-٥-١
٤	من ١٦ إلى ٢٠ سنة	٤-٥-١
٥	أكثر من ٢٠ سنة	٥-٥-١

١-٦   هل ترغب أن ترسل لسيادتكم نسخة من النتائج النهائية للدراسة:

نعم   لا   (من فضلك ضع دائرة حول الإجابة المطلوبة)

إذا كانت الإجابة بنعم، من فضلك حدد العنوان الذى ترغب أن ترسل إليه نتائج الدراسة.

عنوان المراسلة: ....

....

....

....

الجزء الثاني:

يهدف هذا الجزء الى التعرف على أهمية كل مصدر من مصادر المعلومات المذكورة أدناه من وجهة نظركم، وكذلك التعرف على الأهمية التي يحظى بها كل نوع من التقارير و القوائم المالية في خدمة أغراض الاستثمار في الأوراق المالية.

٢-١ لأغراض الاستثمار في الأوراق المالية، ما أهمية مصادر المعلومات التالية ؟

(ضع دائرة حول رقم واحد لكل مصدر)

هـــام جدا	هام	محايد	غير هام	غيـر هـــام بالمرة	المصدر	الكود
٥	٤	٣	٢	١	التقارير و القوائم المالية المنشورة للشركات	٢-١-١
٥	٤	٣	٢	١	الجرائد والمجلات المتخصصة	٢-١-٢
٥	٤	٣	٢	١	الاتصال المباشر بإدارة الشركة	٢-١-٣
٥	٤	٣	٢	١	النشرات الإعلامية والتعريفية بالشركة	٢-١-٤
٥	٤	٣	٢	١	الشائعات	٢-١-٥
٥	٤	٣	٢	١	الخدمات الاستشارية (مثل المحاسبين)	٢-١-٦
٥	٤	٣	٢	١	نصائح الأصدقاء و الأقارب	٢-١-٧
					مصادر أخرى (الرجاء التحديد)	٢-١-٨
٥	٤	٣	٢	١	-	
٥	٤	٣	٢	١	-	

٢-٢ ما مدى أهمية كل نوع من أنواع التقارير و القوائم المالية التالية لخدمة أغراض الاستثمار في الأوراق المالية؟

(من فضلك ضع دائرة حول رقم واحد لكل عنصر)

هام جدا	هام	محايد	غير هام	غيـر هـــام بالمرة	التقارير و القوائم المالية	الكود
٥	٤	٣	٢	١	قائمة الدخل (حساب الأرباح والخسائر)	٢-٢-١
٥	٤	٣	٢	١	قائمة المركز المالي (الميزانية العمومية)	٢-٢-٢
٥	٤	٣	٢	١	قائمة التدفقات النقدية	٢-٢-٣
٥	٤	٣	٢	١	قائمة التوزيعات المقترحة	٢-٢-٤
٥	٤	٣	٢	١	تقرير مجلس الإدارة	٢-٢-٥
٥	٤	٣	٢	١	تقرير مراقب الحسابات	٢-٢-٦
٥	٤	٣	٢	١	البيانات الإحصائية الإضافية	٢-٢-٧
٥	٤	٣	٢	١	الملاحظات والهوامش (الإيضاحات) الملحقة	٢-٢-٨
					أخرى (الرجاء التحديد)	٢-٢-٩
٥	٤	٣	٢	١	-	
٥	٤	٣	٢	١	-	

الجزء الثالث:

يهدف هذا الجزء إلى التعرف على وجهة نظركم في صلاحية خصائص جودة المعلومات للاستخدام في تقييم منفعة المعلومات الواردة في التقارير والقوائم المالية، وكذلك إلى معرفة الأهمية التي تحظى بها كل خاصية من وجهة نظركم.

* ملحوظة: يرحد في نهاية قائمة الاستقصاء قائمة ببعض *الخصائص التي تناولتها الدراسة* مع تعريف مختصر لكل منها.

٣-١ هل توافق على أن المجموعة المقترحة من الخصائص النوعية للمعلومات والمكونة من:

١- القابلية للفهم (Understandability)	٧- إمكانية المقارنة (Comparability)
٢- الملاءمة (Relevance)	٨- التوقيت المناسب (Timeliness)
٣- إمكانية الاعتماد عليها (Reliability)	٩- إمكانية التنبؤ (Predictive Value)
٤- القابلية للتحقق (Verifiability)	١٠- الثبات (Consistency)
٥- عدم التحيز (الحياد) (Neutrality)	١١- الأهمية النسبية (Materiality)
٦- صدق التعبير (Faithful Representation)	

تصلح -كمجموعة- لتقييم منفعة المعلومات التي تحتويها التقارير والقوائم المالية لخدمة أغراض الاستثمار في الأوراق المالية؟

(يرجى وضع دائرة حول الرقم المناسب)

أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق بالمرة
٥	٤	٣	٢	١

٣-٢ حدد أهمية الخصائص التالية للمعلومات في تحقيق منفعة المعلومات الواردة في التقارير و القوائم المالية.

(يرجى من سيادتكم وضع دائرة حول الرقم الذى يمثل أهمية كل خاصية)

هام جدا	هام	محايد	غير هام	غير هام بالمرة	خصائص المعلومات	الكود
٥	٤	٣	٢	١	القابلية للفهم (Understandability)	٣-٢-١
٥	٤	٣	٢	١	الملاءمة (Relevance)	٣-٢-٢
٥	٤	٣	٢	١	إمكانية الاعتماد عليها (Reliability)	٣-٢-٣
٥	٤	٣	٢	١	القابلية للتحقق (Verifiability)	٣-٢-٤
٥	٤	٣	٢	١	عدم التحيز (الحياد) (Neutrality)	٣-٢-٥
٥	٤	٣	٢	١	صدق التعبير (Faithful Representation)	٣-٢-٦
٥	٤	٣	٢	١	إمكانية المقارنة (Comparability)	٣-٢-٧
٥	٤	٣	٢	١	التوقيت المناسب (Timeliness)	٣-٢-٨
٥	٤	٣	٢	١	إمكانية التنبؤ (Predictive Value)	٣-٢-٩
٥	٤	٣	٢	١	الثبات (Consistency)	٣-٢-١٠
٥	٤	٣	٢	١	الأهمية النسبية (Materiality)	٣-٢-١١
					أخرى (الرجاء التحديد)	٣-٢-١٢
٥	٤	٣	٢	١	-	
٥	٤	٣	٢	١	-	

٣-٣ من فضلك رتب أهم أربعة خصائص في مجال تقييم منفعة المعلومات الواردة في التقارير و القوائم المالية.

(يرجى وضع رقم ١ مقابل أهم الخصائص، ثم رقم ٢ للخاصية التي تليها...وهكذا)

الترتيب	خصائص المعلومات	الكود
	القابلية للفهم (Understandability)	١-٣-٣
	الملاءمة (Relevance)	٢-٣-٣
	إمكانية الاعتماد عليها (Reliability)	٣-٣-٣
	القابلية للتحقق (Verifiability)	٤-٣-٣
	عدم التحيز (الحياد) (Neutrality)	٥-٣-٣
	صدق التعبير (Faithful Representation)	٦-٣-٣
	إمكانية المقارنة (Comparability)	٧-٣-٣
	التوقيت المناسب (Timeliness)	٨-٣-٣
	إمكانية التنبؤ (Predictive Value)	٩-٣-٣
	الثبات (Consistency)	١٠-٣-٣
	الأهمية النسبية (Materiality)	١١-٣-٣
	أخرى (الرجاء التحديد)	١٢-٣-٣
	-	
	-	

٣-٤ حدد مدى موافقة سيادتكم على كل من العبارات التالية:

(يرجى وضع دائرة حول الرقم الذي يعبر عن مدى موافقتكم)

أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق بالمرة	العبارة	الكود
٥	٤	٣	٢	١	الغياب الكامل لخاصية "الملاءمة" يؤدى إلى عدم منفعة المعلومات الـواردة في التقارير و القوائم المالية بشكل تام.	١-٤-٣
٥	٤	٣	٢	١	الغياب الكامل لخاصية "إمكانية الاعتماد عليها" يؤدى إلى عـدم منفعـة المعلومات الواردة في التقارير و القوائم المالية بشكل تام.	٢-٤-٣
٥	٤	٣	٢	١	الغياب الكامل لخاصية "القابلية للفهم" يؤدى إلى عدم منفعة المعلومـات الواردة في التقارير و القوائم المالية بشكل تام.	٣-٤-٣
٥	٤	٣	٢	١	أنه في ظل التغيرات التي تشهدها البيئة الاقتصادية المصرية و المتمثلة في الخصخصة وما تبعها من نمو في سوق الأوراق المالية، من الممكن استبعاد خاصية "التوحيد" (Uniformity) من أى مجموعة مقترحة لتقييم منفعة المعلومات الواردة في التقارير و القوائم المالية.	٤-٤-٣
٥	٤	٣	٢	١	من الممكن إهمال " التحفظ " (Prudence) من أى مجموعة مقترحـة لتقييم منفعة المعلومات الواردة في التقارير و القوائم المالية وذلك لتعارضها مع بعض الخصائص مثل "صدق التعبير" و "الثبات" و "الملاءمة"	٥-٤-٣

المطلب الرابع:

يوضح هذا الجزء إلى استطلاع رأى سيادتكم في مدى تأثير بعض المطلوبات المالية على منفعة التقارير والقوائم المالية للشركة، وذلك طبقاً لأغراض الاستثمار في الأوراق المالية ...

٤-١ الرجاء من سيادتكم توضيح مدى نشر المطلومات المالية من زيادة منفعة مطلومات التقارير والقوائم المالية للشركة، وكذلك توضيح أي من خصائص المطلومات تتحقق نتيجة نشر كل عنصر من تلك المطلومات.

(من فضلك ضع دائرة حول رقم واحد لكل مطلومة أو ضع علامة √ في خانة واحدة ترى أنها تحقق نتيجة نشر هذه المطلومة)

الكود	العبارة (الفقرة)	غير هام	محايد	هام									
١/١/٤	معلومات عن ثروات الأرباح رأس المالى للشركة والبيانات والتشريبات المرتبطة	١	٣	٢	١	١	١	١	١	١	١	١	١
٢/١/٤	معلومات عن طرق الأسهم خلال الاثنا عشر شهراً الماضية	١	٣	٢	١	١	١	١	١	١	١	١	١
٣/١/٤	معلومات عن المدل لأرباح الأسهم بالنسبة لأسعارها	١	٣	٢	١	١	١	١	١	١	١	١	١
٤/١/٤	معلومات عن مدى ثبات توزيعات الشركات السابقة	١	٣	٢	١	١	١	١	١	١	١	١	١
٥/١/٤	معلومات خمسة عن الشركة التابعة والشركات التابعة لها	١	٣	٢	١	١	١	١	١	١	١	١	١
٦/١/٤	تقارير قربة (مثل نشر قوائم خبرية لربع سنوية)	١	٣	٢	١	١	١	١	١	١	١	١	١
٧/١/٤	معلومات تفصيلية عن الجرون وأرباح وطرق نمودر	١	٣	٢	١	١	١	١	١	١	١	١	١
٨/١/٤	معلومات عن الربح الحالى والربح المتوقع للسهم	١	٣	٢	١	١	١	١	٢	١	١	١	١
٩/١/٤	معلومات عن الفرض الضريبى على السهم	١	٣	٢	١	١	١	١	١	١	١	١	١
١٠/١/٤	تحليل لأداء البيانات على أساس النشاط الداخلى الخارجية والتجهات الربحية وأنواع المستهلكين	١	٣	٢	١	١	١	١	١	١	١	١	١

الكود	العنصر (الفقرة)	غير هام	عايد	هام	الملائمة اللغوية	الوضوح	إمكانية الحصول على البيانات	الملائمة العلمية	سهل القياس	سهل الفهم	مناسبة للقياس	مناسبة المحتوى	مناسبة الصياغة	الدقة	ارتباطه بالهدف
١١/١/٤	أنواع الأخبار وسياسات الأخلاق التي تكل عليها.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٢/١/٤	مطبوعات عن تسمو الخدمات الداخلية أو العجات بين أقسام التي تكد المختلفة.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٢/١/٤	عقود الإيجار الشريكة.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٤/١/٤	مطبوعات عن الدفعات القديمة للشركة.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٥/١/٤	مطبوعات عن عبد التي كد و مرقبها التنائمي.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٦/١/٤	بيوات عن الإدرات الخطة وعن الرساءت الإختيارية للشركة.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٧/١/٤	مطبوعات عن ورتح كل شركة من شركات الشركة.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٨/١/٤	البرود غير الإعتيادية ودرجة الأكد الرتبطة بها و الآثار التي قد ترتب عليها.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
١٩/١/٤	تتاصل عن الأرباح الخضوع عن عبد أعوام سابقة.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
٢٠/١/٤	الأحداث اللاحقة لتاريخ الموازنة و الآثار المترتبة عليها.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
٢١/١/٤	التغيرات في الكل الشريكي.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
٢٢/١/٤	ساحة الأخبرات بالإيراد.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
٢٣/١/٤	راس المال الرحبي به للصدر والشرح وكذلك أنواع الأسهم والتيمة الاحبة للسهم.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
٢٤/١/٤	تسلمات التي كد مع رأس المال الإقراضي.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١
٢٥/١/٤	مطبوعات عن القروض أو صدقا قد تاريخ إعداد الموازنة و مطلوات الندد عليها.	-	٢	٢	١	١	١	١	١	١	١	١	١	١	١

الكود	٢٦/١/٤	٢٧/١/٤	٢٨/١/٤	٢٩/١/٤	٣٠/١/٤	٣١/١/٤	٣٢/١/٤
السطر (الطرفة)	قائمة بأحداث الشركة المالية والتشغيلية	ظهورات الشركة في حال المحافظة على البيئة	مطبوعات عن سياسة وعادة تكلفة الموردين	مطبوعات عن العاملين وإنتاجيتهم وكفاءتهم	مطبوعات تتعلق عن الأطراف ذوي العلاقة وحجم تعاملات الشركة مع معهم	الأثر الاجتماعي لأنشطة الشركة	ظهورات الشركة في حال البحث والتطوير
غير هام	١	١	١	١	١	١	١
محايد	٢	٢	٢	٢	٢	٢	٢
هام	٣	٣	٣	٣	٣	٣	٣
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤
	٤	٤	٤	٤	٤	٤	٤

قائمة بالخصائص التي تناولتها الدراسة مع تعريف مختصر لكل منها

– القابلية للفهم : تلك الخاصة التي تمكن مستخدمي المعلومات من فهم و أدراك محتواها.

– الملاءمة : مقدرة المعلومات على التأثير في قرارات مستخدميها.

– إمكانية الاعتماد عليها: تلك الخاصة التي تسمح لمستخدمي المعلومات المحاسبية بالاعتماد عليها بثقة كمقياس لما يجب أن تمثله.

– القابلية للتحقق : تلك الخاصة التي تمكن أشخاص مؤهلين يعمل كل منهم مستقل عن الآخر للحصول على نفس المقاييس أو النتائج من فحص ودراسة بيانات أو سجلات معينة.

– عدم التحيز : أن المعلومات تقدم أو تعرض بدون تحيز والذي قد يهدف إلى التوصل الى نتائج مسبقة أو يهدف الى التأثير علي سلوك مستخدميها نحو اتجاه معين.

– صدق التعبير : أن المعلومات تعبر وبصدق عن الظواهر التي يفترض أن تعبر عنها.

– إمكانية المقارنة : أن المعلومات تمكن مستخدميها من إجراء المقارنات مع الوحدات المماثلة، أو خلال الفترات الزمنية المختلفة لنفس الوحدة.

– التوقيت المناسب : توافر المعلومات لمستخدميها في وقت حاجتهم إليها وبدون تأخير، وذلك حتى قبل أن تفقد مقدرتها علي التأثير في القرارات المتخذة.

– إمكانية التنبؤ : أن المعلومات تمكن مستخدميها من أجراء التنبؤات اللازمة لاتخاذ قراراتهم.

– الثبات : أن الوحدة تطبق السياسات المحاسبية بثبات من فترة لأخرى، إلا إذا دعت الظروف إلى غير ذلك مع ضرورة الإفصاح عن مبررات ذلك التغيير وآثاره.

– الأهمية النسبية : تلك الخاصة المرتبطة ببيان أو عنصر معين بحيث أن إظهاره من المحتمل أن يؤثر علي ما يمكن أن يتخذه مستخدموها من قرارات اقتصادية.

– التحفظ : استخدام السياسات المحاسبية المتحفظة التي من شأنها أن تؤجل الاعتراف بالإيراد، تعجل الاعتراف بالنفقات، تخفض قيم الاصول، وترفع قيم الخصوم.

– التوحيد : استخدام نفس المفاهيم والمصطلحات والسياسات المحاسبية من قبل جميع الوحدات بغض النظر عن الاختلافات الكائنة بينها (مثل النظام المحاسبي الموحد المطبق في وحدات قطاع الأعمال العام)

Appendix B: Reliability Test (the Pilot Study)

Reliability

****** Method 1 (space saver) will be used for this analysis ******

				N of
Statistics for	Mean	Variance	Std Dev	Variables
SCALE	216.6667	257.5333	16.0478	68

R E L I A B I L I T Y   A N A L Y S I S – S C A L E (A L P H A)

Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
VAR00001	211.9048	252.1905	.2952	.8852
VAR00002	212.9048	255.1905	.1192	.8868
VAR00003	212.8095	251.5619	.1536	.8879
VAR00004	213.1905	252.9619	.1682	.8867
VAR00005	215.2381	255.3905	.0780	.8875
VAR00006	213.1429	247.1286	.2884	.8857
VAR00007	214.0952	253.6905	.1234	.8875
VAR00008	212.1905	250.5619	.2450	.8859
VAR00009	212.2857	249.9143	.2168	.8867
VAR00010	212.0952	244.8905	.6568	.8816
VAR00011	212.5238	255.4619	.0785	.8874
VAR00012	212.8095	240.2619	.5471	.8815
VAR00013	212.6667	249.3333	.2144	.8870
VAR00014	212.8095	244.7619	.5382	.8823
VAR00015	212.5238	245.1619	.5826	.8821
VAR00016	212.2857	251.9143	.2435	.8857
VAR00017	212.5238	248.6619	.2802	.8856
VAR00018	212.2857	251.2143	.3195	.8850
VAR00019	212.1905	245.9619	.5211	.8826
VAR00020	212.5238	255.6619	.0306	.8895
VAR00021	212.3810	254.1476	.1109	.8875
VAR00022	212.7143	255.4143	.0496	.8887
VAR00023	212.3333	251.5333	.2666	.8855
VAR00024	212.3810	256.6476	.0162	.8884
VAR00025	212.3810	244.6476	.5515	.8822
VAR00026	212.4286	244.1571	.5324	.8822
VAR00027	212.9048	243.2905	.6295	.8813
VAR00028	212.9524	253.5476	.1520	.8868
VAR00029	212.4762	250.8619	.3311	.8848
VAR00030	212.6190	250.8476	.2369	.8860
VAR00031	213.3810	251.3476	.1739	.8873
VAR00032	213.9048	250.8905	.1678	.8878
VAR00033	213.8095	254.0619	.2924	.8855
VAR00034	214.1429	248.4286	.3615	.8844
VAR00035	213.8571	253.4286	.2358	.8857
VAR00036	214.0000	252.5000	.2562	.8856
VAR00037	214.1905	249.5619	.4004	.8842
VAR00038	213.7619	254.7905	.2762	.8858
VAR00039	214.2381	239.0905	.7095	.8797
VAR00040	213.9524	251.5476	.3930	.8846
VAR00041	214.0952	242.2905	.7025	.8806

R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   (A L P H A)

Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
VAR00042	214.2381	248.8905	.3837	.8842
VAR00043	214.0000	244.4000	.6170	.8817
VAR00044	214.6190	245.1476	.5109	.8826
VAR00045	214.2857	244.1143	.6205	.8816
VAR00046	214.2857	265.8143	-.3659	.8929
VAR00047	213.8571	250.0286	.4475	.8840
VAR00048	213.8095	252.3619	.4427	.8847
VAR00049	213.9048	251.9905	.3863	.8847
VAR00050	213.8095	252.7619	.4072	.8849
VAR00051	214.3333	246.3333	.5996	.8823
VAR00052	213.9524	247.1476	.5714	.8827
VAR00053	213.7143	253.7143	.5425	.8850
VAR00054	213.8095	250.5619	.6028	.8837
VAR00055	214.0000	251.1000	.4050	.8844
VAR00056	214.5238	261.3619	-.3413	.8892
VAR00057	213.9524	249.9476	.3524	.8846
VAR00058	214.0476	252.0476	.3315	.8850
VAR00059	213.7619	251.3905	.6345	.8840
VAR00060	214.0000	251.3000	.3918	.8845
VAR00061	214.5714	246.7571	.3863	.8840
VAR00062	215.2381	259.9905	-.1460	.8894
VAR00063	214.0000	251.9000	.2892	.8853
VAR00064	214.1429	247.5286	.5094	.8831
VAR00065	214.1429	244.0286	.6993	.8812
VAR00066	214.8571	268.4286	-.4335	.8945
VAR00067	214.5238	243.0619	.5600	.8818
VAR00068	214.3810	242.7476	.5803	.8815

Reliability Coefficients

N of Cases =   21.0   N of Items = 68

Alpha =   .8866

Appendix C: The Descriptive Statistics:

Table C.1 Descriptive Statistics of Importance of Sections of Corporate Annual Reports:

SOURCES	N	MEAN	MEDIAN	STD. DEVIATION	SKEWNESS	STD. ERROR	KURTOSIS	STD. ERROR	MINIMUM	MAXIMUM
1- Income statement	221	4.81	5	.50	-3.243	.164	12.879	.326	2	5
2- Balance sheet	221	4.72	5	.56	-2.354	.164	6.754	.326	2	5
3- Cash flow statement	220	4.67	5	.58	-1.696	.164	2.596	.327	2	5
4- Suggested dividends s.	220	4.44	5	.75	-1.851	.164	5.238	.327	1	5
5- Directors' report	218	3.94	4	.89	-.830	.165	.893	.328	1	5
6- Auditor's report	221	4.24	4	.88	-.982	.164	.315	.326	1	5
7- Review of operations	218	3.92	4	.90	-.804	.165	.794	.328	1	5
8- Notes to the accounts	220	4.18	4	.90	-.923	.164	.389	.327	1	5

Table C.2 Descriptive Statistics of Users' Perceptions of the Suitability of the Suggested Set of QCOAI:

	N	MEAN	MEDIAN	STD. DEVIATION	SKEWNESS	STD. ERROR	KURTOSIS	STD. ERROR	MINIMUM	MAXIMUM
Suggested set of QCOAI	214	4.55	5.00	.54	-.559	.166	-.928	.331	3	5
Absence of relevance	221	4.04	4.00	.83	-.756	.164	.274	.326	2	5
Absence of reliability	221	4.38	5.00	.79	-1.284	.164	1.659	.326	1	5
Absence of understandability	219	4.28	4.00	.78	-.894	.164	.285	.327	2	5
Neglecting uniformity	217	3.00	3.00	1.14	-.010	.165	-.827	.329	1	5
Neglecting prudence	215	3.02	3.00	1.17	-.152	.166	-1.049	.330	1	5

Table C.3 Descriptive Statistics of Users' Perceptions of the Importance of each of the QCOAI:

	N	MEAN	MEDIAN	STD. DEVIATION	SKEWNESS	STD. ERROR OF SKEWNESS	KURTOSIS	STD. ERROR OF KURTOSIS	MINIMUM	MAXIMUM
1- Understand.	222	4.62	5.00	.59	-1.566	.163	2.778	.325	2	5
2- Relevance	220	4.46	5.00	.62	-.822	.164	.255	.327	2	5
3- Reliability	221	4.63	5.00	.57	-1.262	.164	.619	.326	3	5
4- Verifiability	222	4.45	5.00	.66	-.901	.163	.101	.325	2	5
5- Neutrality	222	4.49	5.00	.66	-1.011	.163	.307	.325	2	5
6- Faithful rep.	222	4.49	5.00	.67	-1.039	.163	.266	.325	2	5
7- Comparability	221	4.61	5.00	.57	-1.461	.164	2.681	.326	2	5
8- Timeliness	222	4.77	5.00	.46	-1.872	.163	2.704	.325	3	5
9- Predictive v.	222	4.46	5.00	.68	-1.242	.163	2.087	.325	1	5
10- Consistency	220	4.30	4.00	.77	-1.048	.164	1.259	.327	1	5
11- Materiality	222	4.23	4.00	.78	-1.064	.163	1.733	.325	1	5

Table C.4 Descriptive Statistics of Users' Perceptions of the Importance of Information Items (the First group) and their relation with the QCOAI:

Information Items	N	Minimum	Maximum	Mean	Std. D.	Skewness	Std. Error	Kurtosis	Std. Error
1- Consolidated financial statements	219	1	3	2.60	.60	-1.240	.164	.507	.327
2- Interim information	219	1	3	2.83	.45	-2.619	.164	6.363	.327
3- Inventory and its types and valuation methods	220	1	3	2.50	.64	-.924	.164	-.209	.327
4- Tax position	219	1	3	2.62	.61	-1.383	.164	.819	.327
5- Assets types and applied depreciation methods	221	1	3	2.57	.61	-1.135	.164	.248	.326
6- Forecasts of contingent liabilities and anticipated ...	220	1	3	2.81	.46	-2.455	.164	5.475	.327
7- Extraordinary items and their impacts	217	1	3	2.35	.69	-.605	.165	-.762	.329
8- Post balance sheet events and their impacts	220	1	3	2.71	.55	-1.807	.164	2.311	.327
9- Revenue recognition policy	218	1	3	2.57	.63	-1.208	.165	.330	.328
10- Authorised, issued, and paid-up capital...	221	1	3	2.72	.54	-1.841	.164	2.482	.326
11- Amount of long-term debts, their breakdown, and...	221	1	3	2.90	.37	-3.943	.164	15.565	.326
12- The enterprise's efforts in protecting the environment	220	1	3	2.14	.71	-.201	.164	-.990	.327
13- Capitalisation policy of debts cost	214	1	3	2.63	.59	-1.357	.166	.828	.331
14- Detailed information on the enterprise's transactions with r. p.	222	1	3	2.50	.64	-.926	.163	-.224	.325

Table C.5 Descriptive Statistics of Users' Perceptions of the Importance of Information Items (the Second group) and their relation with the QCOAI:

Information Items	N	Minimum	Maximum	Mean	Std. D.	Skewness	Std. Error	Kurtosis	Std. Error
1- Estimation of future gains, profits or losses and future sales and purchases	222	1	3	2.88	.37	-3.377	.163	11.474	.325
2- movement of share prices for the last 12 months	221	1	3	2.75	.48	-1.763	.164	2.282	.326
3- present return earned on share prices	220	1	3	2.84	.41	-2.625	.164	6.527	.327
4- Maintenance of dividends rate	219	1	3	2.71	.50	-1.482	.164	1.254	.327
5- present and anticipated earnings per share	220	2	3	2.95	.22	-4.158	.164	15.428	.327
6- Classification of sales revenue by geographical areas, major product lines, and customer classes	220	1	3	2.43	.68	-.780	.164	-.548	.327
7- Internal transfer prices	221	1	3	1.91	.76	.152	.164	-1.238	.326
8- Leases and hire purchase contracts	216	1	3	2.34	.67	-.530	.166	-.733	.330
9- Anticipated cash flow	220	1	3	2.92	.31	-3.989	.164	16.742	.327
10- Enterprise's reputation and its competitive capability	218	1	3	2.90	.31	-3.210	.165	10.048	.328
11- The position of individual enterprises within a group	212	1	3	2.58	.61	-1.169	.167	.333	.333
12- Retained earnings for the last few years	221	1	3	2.65	.63	-1.601	.164	1.334	.326
13- Financing structure	220	1	3	2.75	.52	-2.002	.164	3.165	.327
14- The enterprise's transaction with abroad	220	1	3	2.58	.61	-1.169	.164	.322	.327
15- Present and future goals of the enterprise	222	1	3	2.71	.49	-1.392	.163	.905	.325
16- Employees and their productivity	220	1	3	2.35	.71	-.608	.164	-.818	.327
17- The social impact of the enterprise's activities	220	1	3	1.98	.75	.030	.164	-1.225	.327
18- The enterprise's efforts on research and development	220	1	3	2.47	.66	-.853	.164	-.374	.327

Appendix D: Testing the Difference among Different Groups (Qs. 2.1 and 2.2)
Appendix D1: Sources of Financial Information

Table D 1.2 Kruskal - Wallis Test (Mean Ranks):
Study Groups (Occupation)

Sources		Sample groups				
		F. a.	D. m.	Academic s.	S. b.	Others
1- Corporate annual reports	N	76	32	49	31	34
	Mean R.	112.99	116.80	101.92	99.34	128.09
2- Newspapers & magazines	N	67	32	49	31	34
	Mean R.	123.92	122.73	100.19	104.33	95.97
3- Direct contact with the company management	N	75	32	47	31	34
	Mean R.	134.71	119.47	77.64	107.94	93.21
4- Prospectuses	N	73	30	44	30	34
	Mean R.	119.77	126.03	82.74	92.23	106.46
5- Tips & rumours	N	75	31	45	31	34
	Mean R.	97.19	122.84	77.13	134.77	137.94
6- Advisory services	N	74	30	48	31	34
	Mean R.	97.63	97.35	138.99	77.05	130.78
7- Advice of friends and/or relatives	N	75	32	46	31	34
	Mean R.	104.35	92.28	132.12	94.03	120.56

Table D 1.3 Mann -Whitney Test (Mean Ranks):
Study Groups (level of education)

SOURCES	EDUCATION	N	MEAN RANK	SUM OF RANKS
Corporate annual reports	University degree	115	116.52	13399.50
	Above u. degree	106	105.01	11131.50
Newspapers & magazines	University degree	115	116.96	13450.00
	Above u. degree	106	104.54	11081.00
Direct contact with the c. m.	University degree	115	114.12	13124.00
	Above u. degree	103	104.34	10747.00
Prospectuses	University degree	113	109.92	12420.50
	Above u. degree	99	102.60	10157.50
Tips & rumours	University degree	115	112.92	12985.50
	Above u. degree	100	102.35	10234.50
Advisory services	University degree	112	97.81	10955.00
	Above u. degree	104	120.01	12481.00
Advice of friends and/or r.	University degree	115	102.60	11799.50
	Above u. degree	102	116.21	11853.50

Study Groups (Years of Experience)
Table D 1.4 Mann -Whitney Test (Mean Ranks):

SOURCES	EXPERIENCE	N	MEAN RANK	SUM OF RANKS
1- Corporate annual reports	After 1991	115	110.62	12721.00
	Before 1991	107	112.45	12032.00
2- Newspapers & magazines	After 1991	115	114.17	13129.50
	Before 1991	107	108.63	11623.50
3- Direct contact with the c. m.	After 1991	114	119.94	13673.50
	Before 1991	105	99.20	10416.50
4- Prospectuses	After 1991	113	115.23	13021.50
	Before 1991	100	97.69	9769.50
5- Tips & rumours	After 1991	113	111.36	12583.50
	Before 1991	103	105.36	10852.50
6- Advisory services	After 1991	113	91.17	10302.50
	Before 1991	104	128.37	13350.50
7- Advice of friends and/or r.	After 1991	114	98.24	11199.50
	Before 1991	104	121.84	12671.50

Appendix D2: Sections of corporate annual reports

Table D 2.2 Kruskal - Wallis Test (Mean Ranks):
Study Groups (Occupation)

Sources		Sample groups				
		F. a.	D. m.	Aca.	S. b.	Others
1- Income statement	N	76	31	49	31	34
	Mean R.	116.15	117.97	107.94	101.00	106.6
2- Balance sheet	N	76	31	49	31	34
	Mean R.	113.45	126.29	97.98	112.42	109.04
3- Cash flow statement	N	76	31	49	30	34
	Mean R.	112.66	109.05	109.53	93.97	122.97
4- Suggested dividends statements	N	76	31	48	31	34
	Mean R.	108.84	111.15	114.45	105.87	112.26
5- Directors' report	N	76	30	47	31	34
	Mean R.	104.31	102.62	113.81	92.97	136.29
6- Auditor' report	N	76	31	49	31	34
	Mean R.	99.61	107.50	135.60	82.55	130.15
7- Review of operations	N	76	31	46	31	34
	Mean R.	112.42	108.18	127.34	67.02	118.78
8- Notes to the accounts	N	76	31	48	31	34
	Mean R.	109.03	112.56	134.95	58.98	124.35

Table D 2.3 Mann -Whitney Test (Mean Ranks):
Study Groups (level of education)

EDUCATION		N	MEAN RANK	SUM OF RANKS
1- Income statement	University degree	114	111.45	12705.00
	Above university degree	106	109.48	11605.00
2- Balance sheet	University degree	114	118.45	13503.50
	Above university degree	106	101.95	10806.50
3- Cash flow statement	University degree	113	109.44	12366.50
	Above university degree	106	110.60	11723.50
4- Suggested dividends s.	University degree	114	109.28	12457.50
	Above university degree	105	110.79	11632.50
5- Directors' report	University degree	113	100.26	11329.50
	Above university degree	104	118.50	12323.50
6- Auditor's report	University degree	114	99.93	11391.50
	Above university degree	106	121.87	12918.50
7- Review of operations	University degree	114	99.16	11304.00
	Above university degree	103	119.89	12349.00
8- Notes to the accounts	University degree	114	94.04	10721.00
	Above university degree	105	127.32	13369.00

Table D 2.4 Mann -Whitney Test (Mean Ranks):
Study Groups (years of experience)

SECTIONS	EXPERIENCE	N	MEAN RANK	SUM OF RANKS
1- Income statement	After 1991	114	110.77	12628.00
	Before 1991	107	111.24	11903.00
2- Balance sheet	After 1991	114	110.66	12615.00
	Before 1991	107	111.36	11916.00
3- Cash flow statement	After 1991	113	107.63	12162.00
	Before 1991	107	113.53	12148.00
4- Suggested dividends s.	After 1991	114	111.26	12683.50
	Before 1991	106	109.68	11626.50
5- Directors' report	After 1991	114	101.88	11614.00
	Before 1991	104	117.86	12257.00
6- Auditor's report	After 1991	114	95.57	10895.00
	Before 1991	107	127.44	13636.00
7- Review of operations	After 1991	114	95.52	10889.00
	Before 1991	104	124.83	12982.00
8- Notes to the accounts	After 1991	114	92.07	10495.50
	Before 1991	106	130.33	13814.50

Appendix E: Testing the Difference among Different Groups (Qs. 3.1, 3.2, 3.3 and 3.4)

Table E1 Users' Perceptions of the Suitability of Suggested Set of QCOAI Kruskal - Wallis Test (Means): Occupation Groups:

Sources		Sample groups				
		F. a.	D. m.	Aca.	S. b.	Others
1- Selected set of QCOAI	N	72	31	47	30	34
	Mean R.	106.04	111.85	115.03	94.50	107.68
2- Absence of relevance	N	75	32	49	31	34
	Mean R.	102.51	104.31	125.88	113.37	112.43
3- Absence of reliability	N	75	32	49	31	34
	Mean R.	111.51	107.94	109.92	106.61	118.32
4- Absence of understandability	N	75	32	47	31	34
	Mean R.	104.19	112.88	103.01	106.77	132071
5- Neglecting uniformity	N	74	31	48	30	34
	Mean R.	108.63	97.15	118.56	124.20	93.71
6- Neglecting prudence	N	73	31	47	31	33
	Mean R.	109.73	94.29	110.36	124.73	97.97

Table E2: Users' Perceptions of the Suitability of Suggested Set of QCOAI Mann – Whitney U Test (Means): Education Groups

EDUCATION		N	MEAN RANK	SUM OF RANKS
Suggested set of QCOAI	U. degree	112	100.45	11250.5
	Above u. d.	101	114.26	11540.5
Absence of relevance	U. degree	114	102.35	11668.00
	Above u. d.	106	119.26	12642.00
Absence of Reliability	U. degree	114	107.43	12247.50
	Above u. d.	106	113.80	12062.50
Absence of understandability	U. degree	114	106.39	12128.50
	Above u. d.	104	112.91	11742.50
Neglecting uniformity	U. degree	112	110.12	12333.50
	Above u. d.	104	106.75	11102.50
Neglecting prudence	U. degree	113	109.31	12352.00
	Above u. d.	101	105.48	10653.00

Table E3: Users' Perceptions of the Suitability of Suggested Set of QCOAI Mann – Whitney U Test (Means): Experience Groups

EXPERIENCE		N	MEAN RANK	SUM OF RANKS
Suggested set of QCOAI	After 1991	110	103.10	11340.50
	Before 1991	104	112.16	11664.50
Absence of relevance	After 1991	114	106.33	12121.50
	Before 1991	107	115.98	12409.50
Absence of reliability	After 1991	114	109.83	12521.00
	Before 1991	107	112.24	12010.00
Absence of understandability	After 1991	114	103.11	11755.00
	Before 1991	105	117.48	12335.00
Neglecting uniformity	After 1991	111	114.10	12665.00
	Before 1991	106	103.66	10988.00
Neglecting prudence	After 1991	112	113.80	12746.00
	Before 1991	103	101.69	10474.00

Table E4: Users' Perceptions of the Importance of each of the QCOAI Kruskal - Wallis Test (Means): Occupation Groups

QCOAI		Occupation Groups					
		F. analysts	D. makers	Academics	S. brokers	Others	Total
Understand.	N	76	32	49	31	34	222
	M. Rank	109.54	110.59	122.11	103.63	108.62	
Relevance	N	76	31	49	30	34	220
	M. Rank	97.52	116.24	137.65	90.53	112.76	
Reliability	N	76	32	48	31	34	221
	M. Rank	113.18	119.50	113.28	100.44	104.54	
Verifiability	N	76	32	49	31	34	222
	M. Rank	116.99	111.77	109.69	97.05	114.75	
Neutrality	N	76	32	49	31	34	222
	M. Rank	106.24	119.53	117.53	93.71	123.24	
Faithful rep.	N	76	32	49	31	34	222
	M. Rank	110.03	111.22	116.96	99.32	118.29	
Comparab.	N	76	32	49	30	34	221
	M. Rank	123.13	102.97	113.22	93.72	103.50	
Timeliness	N	76	32	49	31	34	222
	M. Rank	105.82	116.03	125.13	102.11	108.85	
Predictive v.	N	76	32	49	31	34	222
	M. Rank	104.64	113.06	125.47	98.27	117.28	
Consistency	N	76	32	48	30	34	220
	M. Rank	100.26	122.14	114.07	94.72	131.31	
Materiality	N	76	32	49	31	34	222
	M. Rank	104.12	128.53	101.80	95.35	140.68	

Table E5 Users' Perceptions of the Importance of each of the QCOAI Mann – Whitney U Test (Means): Education Groups:

QCOAI	Education	N	Mean Rank	Sum of Ranks
Understand.	U. degree	115	103.67	11921.50
	Above u. d.	106	118.96	12609.50
Relevance	U. degree	113	96.83	10941.50
	Above u. d.	106	124.04	13148.50
Reliability	U. degree	115	104.89	12062.00
	Above u. d.	105	116.65	12248.00
Verifiability	U. degree	115	107.53	12366.50
	Above u. d.	106	114.76	12164.50
Neutrality	U. degree	115	100.82	11594.00
	Above u. d.	106	122.05	12937.00
Faithful rep.	U. degree	115	102.99	11843.50
	Above u. d.	106	119.69	12687.50
Comparability	U. degree	114	106.71	12165.50
	Above u. d.	106	114.57	12144.50
Timeliness	U. degree	115	99.14	11401.50
	Above u. d.	106	123.86	13129.50
Predictive value	U. degree	115	100.49	11556.00
	Above u. d.	106	122.41	12975.00
Consistency	U. degree	114	101.78	11602.50
	Above u. d.	105	118.93	12487.50
Materiality	U. degree	115	111.25	12794.00
	Above u. d.	106	110.73	11737.00

Table E6: Users' Perceptions of the Importance of each of the QCOAI Mann – Whitney U Test (Means): Experience Groups

QCOAI	Respondents' experience	N	Mean Rank	Sum of Ranks
Understandability	After 1991	115	101.66	11690.50
	Before 1991	107	122.08	13062.50
Relevance	After 1991	113	96.98	10958.50
	Before 1991	107	124.78	13351.50
Reliability	After 1991	115	108.43	12469.00
	Before 1991	106	113.79	12062.00
Verifiability	After 1991	115	111.69	12844.50
	Before 1991	107	111.29	11908.50
Neutrality	After 1991	115	101.28	11647.00
	Before 1991	107	122.49	13106.00
Faithful rep.	After 1991	115	102.34	11769.00
	Before 1991	107	121.35	12984.00
Comparability	After 1991	114	111.61	12724.00
	Before 1991	107	110.35	11807.00
Timeliness	After 1991	115	106.81	12283.50
	Before 1991	107	116.54	12469.50
Predictive value	After 1991	115	105.05	12080.50
	Before 1991	107	118.43	12672.50
Consistency	After 1991	114	103.07	11749.50
	Before 1991	106	118.50	12560.50
Materiality	After 1991	115	104.90	12063.00
	Before 1991	107	118.60	12690.00

Appendix F: Testing the Difference among Different Groups (Q. 4)

Table F1: Users' Perceptions of the Importance of Financial Information Items (Group 1) Kruskal - Wallis Test (Means): Occupation Groups

Information Items		Sample groups				
		F. a.	D. m.	Aca.	S. b.	Others
1- Consolidated financial statements	N	75	31	49	30	34
	Mean R.	116.29	104.48	104.80	89.60	126.65
2- Interim information	N	75	32	47	31	34
	Mean R.	112.79	108.86	102.32	105.39	119.74
3- Inventory and its types and valuation methods	N	75	32	49	30	34
	Mean R.	108.65	123.94	103.22	91.00	129.63
4- Tax position	N	74	32	49	30	34
	Mean R.	110.92	128.06	91.27	113.40	115.00
5- Assets types and applied depreciation methods	N	75	32	49	31	34
	Mean R.	118.19	123.88	108.08	89.08	107.21
6- Forecasts of contingent liabilities and Anticipated ...	N	76	32	47	31	34
	Mean R.	115.82	114.08	113.97	110.74	90.24
7- Extraordinary items and their impacts	N	75	29	48	31	34
	Mean R.	102.47	115.12	108.96	96.34	129.78
8- Post balance sheet events and their impacts	N	75	32	49	30	34
	Mean R.	95.06	120.17	121.04	103.42	126.51
9- Revenue recognition policy	N	73	31	49	31	34
	Mean R.	104.64	118.32	107.70	93.97	128.65
10- Authorised, issued, and paid-up capital...	N	76	32	48	31	34
	Mean R.	112.23	118.42	100.88	111.85	114.78
11- Amount of long-term debts, their breakdown. and...	N	76	32	49	31	33
	Mean R.	112.28	119.50	101.35	112.26	112.95
12- The enterprise's efforts in protecting the Environment	N	76	32	47	31	34
	Mean R.	96.32	122.41	142.86	83.60	110.79
13- Capitalisation policy of debts cost	N	75	31	45	30	33
	Mean R.	116.31	120.37	74.44	99.48	127.74
14- Detailed information on the enterprise's transactions with r. p.	N	76	32	49	31	34
	Mean R.	107.36	108.73	112.76	94.56	137.00

Table F2: Users' Perceptions of the Importance of Financial Information Items (Group 1) Mann – Whitney U Test (Means): Experience Groups

Information Items	Education	N	Mean Rank	Sum of Ranks
1- Consolidated financial statements	U. d.	113	107.19	12113.00
	Above u. d.	105	111.98	11758.00
2- Interim information	U. d.	115	108.49	12476.50
	Above u. d.	103	110.63	11394.50
3- Inventory and its types and valuation methods	U. d.	114	110.46	12592.50
	Above u. d.	105	109.50	11497.50
4- Tax position	U. d.	112	108.59	12162.00
	Above u. d.	106	110.46	11709.00
5- Assets types and applied depreciation methods	U. d.	114	103.30	11776.50
	Above u. d.	106	118.24	12533.50
6- Forecasts of contingent liabilities and anticipated ...	U. d.	115	104.37	12003.00
	Above u. d.	104	116.22	12087.00
7- Extraordinary items and their impacts	U. d.	112	98.74	11059.00
	Above u. d.	105	119.94	12594.00
8- Post balance sheet events and their impacts	U. d.	113	100.34	11338.00
	Above u. d.	106	120.30	12752.00
9- Revenue recognition policy	U. d.	111	105.17	11674.00
	Above u. d.	106	113.01	11979.00
10- Authorised, issued, and paid-up capital...	U. d.	115	110.46	12703.00
	Above u. d.	105	110.54	11607.00
11- Amount of long-term debts, their breakdown, and...	U. d.	114	112.25	12796.50
	Above u. d.	106	108.62	11513.50
12- The enterprise's efforts in protecting the environment	U. d.	115	99.16	11403.50
	Above u. d.	104	121.99	12686.50
13- Capitalisation policy of debts cost	U. d.	111	113.76	12627.00
	Above u. d.	102	99.65	10164.00
14- Detailed information on the enterprise's transactions with r. p.	U. d.	115	100.04	11505.00
	Above u. d.	106	122.89	13026.00

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Table F3 Users' Perceptions of the Importance of Financial Information Items (Group 1)
Mann – Whitney U Test (Means): Experience Groups:

Information Items	Respondents' experience	N	Mean Rank	Sum of Ranks
1- Consolidated financial statements	After 1991	113	105.84	11960.00
	Before 1991	106	114.43	12130.00
2- Interim information	After 1991	115	109.84	12631.50
	Before 1991	104	110.18	11458.50
3- Inventory and its types and valuation methods	After 1991	113	105.64	11937.00
	Before 1991	107	115.64	12373.00
4- Tax position	After 1991	112	112.13	12558.00
	Before 1991	107	107.78	11532.00
5- Assets types and applied depreciation methods	After 1991	114	107.13	12213.00
	Before 1991	107	115.12	12318.00
6- Forecasts of contingent liabilities and anticipated ...	After 1991	115	110.49	12706.50
	Before 1991	105	110.51	11603.50
7- Extraordinary items and their impacts	After 1991	112	100.76	11285.00
	Before 1991	105	117.79	12368.00
8- Post balance sheet events and their impacts	After 1991	113	101.37	11454.50
	Before 1991	107	120.14	12855.50
9- Revenue recognition policy	After 1991	111	105.27	11684.50
	Before 1991	107	113.89	12186.50
10- Authorised, issued, and paid-up capital...	After 1991	115	111.76	12852.50
	Before 1991	106	110.17	11678.50
11- Amount of long-term debts, their breakdown, and...	After 1991	114	111.77	12742.00
	Before 1991	107	110.18	11789.00
12- The enterprise's efforts in protecting the environment	After 1991	115	93.87	10794.50
	Before 1991	105	128.72	13515.50
13- Capitalisation policy of debts cost	After 1991	113	112.40	12701.50
	Before 1991	101	102.01	10303.50
14- Detailed information on the enterprise's transactions with r. p.	After 1991	115	102.11	11742.50
	Before 1991	107	121.59	13010.50

Table F4 Users' Perceptions of the Importance of Financial Information Items (Group 2)
Kruskal - Wallis Test (Means): Occupation Groups:

Information Items		Sample groups				
		F. a.	D. m.	Aca.	S. b.	Others
Estimation of future gains, profits or losses and future sales and purchases	N	76	32	49	31	34
	Mean R.	110.59	115.69	113.60	118.98	99.74
Movement of share prices for the last 12 months	N	76	32	48	31	34
	Mean R.	101.24	108.22	115.23	122.06	119.38
present return earned on share prices	N	76	31	48	31	34
	Mean R.	104.07	115.55	103.50	122.52	119.19
Maintenance of dividends rate	N	73	32	49	31	34
	Mean R.	109.29	120.47	112.20	111.39	97.24
present and anticipated earnings per share	N	76	32	48	31	33
	Mean R.	110.21	109.13	113.71	108.90	109.33
Classification of sales revenue by geographical areas, major product lines, and customer classes	N	76	32	48	30	34
	Mean R.	114.25	123.03	102.04	86.10	123.79
Internal transfer prices	N	75	32	49	31	34
	Mean R.	114.01	120.48	111.33	108.61	97.13
Leases and hire purchase contracts	N	73	31	48	31	33
	Mean R.	104.18	117.24	125.35	80.56	111.56
Anticipated cash flow	N	75	32	48	31	34
	Mean R.	106.66	111.69	118.50	104.44	112.09
Enterprise's reputation and its competitive capability	N	75	31	48	31	33
	Mean R.	109.37	116.00	103.68	112.18	109.64
The position of individual enterprises within a group	N	74	31	45	29	33
	Mean R.	106.51	115.11	90.36	100.24	125.91
Retained earnings for the last few years	N	76	32	48	31	34
	Mean R.	103.62	123.72	103.59	108.18	128.56
Financing structure	N	76	32	48	30	34
	Mean R.	114.24	119.59	102.25	93.28	120.41
The enterprise's transaction with abroad	N	76	32	49	30	33
	Mean R.	108.99	128.97	104.28	116.00	100.32
Present and future goals of the enterprise	N	76	32	49	31	34
	Mean R.	114.25	114.25	111.36	101.85	111.76
Employees and their productivity	N	75	32	48	31	34
	Mean R.	115.06	118.81	117.23	95.18	97.09
The social impact of the enterprise's activities	N	76	32	49	31	32
	Mean R.	114.08	126.75	124.79	88.95	84.75
The enterprise's efforts on research and development	N	76	32	49	31	32
	Mean R.	116.34	132.48	118.31	89 98	82.58

Table F5: Users' Perceptions of the Importance of Financial Information Items (Group 2
Mann – Whitney U Test (Means): Education Groups

Information Items	Education	N	Mean Rank	Sum of Ranks
Estimation of future gains, profits or losses and future sales and purchases	U. degree	115	108.60	12489.00
	Above u. d.	106	113.60	12042.00
Movement of share prices for the last 12 months	U. degree	115	112.14	12896.00
	Above u. d.	105	108.70	11414.00
Present return earned on share prices	U. degree	115	116.82	13434.00
	Above u. d.	104	102.46	10656.00
Maintenance of dividends rate	U. degree	112	115.85	12975.50
	Above u. d.	106	102.79	10895.50
Present and anticipated earnings per share	U. degree	115	110.74	12735.00
	Above u. d.	104	109.18	11355.00
Classification of sales revenue by geographical areas, major product lines, and customer classes	U. degree	114	109.37	12468.00
	Above u. d.	105	110.69	11622.00
Internal transfer prices	U. degree	114	110.04	12544.00
	Above u. d.	106	111.00	11766.00
Leases and hire purchase contracts	U. degree	111	91.29	10133.50
	Above u. d.	104	125.83	13086.50
Anticipated cash flow	U. degree	114	107.92	12302.50
	Above u. d.	105	112.26	11787.50
Enterprise's reputation and its competitive capability	U. degree	113	108.40	12249.00
	Above u. d.	104	109.65	11404.00
The position of individual enterprises within a group	U. degree	111	104.66	11617.50
	Above u. d.	101	108.52	10960.50
Retained earnings for the last few years	U. degree	115	110.26	12679.50
	Above u. d.	105	110.77	11630.50
Financing structure	U. degree	114	106.25	12112.50
	Above u. d.	105	114.07	11977.50
The enterprise's transaction with abroad	U. degree	113	112.89	12757.00
	Above u. d.	106	106.92	11333.00
Present and future goals of the enterprise	U. degree	115	102.74	11815.00
	Above u. d.	106	119.96	12716.00
Employees and their productivity	U. degree	114	107.34	12236.50
	Above u. d.	105	112.89	11853.50
The social impact of the enterprise's activities	U. degree	113	108.00	12204.50
	Above u. d.	106	112.13	11885.50
The enterprise's efforts on research and development	U. degree	113	101.41	11459.00
	Above u. d.	106	119.16	12631.00

Table F6: Users' Perceptions of the Importance of Financial Information Items (Group 2)
Mann – Whitney U Test (Means): Experience Groups

Information Items	Respondents' experience	N	Mean Rank	Sum of Ranks
Estimation of future gains, profits or losses and future sales and purchases	After 1991	115	112.64	12953.50
	Before 1991	107	110.28	11799.50
Movement of share prices for the last 12 months	After 1991	115	106.23	12217.00
	Before 1991	106	116.17	12314.00
Present return earned on share prices	After 1991	115	110.43	12700.00
	Before 1991	105	110.57	11610.00
Maintenance of dividends rate	After 1991	112	109.56	12271.00
	Before 1991	107	110.46	11819.00
Present and anticipated earnings per share	After 1991	114	109.25	12454.00
	Before 1991	106	111.85	11856.00
Classification of sales revenue by geographical areas, major product lines, and customer classes	After 1991	114	106.65	12158.00
	Before 1991	106	114.64	12152.00
Internal transfer prices	After 1991	114	109.20	12448.50
	Before 1991	107	112.92	12082.50
Leases and hire purchase contracts	After 1991	112	97.36	10904.00
	Before 1991	104	120.50	12532.00
Anticipated cash flow	After 1991	114	105.93	12076.00
	Before 1991	106	115.42	12234.00
Enterprise's reputation and its competitive capability	After 1991	113	111.82	12635.50
	Before 1991	105	107.00	11235.50
The position of individual enterprises within a group	After 1991	110	103.62	11398.50
	Before 1991	102	109.60	11179.50
Retained earnings for the last few years	After 1991	115	108.30	12454.00
	Before 1991	106	113.93	12077.00
Financing structure	After 1991	114	107.10	12209.50
	Before 1991	106	114.16	12100.50
The enterprise's transaction with abroad	After 1991	113	109.37	12358.50
	Before 1991	107	111.70	11951.50
Present and future goals of the enterprise	After 1991	115	109.01	12536.50
	Before 1991	107	114.17	12216.50
Employees and their productivity	After 1991	114	105.67	12046.00
	Before 1991	106	115.70	12264.00
The social impact of the enterprise's activities	After 1991	115	103.06	11851.50
	Before 1991	105	118.65	12458.50
The enterprise's efforts on research and development	After 1991	115	105.24	12103.00
	Before 1991	105	116.26	12207.00