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RESEARCH TOPIC

IFRS COMPLIANCE, DISCLOSURE AND RELEVANCE OF FINANCIAL STATEMENTS AS PERCEIVED BY INVESTORS WITH REGARDS TO THEIR DECISION MAKING

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(CONVENTIONAL)

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APPROVAL FORM

The undersigned certify that they have supervised Bernadet Dingwa's dissertation with the title IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making: A Case Study of Lafarge Cement Zimbabwe which is submitted in partial fulfillment of the requirements of the Bachelor of Commerce Accounting Honors Degree at Midlands State University and have approved its submission.

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I, BERNADET DINGWA, Reg number R163842H, declare that this project is my own work and was not copied or plagiarised from any other source without acknowledgement. The contribution of previous researches and literature was accordingly cited and acknowledged.

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ABSTRACT

The objective of financial statements as according to the Conceptual Framework is that financial statements are prepared so as to provide useful information for decision making to their users. However, there has been a growing dissatisfaction with financial statements and disclosures particularly shown by investors. The aim of this research is to investigate IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making. The research focused on the case study of Lafarge Cement Zimbabwe. The methodology adopted was a mixed approach and a descriptive case study design was applied. A census of 15 major investors was used and questionnaires and interviews were used to capture the investor perceptions about financial reporting of Lafarge Cement Zimbabwe. Analysis of data was done using descriptive statistics and regression model so as to aid the understanding of the research findings. Conclusions and recommendations were drawn from the study. The research findings showed that investors still perceive financial statements to be useful and relevant in their decision making. Regression analysis showed a positive relationship between investor decision making and credibility of financial statements and also a positive relationship between investor decision making and quality of disclosures. There is need for companies to maintain credibility and reliability of financial statements and also ensuring quality disclosures so as to best provide investors with relevant information for decision making.

TABLE OF CONTENTS

LIST OF TABLES

APPENDICES

Appendix	Description	Page
1	Letter to Respondents	78
2	Research Questionnaire	79
3	Interview Guide	82
4	Panel Data	83

CHAPTER I - INTRODUCTION

1.0 Introduction

Corporations that have adopted IFRSs and IASs are required to prepare a full set of financial statements that conform to regulatory guidelines and should be accurate. These corporations whether public or private have a duty to present and fully disclose the financial information concerning their business to investors for them to make informed investment decisions mainly on future rates of return (Kawugani, 2019). In addition to meeting this regulatory mandate, companies seek to retain current investors and gain new ones by releasing their financial statements on the stock exchange which is where a corporation's capital stock is widely held and its activities are of interest to the general public. However, in the recent past, financial reporting and practice have come under strong scrutiny, with investors questioning whether companies are fully disclosing financial information pertaining to their activities and whether this information is actually relevant to their investment decision making needs. The focus of this study is therefore to investigate the extent and characteristics of financial information disclosures by companies and the relevance of financial statements as perceived by investors with regards to their decision making. This chapter will present the background of the study and the problem statement with the aim of clearly articulating the need for this study. The objectives and corresponding research questions will present a guiding framework for the study at hand.

1.1 Background of the study

The preparation and presentation of financial statements is intended to provide information that is useful to financial statements users in making effective decision making. Clem (2015) defines a financial statement as a formal record of past financial activities of an entity presented in a structured manner and in a form easy to understand. Korableva *et al.* (2017) and Osadchy *et al.* (2018) agree that financial statements are a unified system of data on the property and financial position of the company and the results of its activities for a specific or certain period. Financial statements provide important information for a wide variety of decision makers. According to Meyer (2007), accounting plays a significant or vital role within the concept of generating and communicating wealth of companies.

The main group users of financial statement as pointed out by Yuh (2013) include investors, employees, creditors, customers, government and the general public. Investors in particular are interested in the profitability, growth potentials, stability and dividend policies of a company in whose security they contemplate investing. They analyze and interpret financial information so as to predict future possible rate of returns on investments such as dividends and increase in value of investment and to assess the risk in investing in a particular company. Thus, investors rely heavily on the information provided in the financial statements to make decisions. Investment decision involves the commitment of current funds into long term projects for future benefit. These decisions are very crucial and caution must be taken because huge and hard earned resources are involved, irreversible in nature, risky and have long term implication (Patrick *et al.,* 2017). A fraudulent or an erroneous financial statement implies a risk possibility which can mislead investors into making wrong investment decisions therefore relevant and fully disclosed financial information becomes important to the success of these investment opportunities. There is a need for investors to have good knowledge and understanding of the financial statements that include the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and notes to the financial statement and other relevant financial information presented in an annual financial report to avoid irrationality in investment decision making.

Investors need to make effective and informed decisions on investment. For this to be possible, information provided in the financial statements has to be relevant and faithfully represent the substance of what it purports to represent as according to the Conceptual Framework for Financial Reporting (2018). For information to be relevant, it should have a predictive or confirmatory value and faithful representation entails that financial information should be to the maximum extent complete, neutral and free from error. Other enhancing qualitative characteristics of financial information include comparability, verifiability, timeliness and understandability. Various scholars articulate that the perceived relevance of financial information is to provide reliable information about the true and actual financial position, performance, and changes in financial position of a business investment opportunity that could be useful to existing and prospective investors (Patrick *et al.,* 2017). However, investors have been facing challenges with relying on financial information provided in financial statements for

investment decision making because the information is not entirely meeting the above mentioned characteristics. Disclosures and assertions made by management are not entirely relevant to their decision making needs; poor disclosures are being made in-terms of timing, complexity and information overload, faithful representation has reduced and IFRS compliance is not being entirely adhered to. This is evidenced by the increasing number of qualified, adverse and disclaimer opinions offered by auditors after examining financial reports (Barlevy, 2015). It must be noted that the financial information prepared by management as its responsibility has to be reviewed by independent external auditors prior to investment decision making. The rising number of creative accounting and fraud cases all round the world also supports this. Thus there is a lot of scrutiny being placed on disclosure and relevance of financial statements as their credibility and relevance is dropping. According to some scholars, financial statements are now a questionable source of information to use in investment decision making. Abraham and Shrives (2014), Liesegang and Bartley (2014) and Alvarez and Barlevy (2015) are among scholars that actually view disclosures as a way of symbolic window dressing, they argue that they are of little use to the readers of financial statements. Investor confidence therefore continues to erode as financial statements are being altered by companies to portray a desired position.

A clear show of why investor confidence in financial statements is being eroded is the accounting scandals that continue to occur on an international level. Lawyers Connect (2016) deem accounting scandals as the biggest challenges in today's modern business world. For example, in the past two decades headline grabbing cases of fraudulent financial reporting at public companies has rocked investment markets (Kravitz, 2012). These cases range from the famous Enron, WorldCom, the second largest telephone company at the time, down to Parmalat, Tesco, and Toshiba recently. In 2001, news of the Enron accounting scandal of corporate corruption and fraud broke out and the company's investors lost $74 billion; in 2002, WorldCom was involved in fraudulent expense capitalization. In 2003, news of the Parmalat accounting scandal broke in Europe of falsifying accounting documents; 2011 saw the revelation of the biggest accounting scandal (Olympus) in Japanese history revealed; in 2014, Tesco was caught overstating its profit by £263 million; and in 2015, Toshiba's financial statement fraud of overstating profits came to light (Awolowo, 2016; Awolowo *et al.,* 2018). All these scandals had

a negative impact on the capital markets and have contributed to the erosion of trust of the investing public (Awolowo *et al.,* 2018).

Zimbabwe is not without its fair share of accounting scandals that affect the investment community. According to BusinessTimes (2019), investors in Zimbabwe are finding it difficult to deal with the numbers that come out of the country because they were not making sense. Most of the countries parastatals are involved in fraud which include Air Zimbabwe, Zinara and Zimra. Other companies like Meikles limited was once suspended on the ZSE over allegations of overstating the debt it was owed by the Reserve Bank of Zimbabwe (RBZ) with the intention of manipulating its price (New Zimbabwe, 2015). CBZ Holdings is also a listed bank that was involved in a corporate scandal in 2017 over independence of its non-executive directors and salaries of the senior management (News of the South, 2017). All these cases contribute to the questioning of the financial statements as a source of useful information in decision making by investors. As according to Bhande (2016), the country is deemed a risk investment destination and some international critics were advocating for factoring corruption in the cost of doing business in the country.

Financial reporting relevance has been one of the most important research areas in accounting at an international level. While most of the researches done provide evidence that financial statements and annual reports are an important source of information to financial statement users, they are some studies which show a low association between financial numbers and stock returns. Some studies even report a decreasing trend in the value relevance of financial statement information (Chatterjee *et al.,* 2010). Alvarez & Barlevy (2015), Abraham & Shrives (2014) and Sawalqa (2012) in their studies found out that there is a low level of financial disclosure and relevance in corporate reports in relation to investors needs for decision making. Morris *et al.* (2014) found that preparers of financial statements do not place the same value on the financial statements as financial statements users do. While others have surveyed extent of disclosure and relevance of financial statements from the perspective of preparers (Morris *et al*., 2014; Morunga & Bradbury, 2012), others focus on perspectives of a broader group such as investors, lenders, financial analysts, auditors and regulators (Mbawuni, 2019; Samaha *et al.,* 2016; Henderson 2016). Alfraih & Almutawa (2014), Davern *et al.* (2018) and Roychowdhury *et al.* (2018) researched on this with regards to investors and how it affects their decision making. They found

out that timeliness of disclosure was rendering information irrelevant investors were not satisfied with quality of information but investors still identified financial statements as the main source of financial statements and very important to their decision making processes.

Prior studies done (Patel & Chand, 2011; Alzarouni *et al.,* 2012) report that nature of capital market, level of economic development, tax regulations and legal systems account for the differences in how extent of disclosure and relevance is perceived. Therefore, the researcher found it imperative to compliment research done with regards to investor's perceptions about financial reporting by doing a study focusing on a single case study within the factors and boundaries of Zimbabwe. This study seeks to examine IFRS compliance, extent and attributes of disclosure and the relevance of financial statements as perceived by investors with regards to their decision making in the context of a Zimbabwean case study, Lafarge Cement Zimbabwe.

Lafarge Cement Zimbabwe Limited (LCZ) is a company incorporated under the laws of Zimbabwe and was listed on the Zimbabwe Stock Exchange in 1980. It was founded in 1954 first as Salisbury Portland Cement Company and changed names and governance over the years due to mergers and acquisitions then became Lafarge Cement Zimbabwe in 2007. Lafarge Cement Zimbabwe is now a subsidiary of the LafargeHolcim group, headquartered in Switzerland and present in 80 other countries across the whole world. It became a member of LafargeHolcim group in 2015 on the back of a global merger between the French-based corporation Lafarge, and Swiss-based Holcim. The company is one of Zimbabwe's largest suppliers of cement and allied products with a market presence spanning over seven decades in the country. Lafarge has various investors including corporates, banks, individuals, insurance companies and foreign corporates.

As a listed company, Lafarge Cement Zimbabwe is required to comply with IFRS as well as the regulations of the Zimbabwe Stock Exchange and Zimbabwe's Companies Act. It is understood that the company has to a greater extent complied with these regulations. For the period under review, 2015, 2016 and 2018, all financial reports were presented in accordance with IFRS as assured by the company's auditor. However, in 2018, the company got a disclaimer of an opinion from its auditors, Deloitte Zimbabwe, because it did not comply with IFRS 9 (Financial Instruments) and IAS 21 - Effects of Changes in Foreign Exchange Rates (Lafarge Annual Report, 2018). In addition, these two standards affected the measurement of the company's

assets and liabilities thus having a fundamental impact on a number of key categories of financial ratios used by investors such as solvency and liquidity, debt, asset turnover, profitability and market value, and consequently the nature of the company's assessment of its ability to continue as a going concern. In addition, the company's shareholding has been fluctuating for the period under review, with number of shareholders standing at 715 in 2018, 709 in 2017, 711 in 2016 and 732 in 2015 (Lafarge Annual Reports 2015 - 2018). The issues observed within this company could be an indication of how disclosure and relevance is affecting decision making by investors as they point to poor credibility, poor disclosure and lack of compliance. Therefore these are issues that may influence investor perception on disclosure and relevance of financial statements. Although decision making by investors and their perception on financial statements can be affected by other factors such as their ability to analysis the financial statements or personal attributes of the investors, it is this study's purpose to investigate extent of financial information disclosure and the relevance of financial statements as perceived by investors in their decision making using Lafarge Cement Zimbabwe as a case study.

1.2 Statement of the Problem

The needs of users of financial statements and the role of corporate disclosure in decision making processes are controversial issues as they are not known with any degree of certainty (Schipper, 2007; Shroff, 2015). According to Sagoo (2016, increased competition and rapid advances in technology have resulted in changes in the reporting schemes by companies with consequent changes in the extent to which financial information needs for users are met. The International Federation of Accountants (IFAC) in their study in 2008 on perspectives and directions of financial reporting found out that, despite efforts to improve communication between management and shareholders, corporate governance and the process of financial reporting had improved in the last five years. However, financial reports did not become more useful according to the perceptions of their users. There is still a wide-spread and growing dissatisfaction about financial reporting which is mainly being conveyed particularly by investors (Lev. 2018). Investors, both existing and potential, have grievances of how they are not able to make effective decisions and are therefore questioning the extent of disclosure and relevance of financial statements' information. Disclosures being issued are basically poor that is the disclosures are incomplete, inaccurate, complex, incomprehensible and untimely. There is

also lack of compliance with some IFRS, poor credibility of financial statements and creative accounting being done by management of companies. All these issues are critically affecting investors and leading to making ineffective, uninformed decisions that result in reduction of investors' capital wealth and at most loss of investment.

This research will seek to investigate these issues by examining extent of financial information disclosure and the relevance of financial statements as perceived by investors in investment decision making of Zimbabwe's largest supplier of cement and allied products, Lafarge Cement Zimbabwe. The investor dissatisfaction is corroborated by extensive research which consistently documents a growing gap between capital market indicators and financial information. Some researchers however claim that disclosure and relevance is not important in decision making by investors as investors are now moving from the use of financial information to non-financial information to make decisions and also from financial statements as a primary source of information to external sources such as. Therefore, it was seen to be important to investigate this issue in order to add to existing literature on perceptions of investors about financial reporting as any basic information is very important in the making of effective and informed decisions and at the same time find out if the investigations of this research will agree or disagree with the findings of previous studies.

1.3 Main research objective

To investigate the extent to which existing and potential investors perceive financial statements and disclosures made in financial statements to be useful and relevant in their decision making.

1.4 Research Objectives

➢ To outline factors which affect the extent of IFRS compliance and disclosure in financial statements.

➢ To examine the level of credibility and reliability that can be placed on financial statements and disclosure.

➢ To assess the quality/attributes of disclosures in financial statements with regards to investors need for financial information.

➢ To identify ways in which companies can improve on disclosure issues and issuing relevant financial statements with regards to investment decision making.

1.5 Research Questions

➢ What are the factors that may be used to determine the extent of IFRS compliance and disclosure in financial statements?

➢ What are the factors used to consider credibility and reliability of financial statement and to what extent can the financial statements and disclosures be deemed credible and reliable?

➢ What are the attributes of financial information in financial statements and disclosure that are considered important with regards to investor decision making?

➢ In what ways can IFRS disclosure and financial statement relevance with regards to investment decision making be improved?

1.6 Statement of hypothesis

H0 – There is no significant relationship between investor decision making and credibility/ reliability

H1 - There is a significant relationship between investor decision making and credibility/ reliability

H0 - There is no relationship between investor decision making and quality of disclosures

H2 - There is a relationship between investor decision making and quality of disclosures

1.7 Significance of the Study

1.7.1 The student

❖ The research will enhance knowledge in the area of study and be of use to other researchers and students seeking information on the perception of the financial statements by investors.

❖ The research will be an opportunity to convert the learnt theory into practice as this will also help the researcher to appreciate how to gather information, analyze and present it in the process of coming up with strategic and advanced business decisions.

1.7.2 The Business Sector and Lafarge Cement Zimbabwe

❖ It is hoped that the findings will go a long way in assisting the business sector in Zimbabwe in making relevant and desirable revisions on financial reporting techniques as it could guide

them when preparing financial statements to meet the needs of various stakeholders using the feedback obtained.

❖ It will assist investors in better judging the disclosure and relevance of financial statements of organizations from a thorough knowledge of the two aspects so as to make more informed decisions.

1.7.3 The University

❖ The university may use this research as a reference to future studies on financial statements and investment decision making.

❖ The university may use the findings from this research to reinforce research findings by previous researchers.

1.8 Assumptions

❖ The researcher had access to relevant information to the study including information on the company being used as a case study.

❖ Responses from questionnaires and interviews will be in good faith and responses provide unbiased information.

❖ The researcher assumes that she will have adequate financial resources to facilitate the study.

1.9 Delimitations of the Study

The focus of the study is to investigate the extent of financial information disclosure by Lafarge Cement Zimbabwe (case study) and the perceived relevance of its financial statements in investment decision making. Therefore the research is confined to one organisation (Lafarge Cement Zimbabwe) and the assessment is over a period 2015 to 2018. Data assessed will be obtained from its investors, secondary sources and support services.

1.10 Limitations

❖ This study is based on the perceptions of Lafarge Cement Zimbabwe and information on Lafarge Cement Zimbabwe only of which different results might have been obtained if another organisation or entity had been selected.

❖ The time that the researcher had to complete the study was limited, thus it was difficult for the researcher to get all the necessary information given a short time.

1.11 Definition of terms

Financial statements - They are reports prepared by a company's management to present the financial performance and position at a point in time. A general-purpose set of financial statements usually includes statement of financial position, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements.

Disclosure - Additional financial or non-financial information attached to a company's financial statements, on company's financial policies and activities that had a significant influence on its financial statements. There are mandatory and voluntary disclosures.

IFRS (International Financial Reporting Standard) **-** A set of accounting standards or rules to follow when preparing financial statements, developed by an independent, none-profit organization called the International Accounting Standards Board (IASB) and designed to make financial statements consistent, transparent and comparable around the world.

Investors - A person or organisation that commits capital to a financial scheme with the expectation of gaining a financial return from it in the future.

1.12 Summary

This chapter established the background from which this study is based. It introduced the study and then presented the purpose of the study by stating its objectives and its significance. The chapter also covered the limitations and delimitations of this study and also definition of main terms discussed in the research. Chapter two will direct its attention to the literature review. The thoughts of various scholars will be presented in line with the objectives laid out for the study.

CHAPTER II - LITERATURE REVIEW

2.0 Introduction

The objective of this chapter is to cover the theoretical and empirical literature review on the research topic, IFRS compliance, disclosure and relevance of financial statements in investment decision making. The chapter was guided by the research objectives. The literature review will also provide a framework for discussion of results in chapter four. Great care is taken to systematically analyze and present information within the existing body of knowledge pertaining to the research topic so as to establish an investigative framework for this study.

2.1 Theoretical Framework

This theoretical framework discusses the theories that support the researcher's thinking in relation to their understanding of the topic under research. The theories upon which the study is based are discussed below.

2.1.1 Proprietary Theory

According to the proprietary theory, the firm is owned by some specified person or group. The assets of the firm belong to these owners, and any liabilities of the firm are also the owners' liabilities. Revenues received by the firm immediately increase the owner's net interest in the firm. Likewise, all expenses incurred by the firm immediately decrease the net proprietary interest in the firm (Hendriksen & Van-Breda, 2005). This theory holds that all profits and losses immediately become the property of the owners, and not the firm, whether or not they are distributed. Therefore, the firm simply exists to provide the means to carry transactions for the owners (Schroeder *et al.,* 2009). Under the proprietary theory, financial reporting is based on the premise that the owner is the primary focus of a company's financial statements (Alfaraih, 2009).

The proprietary theory also holds an agency concept within. In a traditional agency setting financial reports are prepared by the managers for the purpose of providing information to the proprietors on the basis of which, the managers were held accountable for their stewardship (Van-Mourik, 2010). Therefore, proprietary theory assumes that the primary function of financial accounting and reporting is to mitigate the agency costs between the corporation's proprietors

and managers (Van-Mourik, 2010). Many of today's accounting practices are still strongly affected by this concept and imply that retained earnings are the net wealth of the shareholders.

2.1.2 Residual Equity Theory

The residual equity theory is a variation of proprietary theory which explicitly takes into account the change in the nature of the business entity from a legal view when a business becomes insolvent. This theory is also referred to as the investor theory because of the idea that accounting functions and financial statements should take the point of view of investors (Nordlind, 2013). The purpose of financial reporting according to Staubus (1959) is to provide any accounting information that will be of assistance in making a choice between investing and not investing. It must be information related to the times and amounts of the investor's future cash receipts from the investment relationship. Accounting and financial reporting should take the point of view of investors because the function of financial reporting is to provide information to suppliers of capital.

2.1.3 Signaling Theory

Signaling theory is concerned with problems relating to information asymmetries in markets and illustrates how these asymmetries can be reduced by the party with more information signaling it to others (Morris, 1987). Akerlof (1970) illustrates that, in the existence of uninformed buyers, all products are valued at an average price based on buyers' perceptions about the quality of the products, but not their actual quality. This implies an opportunity loss for the sellers of higher quality products because the latter could have been sold at a higher price that is the adverse selection problem discussed above. However, this loss can be reduced by communicating the higher quality of the products.

As far as corporate disclosures are concerned, managers with information that implies higher companies' valuations than those assigned by the market will increase their disclosures with the intention that share prices will be revised upwards (Lev and Penman, 1990). In contrast, managers with information that implies values lower than those set by the market will remain silent. The absence of disclosures will be interpreted by the market as the company being a 'lemon', that is no information is perceived as bad information (Akerlof, 1970). This will result in those companies' shares being re-valued downwards. Subsequently, this downward price revision of non-disclosing companies will encourage even further those companies with 'good

news', to screen themselves out of the group by disclosing this information (Akerlof, 1970). This 'market for lemons' perspective provides an incentive for managers to release available information as failure to do so may lead to an increase of agency costs.

2.1.4 Decision Usefulness Theory

The decision usefulness is an approach to the preparation of financial statements and disclosures that study the theory of investors decision making in order to understand the nature and types of information needed by the investors. For accounting information to be useful to this group of users, the financial information chosen has to fulfil the qualitative features of relevance and reliability, while subsequent presentation should be both understandable and comparable (Henderson *et al.*, 2006). The theory takes the viewpoint on how a rational individual makes an optimal decision in the presence of an uncertainty. It enables us to understand the concept of information, which makes it possible for decision makers to update their subjective beliefs on future payoffs from their action (the decision). The theory set out a formal procedure whereby individual can make the best decision by selecting from a set of alternatives. This procedure requires the identification of a set of states of nature and the subjective assessment of these states. Therefore, an optimal decision is the one that actually maximizes the decision maker based on the possibilities of the states of nature. This theory is supported by Laffant (1989) and Scott (2009). Rational decision theory model in financial reporting helps in investment decision to investors. It helps to predict future investment returns and the good or bad news they contain will persist into the future.

2.2 Conceptual framework

The conceptual framework explains the relationship between the variables. The dependent variable is effective decision making by investors which is affected by the independent variables; extent and attributes of disclosure and relevance/usefulness of financial statements.

2.2.1 Financial statements and their Importance to investors

Many scholars and expert have provided varying definitions of financial statements. According to Duru (2012), a financial statement is a statement which conveys to management and to interested outsiders a concise picture of the profitability and financial position of a business. Financial statements are used to communicate relevant or useful financial information for decision making to users or interested parties (Barker *et al.*, 2013; Kieso *et al.*, 2013).

Concurring with the above definitions, published financial statements can generally be defined as the audited annual accounts of a company which give a summary of business activities for the period presented. They are prepared by companies and organizations duly audited by external auditors and thereafter made public for use by any interested parties. Of the set of financial statements, a statement of financial position provides information on the assets, liabilities, and ownership of the company at a particular point in time, a statement of profit and loss and other comprehensive income presents the performance of a company over specific periods and statement of cashflows shows cash movement within the company (Henderson, 2016). Additional information the management deem useful to the users for decision-making is provided in financial statements note disclosures in accordance with accounting standards (Kieso *et al*., 2013).

Bokpin (2013) defines mandatory disclosures as the minimum standard of financial or non-financial information which accounting standards or other national promulgations require from a reporting entity and voluntary disclosure as any disclosure by companies that is not mandated by law and/or self-regulatory bodies. Thus, mandatory disclosures differ from voluntary disclosures because the former force companies to talk about current cash flows, profits, net assets and ownership claims rather than a company's aspirations for future success (Leuz & Wysocki, 2016). In the case of voluntary disclosures, the level and quality of information provided by companies is a result of the rational decision of the managers based on the perceived, direct and indirect, costs and benefits (Lu & Abeysekera, 2014). As far as mandatory disclosures are concerned, if companies comply with the accounting standards' requirements, the information provided is a result of what the accounting standards and other regulations mandate.

Flowing from the above, published financial statement should be devoid of any material misrepresentation and errors so that all interested parties can be adequately equipped with the right information to make rational or informed decisions. According to Palea (2014), the satisfaction of the needs of various users of accounting information as contained in the annual report can be acceptable as the objective of financial statement. Dye (2017) eludes that the most important purpose of the financial statement is to get the investors informed about the financial position, therefore placing more importance of financial statements to investors than other users. The information contained in the financial statements can only become meaningful to investors

through financial interpretations derived from the analysis of the reported data. These interpretations and decision unveils the essence of financial statements as the major custodian of financial information necessary for any investment decisions. Investors will use the information to assist them assess the ability of the enterprise to pay dividend and interest when due, while to the potential investors, information in published financial statement will be used to decide on the type of investment decision the investor will make and which company to invest in (Chinyere, 2019). The perception of both existing and potential investors about the company's ability will therefore influences investor's decisions (Patrick *et al*, 2017).

Investors also use financial statements to assess management stewardship. According to the IASB financial statement preparation is not just for providing guidance but also plays a role in helping investors assess management stewardship (Conceptual Framework for Financial Reporting, 2010). Financial statements are used to assess management efforts in attaining organizational goals. Dimitropoulos and Asteriou (2010) stated that value relevance is a matter of concern for investors as well as management. Relevant and reliable financial reports are of greater important to managers because they confirm the worthiness of their stewardship (Dimitropoulos & Asteriou 2010). Relevance and reliability as according to the scholars means the ability of financial reports to give a valuable summary of information that affects stock price movements and help all stakeholders to review the value of the firm. Investors consider well reported information as of importance in attaining better investment decision.

Financial information can only be useful if a well understood published financial statement is the information source that is most directly related to the items of interest to both existing and potential investors (Sagoo, 2016). In the context of financial statements, information for decision-making must be useful, high in quality, relevant, reliable, understandable, not overly complex, comparable, material, read, and concise while providing some feedback of past performance and predictability of future cash flows (Kieso *et al*., 2013; Henderson, 2016). Preparers must have professional expertise and understand accounting standards necessary to ensure the appropriate presentation of useful information in the financial statements which include the financial statement note disclosures while users should possess the skill of analysing and interpreting the financial statements so as to get maximum benefit from them (Patrick *et al*, 2017; Chinyere, 2019).

2.3 Empirical Literature

This section provides findings of different scholars and authors in relation to the objectives of the study.

2.3.1 Main research objective

According to Omoniyi and Oladeji (2017) and Dandago and Hassan (2013), accounting is considered as the measurement activity that presents financial reports in support of decision makers and their business decisions. The usefulness of accounting information is made up of many factors which, according to Dye (2017), Buys (2008) and Dzinkowski (2010), include the timeliness, reliability, relevancy and materiality of the presented accounting data. Financial statements are to provide information for decision making purposes and to show the results of stewardship of the management. IFRS are the accounting rules used to prepare and standardize the reporting of financial statements items for publicly traded companies and many private companies (Dandago & Hassan, 2013). Reporting entities have to comply with the provisions of appropriate laws and accounting standards in preparing financial statements. At the same time they would want to ensure the usefulness of the statements for facilitating effective decision making by all users of the information contained therein.

Lev & Gu (2016) assessed the impact and usefulness of US financial report information to investors (Lev and Gu 2016). They found out that the usefulness of financial information has rapidly deteriorated. Their calculations indicated that currently, financial reports provide about 5% only of the information used by investors. While having a certain confirmatory value, financial reports are largely devoid of new, actionable information for investors. Khan *et al.* (2017) was in support of this study. He examined the capital market impact of all the accounting standards issued by the FASB from its inception and his research findings failed to detect significant share price impacts (investors' reaction) of essentially the FASB standards.

Other researches based on discussions and narratives other than numerical ones by Lev & Gu (2016) and Khan et al. (2017) produce varying results. Bonsall *et al*. (2017) in the study of readability and understandability of financial reports as perceived by investors found out that the clarity and understandability of financial reports is on a slippery slope. On the contrary, Sagoo (2016) did a research on user perceptions on the usefulness of corporate annual reports of listed companies in Kenya and found out that traditional annual reports were most useful in making

decisions. The auditor's report was regarded important in ensuring credibility of the reports and that qualitative characteristics such as timeliness, adequacy and relevance were associated with usefulness of the reports whilst understandability was not associated with usefulness.

Michael (2013) carried out a research on the degree of reliance of the published financial statements by corporate investors. In his investigation, which employed a survey research design, he found out that investors do understand the financial statement well before making investment decisions and that investors depend heavily on the credibility of auditors or financial expert approval of financial statement in making investment decisions and as such published financial statement is very important in the investors' decision making. He recommended that adequate care and due diligence should be maintained in preparing financial statements so as to avoid faulty investment decisions which could lead to loss of funds and possible litigations. There is therefore the general belief that published financial statements have failed in its responsibility of provide credible information for investors and other users of financial statements (Duru, 2012).

Otley (2012) argues that financial statements are said to be effective when the information provided by them serves widely the requirements of the users. Effective financial statement should systematically provide information which has a potential effective on investment decision making by the prospective investors. The perception of investors about a company's ability affects the market prices of the company's security relative to others in the industry. Financial statement can only be useful if they are well understood, published financial statement is the information source that is most directly related to the items of interest to both existing and potential investors Sagoo (2016).

2.4 Factors which affect the extent of IFRS compliance and disclosure in financial statements

International Financial Reporting Standards were based on a conceptual framework to develop accounting standards meeting the rigor necessary to provide useful information to users (Henderson, 2016). International Financial Reporting Standards are developed by standard setters to aid preparers (accountants) in preparing financial statements to give a fair presentation of the financial information of a company (Kieso *et al*., 2013). There are factors that can be used to analyse the level of IFRS compliance and disclosures. Companies with high IFRS compliance

and disclosure index tend to attract investors and increase investor confidence. This study will consider the following factors listed below.

2.4.1 Corporate Governance Levels

Companies that adhere to corporate governance (CG) practices have higher levels of disclosure of information than those that do not adhere to CG practices. The incentive to adopt good corporate governance practices includes the goal of reducing the degree of information asymmetry that theoretically exists in the principal-agent relationship. Information disclosure is considered one of the pillars of corporate governance, according to Murcia (20009). Thus, there is a greater propensity to disclose information by companies that implement better corporate governance practices. This view is reinforced by the fact that companies that participate in different levels of governance already make certain commitments regarding the disclosure of additional information to the market (Verriest *et al.,* 2014). Schvirck and Gasparetto (2011) have shown that companies with higher levels of governance tend to be more willing to voluntarily disclose information.

2.4.2 Audit Firm Reputation

Auditing assures that company's financial reports comply with the provisions of the law. It is an important factor to ensure the faithful representation and neutrality of financial information. This is the foundation for investment decision-making and business management (Harris & Morsfield, 2012). Bhayani (2012) indeed confirmed that large auditing firms are more concerned about protecting their reputation so they will spend more time in auditing financial reports. If there are risks involving in auditing, large auditing firms will suffer more damage than small ones. It is reported that financial statements of companies that are audited by the Big 4 audit firms are perceived to be more credible than those audited by non-Big 4 firms (Das *et al.,* 2015). These larger and well-known audit firms tend to encourage companies to disclose more information to safeguard the audit firms' reputation and avoid reputational costs to them (Chalmers & Godfrey, 2004). On the other hand, small auditing firms have less reputation in auditing market, thus they tend to please the customer's requirement rather than focusing on the quality of information disclosure. Lopes and Rodrigues (2007) find a positive relation between audit firm size and the extent of disclosure.

2.4.3 Audit Committee

Generally, the existence of audit committees strengthens corporate governance structures and enhances the credibility of the output of the external financial reporting process. An audit committee comprises of autonomous non-executive directors with the responsibility to oversee financial reporting processes, selection of the independent auditor and receipt of audit results both internal and external (Mallin, 2014). Audit committees ensure that management adheres to all relevant statutory and regulatory reporting requirements before annual reports are publicly released. Several studies have demonstrated the benefits that accrue to companies that have established audit committees. Das *et al*., (2015), for example, reported that errors involving over-statement of income are less likely to occur in companies that have audit committees than those with no audit committees. It is expected that listed companies that voluntarily established audit committees would adhere to all relevant statutory and regulatory reporting requirements in their annual reports than their counterparts that have not formed such committees. Therefore, investors have a certain level of disclosure can be ascertained because of the presence of the audit committee.

2.4.5 Company Size

It is expected that large listed companies will disclose more mandated information in their annual financial reports than smaller companies. This expectation is supported by the economic theory of economies of scale and empirical evidence. Prior research (Linsley and Shrives 2006; Hasan *et al.,* 2008; Das *et al.,* 2015) suggests that firm size is an important determinant of the level of disclosure and presents mixed results regarding the link between size and the extent of disclosure. Pinheiro (2012) argue that larger companies tend to be more visible to stakeholders as they tend to be more complex and thus are subject to more inherent risk. By their nature, large companies require extensive internal information systems in order to run effectively and efficiently. Since large companies already have in existence information systems that are largely automated for mass production of information for internal use, the marginal cost of supplying non-proprietary information publicly is likely to be minimal. This expectation is consistent with prior literature (Harris & Morsfield, 2012; Dandago & Hassan, 2013). Silva and Pinheiro (2012) have tested which variables impact the level of information disclosure in a sample of Brazilian companies and have found a statistically significant result only for the variable of total assets, indicating that size influences a wider scope of disclosure.

2.5 Level of credibility and reliability that can be placed on financial statements and disclosure

2.5.1 Accounting Standards

Vrentzou (2011) revealed the accounting standards that should be followed to minimize any fraudulent activities. Fraud occurs because the companies tend to use different accounting methods that were successful for other business industries. Hence, a good knowledge of International Financial Reporting Standards and the Companies Act are required in enhancing the credibility and reliability of financial statements. Abdolmohammadi (2005) revealed that the intellectual capital and market capitalization are some issues that cannot be determined by the naked eye. He found that there are some levels of disclosure on this matter in the financial statements made by various public companies, and found a positive result. In this case, it is defined that such transparency occurs in recording intellectual capital and market capitalizations. Liguori & Steccolini (2011) stated that accounting change occurs when a particular type of accounting can no longer support the company. For example, changes in the goodwill are estimated. Sevin, Schroeder & Bhamornsiri (2007) conducted a quantitative test investigate whether disclosure appears to be a function of the materiality of the spending. Using statistical tests, including multiple regressions, the authors were able to differentiate the use of voluntary disclosure theory and legitimacy theory. In this case, Cho, Freedman & Patten (2012) decided to use several mixtures of the theories to report the reliability of the corporate disclosure to support those theories of Sevin *et al.* (2007). Some companies only reported minimum disclosure matter that lead to various suspicions and confusion. Hence, ratio has been known to reveal the truth in the transparency by calculating the specific ratio on the cash-flow statement, income statement and balance sheet. Thus, the investors shall find the truth about the well-being of companies..

2.5.2 Corporate Governance

Valentine (2009) agreed with Arwinge (2012) that accounting and corporate governance can restore the public trusts towards the financial statements and the accounting professions in the world. Accounting standards and corporate governance are ethical principal practices to ensure the reliability and credibility of the financial statements. Corporate governance covers the principal (shareholders) and the agent (directors), and its employees. Arwinge (2012) stated that ethical practices and additional requirements are necessary to ensure that the auditors serve their duties right to unraveled the fraudulent matters in the financial statements. Also, it can identify

the extra needs to follow other standards and principles to support the credibility and reliability in the financial statements. Hence, it can prove the existence of credibility and reliability in the financial statements. Brennan and Solomon (2008) have taken their data to compute the references about accountability and presenting a framework on corporate governance. It is the best way to enhance credibility and reliability because corporate governance is known as the umbrella to the shareholders and organizations. Grant (2011) was researching about corporate governance and its effectiveness in the accounting worlds. The researcher wanted to understand the history of corporate governance and the events that relates to failure in aligning the interests of management and shareholders. This author agreed with Yakhou & Dorweiler (2014) about the management and shareholders' interests. However, he recommended that the corporate governance be combined with other regulatory frameworks such as a Company Act to increase the responsibility of managements towards the shareholders and external parties so as to promote the accountability towards the shareholders (principal) and the external parties

2.5.3 Internal Controls

Stone (2011) is more concerned with the lack of communication skills between the management and the accountant in the organizations. It is because both parties do not communicate jointly for the organizations. The accountant was previously not given higher priority but now, it is one of the top positions the company needs to fill. Hence, face-to-face is preferred in explaining and understanding the goals, the objectives and the paths of the organizations. This is supported by the next article. Spira & Page (2013) conducted research on transferring internal control into the risk management process. The observation showed that risk management becomes aligned with internal control once it flows with corporate governance policy. Thus, the risks are manageable and turned into accountability for the function and financial statements. These authors agreed with Jamshidinavid, Chavoshani & Maroofi (2012). Liou (2008) argues that the investors need to know other methods besides ratio in determining the financial statements. The article used ratio in detecting fraudulent or misstatement in the financial statements. In addition, the author decided to add some models to add extra cautious on the calculation which enhances the transparency and reliability on the financial statements. Another scholar supported this in his article, Liou article titled: Fraudulent financial reporting detection and business Failure prediction models: a comparison. Both are talking about using ratio to make the analysis in order

to detect fraudulent in financial reporting. Hyland & Verreault (2013) conducted a survey on one of the CPA firms. They revealed that value creating combinations occurs when they combined the frameworks for Internal Auditing and Human Resource Management. This is best to aligning their relationship, the benefit of self and peer-appraisal implications of their locations and enhances the value-creating quadrant. These value-creating combinations are capable to draw positive results on several research questions especially working relationship and audit planning process on the strategic HRM. Hyland & Verreault (2013) and. Morrill & Morrill (2013) suggested that audit-specific knowledge, experiences and expertise are important factors of internal audit participation. It occurs when a company requires such higher levels of expertise due to their nature of their business in the industry. The expertise creates greater efficiencies by promoting the internal auditors' participation in the external audits results as well as lowering the costs of external audits for extra effectiveness on auditors' reports

2.5.4 Ethical Practices

Atkinson (2012) backs up the facts provided by previous researchers. He stated that controls can improve the quality of financial reporting. He conducted a study on various universities offering accounting courses whether ethics and communication subjects are taught in the courses. It means credibility and reliability can be found in the financial statements when this is applied. While, Stone (2011) believes that communication is vital between accountant and managers, communication is vital for the accountant to external auditors in order to increase reliability and credibility of the data. Adams (2014) agreed with Atkinson (2012) for the ethical practices, ethical issues and ethical conducts. In this case, the accountant and the auditor need to be very ethical in their reporting of financial statements. Hence, the gaps will enhance the reliability of those important matters that should be taken into account and published for the right of the public in the market. Makkawi and Shick (2013) conducted a survey in CPA form, involving 70 senior auditors. The test was to identify whether auditors have high or low sensitivity towards fraud. According to the results, the auditors were required to audit smarter. It is because the auditors were under fixed fee environment and yet, they were required to balance between effectiveness and efficiency of audits' reports. The authors suggested that extra training would be able to cope with the fee environments and audit smarter for specific company's industry and environment.

2.6 Quality/attributes of disclosures in financial statements with regards to investors need for financial information

Financial statement note disclosures are an integral part of financial statements that provide additional, relevant information about a company's performance and financial position (Kieso *et al*., 2013). The purpose of this additional information is to increase understandability and transparency of financial statements by providing information considered useful for decision-making (Carbone & Seem, 2014). Disclosure and transparency induce corporations to better protect investors and thereby enhancing investors' confidence in capital markets. The disclosure of relevant corporate information is an essential element of companies that deal with investors and those on the look out for potential investors.

Corporate disclosure has evolved from being solely focused on financial information excerpted predominantly from a company's financial statements to being utilized as a strategic tool in risk assessment and the value creation process (Sagoo, 2016). Disclosure strategies, including economic, social and environmental information, are now a key component of many companys' investor communication programs (Richardson and Welker, 2011). The emergence of comprehensive disclosure strategies that encompass all aspects of a company's performance has resulted in the broadening of both the scope and scale of the information released by firms. This evolution in corporate practices appears to be well founded, since empirical findings suggest that an open disclosure policy provides many benefits to a company especially those related to investors (Henderson, 2016). However, to this extent, problems and complaints have arisen, mainly from investors, with regards to corporate disclosure quality that is information overload, complexity, presentation and relevance as companies try to keep up with the evolution of comprehensive disclosure strategies (Carbone & Seem, 2014).Thus, a sound accounting system that communicates information about the resources and performance of a company, useful to those having reasonable rights to such information becomes highly important and should have peculiar characteristics. According to Melville (2011), the conceptual framework of ISAB identifies six qualitative characteristics of useful financial information that are:

Relevance: it means that the information must be relevant to users' decision making needs. Information is relevant if it helps users to evaluate past transaction, present and predict future

outcome or adjust previous predictions. The relevance of information is affected by its nature and level of materiality.

Faithful representation: it means the information must faithfully represent the transactions and other events that it purports to represent. This characteristic includes three elements: completeness, neutrality and freedom from error.

Comparability: accounting information between accounting periods in an enterprise and between enterprises can only be compared when they are calculated and presented consistently.

Consistency: refers to the use of the same accounting treatments for the same types of item, either from period to period by one reporting entity or in a single period across entities. Verifiability: financial accounting is verifiable if different independent, knowledgeable observers can agree that the relevant information provides a faithful representation. Timeliness: financial information must be recorded and reported in time to users because it influences their economic decisions.

Understandability: financial information is presented in the financial statements must be clear and concise for users. According to conceptual framework, financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently.

2.7 Problems related to financial information disclosure

2.7.1 Complexity

Complexity of information is an issue in financial statement note disclosures closely related to quality, readability, and understandability of disclosures and also increases information overload. One area of increased complexity requiring extensive financial statement note disclosure is financial instruments that continue to expand in financial reporting (Kieso *et al*., 2013). Financial instruments are defined as assets of one party and a liability or equity item of another party (Kieso e*t a*l., 2013). The addition of extensive complex information may create a condition of overload for some users of financial statement note disclosures resulting from not understanding complex information. Information so complex it is not understood is not useful information. Avgouleas (2019) referred to the disclosure paradigm in European financial regulation related to capital markets as being a result of complexity of disclosure – information was fully disclosed

but not understood. Further, Peterson (2011) studied accounting complexity through number of words and methods used in revenue recognition. Peterson (2011) found increased complexity aligned with increased likelihood of misreporting whether intentional or not and thus information being not useful. There has been some consideration given to how to resolve the issue of complexity. Several researchers discussed complexity, a characteristic of information overload (Jackson & Farzaneh, 2012), related to financial statement disclosures including financial statement note disclosures (FRC, 2010; Iannaconi, 2013; Lehavy *et al*., 2011). There is a need for more emphasis on effective disclosure versus full disclosure when reducing complexity (Barker *et al*., 2013; Pounder, 2012). Bloomfield (2012) used pragmatic theory to consider disclosure efficiency or effective disclosure.

2.7.2 Ambiguity

Ambiguous information is unclear and may be misinterpreted making it more difficult for users to process the information (Jackson & Farzaneh, 2012). The accounting framework promotes transparency which might be viewed as the opposite of ambiguity because transparent information allows the user to easily extract the information (Mensah et al., 2016). Transparent information is unambiguous and is open and clear information intended to empower users through providing useful information for resource allocation decisions (Dholakia, 2013). Standard setters are currently working on a disclosure framework for IFRS, which will establish principles for guidance on disclosure issues. Researchers indicated before changing the disclosure framework, empirical studies should be performed to determine users' perceptions of current disclosure requirements (Bloomfield, 2012; Morunga & Bradbury, 2012). Little is known about users' perceptions of financial statement note disclosure (Lawrence, 2013). Inductive research is needed to understand users' perceptions of current financial statement note disclosure and to expand the theory of information overload to financial statement note disclosures (Brown & Tarca, 2012; IASB, 2013; Morunga & Bradbury, 2012). What is needed is an understanding of users' views in order to ensure information being provided in financial statement note disclosures is useful for decision making (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

2.8 Ways in which companies can improve on disclosure issues and issuing relevant financial statements with regards to investment decision making.

There is a general view that financial reporting and disclosures improved after the financial crisis as a result of investor pressures, new regulations and stricter enforcement (Association of Chartered Certified Accountants, 2014). However, disclosures still do not appear to be well integrated within and across risk types throughout corporate reports, and discretion in presentation yields inconsistencies both within and across companies. Generally, disclosures should aim to provide complementary, often forward-looking, information to mostly historical, financial statement numbers (Hellman *et al*., 2018). The goal should be for investors to understand financial statements and disclosures and make informed and effective decisions from them.

2.8.1 Principle-Based Approach

One offered solution to disclosure problems is to adopt a principles-based approach, where principles will guide entities to disclose relevant instead of irrelevant information, and to communicate effectively. Principles of disclosure may possibly also change the behavior of auditors and regulators so that they stop causing the disclosure problem (Hellman *et al*., 2018). The ICAS/NZICA (2011) joint working group adopted an approach where they sought to determine disclosure objectives of separate IFRS Standards and to establish minimum disclosure requirements based on what is needed to support the existing recognition and measurement requirements in the IASB's 2010 Conceptual Framework for Financial Reporting. The report does not provide references to prior literature, but it would appear that the authors were inspired by the United States Securities and Exchange Commission (SEC) study on a principles-based accounting system (SEC, 2003). This report advocates a hybrid model where principles are based on the conceptual framework and each standard has a clearly stated objective, but also sufficient detail and structure to be operationalised and applied consistently with a minimum of exceptions. Enforceability relates to the concept of verifiability in the conceptual framework, i.e. that knowledgeable and independent observers should be able to reach consensus that a particular depiction is a faithful representation of an economic phenomenon. Observing such consensus would theoretically make it possible to determine compliance with a principle of disclosure but would appear difficult to attain in practice. If specific requirements are replaced with principles, as was proposed in the ICAS/NZICA (2011) report, financial reporting may improve more.

2.8.2 Enhancing the reliability of accounting estimates

Currently, there are no effective incentives for managers to spend time and resources on generating high quality and unbiased estimates for the calculation of assets and earnings values. The ex post realisations of most estimates are not reported to investors, and managers are not required to explain the deviations between estimates and realisations. No responsibility for mis-estimation, intended or inadvertent, is a recipe for unreliable estimates. Years ago, Lundholm (1999) proposed a sensible and easy to implement procedure to enhance significantly the incentives of managers to generate reliable and unbiased (non-manipulated) estimates and projections that is require companies to periodically provide a comparison of the five-seven key estimates that had the largest impact on earnings with subsequent realisations. Managers will obviously be asked to explain large and particularly persistent mis-estimations for example a bad debt expense that was lower every quarter than the respective write-off, a highly embarrassing task, and obviously harmful to managers' credibility. Imagine the strong incentives for serious and honest estimation created by Lundholm's requirement.

To add on, according to the Disclosure Survey by CFA (2012), the 2008 financial crisis highlighted disclosures that their previous surveys identified as causing the greatest problems for investors. Therefore, they reiterate the importance of improving disclosures in these areas before, or as a part of, the development of a disclosure framework. Furthermore, to truly explain the economic substance of transactions and events, preparers and auditors should go beyond requirements if necessary. On this they recommended emphasis to be put on accounting estimates, intangible assets, going concern issues among other things.

2.8.3 Enhancing Presentation and Communication

The 2012 Disclosure Survey by CFA Institute titled: Financial Reporting Disclosures-Investor Perspectives on Transparency, Trust and Volume shows that the most effective way to enhance transparency would be for standard setters to prioritize certain financial reporting improvements ahead of establishing a disclosure framework. They recommended focus in the following areas, in order of importance to investors:

Financial statement presentation. Investors believe improved financial statement presentation is a key element to improving financial reporting because poor financial statement presentation limits transparency. Disclosures are less effective when the financial statements that are the foundation

they are meant to complement are not effective or when disclosures are meant to compensate for poor presentation. Thus, they recommended disaggregation, direct method cash flow statement and cohesiveness related to enhancing financial statement presentation.

Communication and presentational enhancements. The survey revealed the need for enhancements in communication style and presentational changes to make information more digestible and effective in communicating the company's results. These areas are common ground for investors and preparers. To this end, they provided recommendations integration, entity specific information, simple language, tables and formats and organizing and layering information of this nature.

2.9 Summary

Having reviewed relevant literature on this study, it is pertinent to state that the researcher has explored the gap left by previous studies and found the need to carry out this study by using a different research design to assess the perceptions of investors on IFRS compliance, disclosure and relevance of financial statements. This study used a case study approach which facilitates an in-depth exploration, examination and heightened understanding. Other researches focused on surveys and use regression for data analysis to assess the research topic (Lev & Gu, 2016; Duru, 2012; Khan *et al*., 2017; Sagoo, 2016; Michael, 2013). They found out that financial statements were regarded as the most useful in decision making by investors (Michael, 2013; Sagoo, 2016) and on the contrary less useful and relevant as an information source for decision making (Duru, 2012, Khan *et al*., 2017).Alvarez & Barlevy (2015), Abraham & Shrives (2014) and Sawalqa (2012) in their studies found out that there is a low level of financial disclosure and relevance in corporate reports in relation to investors needs for decision making. All these researches ave been done in different setting and countries. Patel & Chand (2011) and Alzarouni *et al.* (2012) report that nature of capital market, level of economic development, tax regulations and legal systems account for the differences in how extent of disclosure and relevance is perceived. Therefore, the researcher found it imperative to compliment research done with regards to investors' perceptions about financial reporting by doing a study focusing on a single case study within the factors and boundaries of Zimbabwe. In addition, there has been varying results as to how investors regard financial reporting, therefore there was need to find out results in a case study setting since most methodologies used include surveys. The chapter covered empirical and

theoretical literature on the research topic. The researcher strived to focus on literature that is in line with the research objectives stated in the previous chapter. The next chapter will present the research methodology that was used to conduct this study.

CHAPTER III - RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the procedures that were taken by the researcher in carrying out this study. The methodology is the way of searching or solving the research problem (Flick, 2015). These include the research design, data collection instruments, data collection procedures, ethical issues, description of the study sample, the quality of the data and the analysis and interpretation of the data.

3.1 Research Method

The research method was defined by Kumar (2019) as a set of specific methods and procedures of data collection and analysis that serve the master plan of problem-solving. Silverman (2016) highlight it as a solution finding mechanism of research whilst Kumar (2019) explain it as providing the framework for collecting and analyzing data for research. Quinlan *et al.* (2019) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. Quinlan *et al.* (2019) characterized them into two which are quantitative and qualitative data gathering tools. Quantitative gathering tools depend on numbers and are partially supported by words in gathering data; examples comprise of questionnaires, observations and official figures like census whilst qualitative data gathering tools predominantly utilize words in gathering data, with examples including diaries, interviews and focus groups (Kumar, 2019).

As such this study adopted a mixture of methodological approaches as it facilitated triangulation to occur. Triangulation refers to the application and combination of several methods within one methodology used for one particular research study (Quinlan et al, 2019). This study was qualitative in that it gathered first-hand data needed to explains investor perceptions and their experiences at a more practical level. The research objectives one and four mentioned in chapter one of the study required information that is qualitative in nature and the information that the researcher has no control over. According to Choy (2014) qualitative methods have the ability to probe for underlying values, beliefs and assumptions. The quantitative approach allowed the researcher to make use of numeric data relating to objectives two; to examine level of credibility and reliability and objective three; to assess quality of disclosures. There was a need to measure

the two objectives thus quantitative method was applied to best answer the research questions concerning the two objectives. Therefore to carry out the research, the researcher used interviews and questionnaires consistent with qualitative and quantitative methods to gain data from the respondents. Typically the case study, Lafarge Cement Zimbabwe, should allow the researcher to arrive at valid findings, conclusions, and recommendations in as far as addressing the research objectives is concerned.

3.2. Research Design

Heppner *et al.,* (2016) and Silverman (2016) agree that a descriptive case study involves investigations that do not exercise experimental control and are conducted in a real-life setting. Kumar (2019) also highlights that a descriptive research is valuable because it provides the conditions for flexibility, clarification of the research problem and lowers the chances of there being bias. The researcher, as noted above, utilized the descriptive research design method. The researchers own ideas and knowledge provide guidance play an important role in the choices the researcher makes in descriptive studies (Kumar, 2019).

The researcher applied the descriptive research design in a case study. According to Heppner *et al.,* (2016), descriptive case study is high in external validity because a sample of participants can be drawn directly from selected population. The study made use of a case study, Lafarge Cement Zimbabwe, as one of the methods of a descriptive design. Collins *et al.,* (2014) described a case study as a detailed analysis of a specific individual organization. Cuskar and Gunaydin (2015) defines a case study as an empirical inquiry about a contemporary phenomenon set within its real word context. Causal research design deals with the cause and effect with regards to the determination of relationships among variables and in this study that is the relationship between IFRS compliance/ disclosure and financial statements relevance affects decision making of investors. Financial reporting is deemed to be useful to investors in the process of decision making so the researcher adopted this design so as to find out if this were true as according to the investors' perceptions.

3.3 Study Population

A study population is a group of people that contain the information required by a researcher and of which inference will be made (Quinlan *et al.,* 2019). Flicker (2015) adds that the individuals have similar characteristics according to the researchers sampling criteria and states that the

target population has the information needed by the researcher. The target population of the study consisted of the investors of Lafarge Cement Zimbabwe. Lafarge has quite a number of investors which ranges above 700 at any given point. As at December 2018 (Lafarge Annual Report, 2018), the company had 715 investors. The investors are classified as corporates, banks and nominees, insurance companies, individuals, investment funds, pension funds, trust funds, just to mention a few however only a few have major shareholding in the company.

3.4 Census

Kumar (2019) defines census as the systematic method of selecting units of a small population and in many cases all the elements will be used in the study. Census according to many researches done by many researchers they state that any number that is below 50 in a study, census is adopted (Saunders, 2017). In this study the target population is 15 hence census has been adopted.

Table 3.1 Research Respondents

Population identity (Investor Classification)	Population Sample	Census
Insurance companies	1	1
Investments, trust and properties	4	4
Banks and nominees	4	4
Individuals	2	2
Pension Funds	3	3
Total	15	15

The population sample of 15 consists of investors with a total estimate of 96% shareholding of the 80 000 000 shares in the company. The sample in this research is based on the number of shareholding in the company and the justification is so at to examine perceptions of those investors mostly affected in decision making that is the major shareholders. In this study there are enough respondents to aid in the achievement of the research objectives and problem outlined in chapter 1 based on shareholding.

3.5 Data Sources

Quinlan *et al.,* (2019) distinguish between primary and secondary data. Primary data originates directly from respondents who answer questionnaires and interviews whilst secondary research comes from other published researches that are already in the body of knowledge. Both primary and secondary research methods were used in this study.

3.5.1 Primary Data

This refers to data that is accumulated straight from the source (Cottrell, 2014). Flicker (2015) postulates that primary data is gathered by the researcher from start to finish, directly from respondents. It can be described as first-hand information and is original in nature. Questionnaires and interviews were the tools used to generate primary data in this research to answer research questions on perceptions of corporate governance by stakeholders and ways to improve corporate governance application in ZSE community. Silverman (2016) states the advantages of primary data which include less likelihood of error because the researcher is gathering from original sources. Data is also unbiased and it provides the researcher with more control in data collection.

3.6 Data collection instrument

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes (Kumar, 2019). The primary data was collected using a structured questionnaire for the respondents in Harare and a few interviews. The researcher based the study on these types of data collection procedure due to the benefits that are associated with the use of the procedure though it has its draw-backs. Due to the current pandemic affecting the whole world, Covid-19, the country was under a lockdown for the period of March to June 2020 which prohibited people from moving around. Therefore, the researcher distributed questionnaires online through e-mails and carried out telephone interviews to obtain the data that was needed for the research.

3.6.1 Questionnaires

Questionnaires administered online were used as the data collection instruments for this study. A questionnaire is a set of questions with the main goal of data collection towards a specific research question. McCusker and Gunaydin (2015) state that the goal of a questionnaire is to

solicit information during data collection for further analysis. A structured questionnaire was sketched for all the targeted respondents to make sure that they will be comparability of results. The research used questionnaires because it exposes each respondent to similar questions as well as the same system of coding the responses (Siniscalco and Auriat 2005). Questionnaires can also collect facts, level of knowledge, opinion, expectations, attitudes and perceptions. The research also used questionnaires because they are more objective when gathering data due to the fact that they are standardized and it is relatively quick to collect information using a questionnaire. Though the researcher enjoyed such benefits the questionnaires have their own draw backs i.e. it is not possible to explain any point when closed questions are used and a low response is usually assessed due to reluctant on the part of respondents to participate.

The researcher employed a number of close ended questions calculated to produce data that is vital for achieving the research objectives utilizing a questionnaire. Taking into consideration the nature of the outlined objectives, an analysis which is descriptive in numbers was necessary therefore the researcher elected a structured questionnaire with a Likert scaling. The Likert scale is a procedure of scaling answers given by the respondent. Various opinions are allotted certain points and these points are then consolidated to get an intermediate attitude outlook towards the issue being thought upon (Leary (2016). This study made use of five options which are strongly agree, agree, neutral, disagree and strongly disagree on the Likert scale.

Table 3.2 Likert Scale

Attitude	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Points	5	4	3	2	1

The questionnaire is an original instrument as the researcher developed it for this research. The primary cause of why questionnaires are distributed is that questionnaires standardize the responses provided by respondents and they also pay attention chiefly at the research problem (Hair 2015). Cresswell (2014) states that questionnaires typically reduce prejudice by removing

the entanglement of the researcher probing which results in efficacy when accumulating applicable, relevant data for the research.

3.6.2 Interviews

Quinlan *et al.,* (2019) define an interview as a data gathering technique in which respondents are asked questions to discover their views about a particular subject. Telephone interviews were used in this research. The interview questions consisted of both structured and unstructured questions. Unstructured questions helped to get comprehensive answers from the interviewed investors. They also helped the interviewees to fully express their views on the research questions one of which is on the perceptions of corporate governance. Interviews are generally defined as purposeful discussions between two or more parties (Silverman, 2016). The interviews gave an opportunity for getting instant responses and the chance for deeper inquiries or clarifications on the responses.

Silverman (2016) states that semi-structured interviews are highly suitable for researches based on case studies. The researcher used semi-structured interviews which give freedom to deviate from prepared questions if it serves to provide more information. These interviews are follow-ups to the questionnaires issued to the investors of Lafarge. As such, more time will be given to extracting as much information as possible to the participants.

3.7 Data Validity and Reliability

Kumar (2019) states that research can never be 100% correct or accurate but great care must be given by taking measures that limit these inaccuracies and make the research more reliable or dependable. Quinlan *et al.,* (2019) postulate that the validity of data has to do with research results are an honest representation of what is on the ground. Stigmatization and victimization avoidance was sought by the researcher at all times, hence the anonymity of questionnaires. Reliability, according to Silverman (2016) is concerned with the usefulness of the data collection and analysis techniques in producing accurate findings and a relevant research. The research population and sample were reliably selected and the instruments used in gathering information were reliable and valid for the research approach in use. Questions contained in the questionnaires and interviews were matched according to the research objectives to ensure the relevance of the study.

3.8 Data presentation, procedures and analysis

The analysis of data was done using descriptive statistical techniques which catered for the analysis of the qualitative and quantitative data that was collected. Data collected from the various respondents was carefully examined for the purposes of presenting the data. Tables were utilized for this purpose because they serve as a clear and concise way of data presentation. The researcher struck a balance between data and theoretical commentary in order to provide a clearer meaning of the data according to Flick (2015). This allowed results to be clearly explained using commentary, percentages, graphs and tables which in turn allow for ease in comparing the data.

The researcher used SPSS and Excel software to manipulate data. The analytical models applied to objective two; examining the level of credibility and reliability and objective three; assessing quality of disclosures with regards to investment decision making. Analytical models were used to define the relationship existing between the dependent and independent variables, and to test the hypotheses formulated.

For objective two:

H0 – There is no significant relationship between investor decision making (dependent variable) and credibility and reliability (independent variables).

H1 - There is a relationship between investor decision making (dependent variable) and credibility and reliability in financial statement through combination of accounting standards, corporate governance practices, internal control functions, external control enforcement and ethical conducts and practices in the organizations (independent variables).

For objective three:

H0 – There is no significant relationship between investor decision making (dependent variable) and quality of disclosures (independent variable).

H2 - There is a relationship between investor decision making (dependent variable) and quality of disclosures (independent variables).

3.8.1 Measurement of Variables

The variables in this study to be captured by the questionnaire were discussed in the previous chapter, literature review. In the questionnaire respondents are to evaluate the above variables using Likert scale. The data generated from structured questions as well as analysis of financial statements will be coded, numbered and classified under different variables for easy identification and then summarized. For data captured using the Likert scale, analysis will be used in extracting information and the data will be analysed using SPSS and regression used to measure the relationship of the variables.

The analytical model used to examine the relationship between the variables is:

$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon,$

Where,

Y_i = decision making of investors (dependent variable)

β_0 = constant (coefficient of intercept)

$\beta_1 \ldots \beta_2$ = regression coefficient of two variables.

X_1 = Credibility/Reliability (independent variable)

X_2 = Quality of disclosures (independent variable)

ε = Error term

Since the study based its findings on perceptions of investors, a concept that cannot be defined with certainty and is not constant since it varies due to factors such as regulatory framework, country polies, investor experience, technological factors, just to mention a few, the regression model was used to portray the relationship between investment decision making and financial reporting relevance, credibility/reliability and quality of disclosures. Empirical research shows how variables have been measured as according to other researchers. Compliance index and quality index are also some ways of measuring the variables (Agyei-Mensah, 2013). Table 3.3 shows a summary of measurement tools to assess the relevance of financial reporting used in prior research.

Table 3.3 Measurement tools to assess the relevance of financial reporting used in prior research

	Accrual models	Value relevance literature	Specific elements in annual report	Qualitative Characteristics
Method	Examines the level of earnings management as a proxy for earnings quality	Examines the relationship between stock returns and earnings figures in order to measure the relevance and reliability of financial reporting information	Examines specific elements in the annual report in depth, by conducting an experiment	Examines the level of decision usefulness of financial reporting information by operationalizing qualitative characteristics
Advantages	Relatively easy to collect data in order to measure earnings management	Relatively easy to measure Provides insight into the economic value of earnings figures	Focus on financial reporting relevance and quality Direct measure of financial reporting quality	Focus on financial reporting relevance and quality Direct measure of financial reporting usefulness
Disadvantages	Focus on earnings quality Indirect measure of financial reporting relevance and quality Difficult to estimate discretionary accruals	Focus on earnings quality Indirect measure of financial reporting No insight is provided in the Trade-offs between relevance and reliability	Focus only on selected elements Difficult to measure	In general, difficult to operationalize causing measurement difficulties
Authors	Jones, (1999); Healy & Wahlen, (1999)	Barth *et al*., (2001); Nichols & Wahlen, (2004);	Hirst *et al*., 2004; Beretta & Bozzolan, (2004); Cohen	Schipper & Vincent, (2003); Van der Meulen, *et al*., (2007); Barth *et al*., (2006)

			et al., (2004)	

Source: Beest *et al*., (2009)

3.9 Ethical Considerations

Research ethics outlines that every researcher is held by a moral code that they should be committed too (Silverman, 2016). The researcher upheld the ethical guidelines during the study. The researcher sought consent from all respondents and upheld their desire for anonymity. Confidentiality was viewed by the researcher as very important by the researcher. Nothing was given to other organizations or the general public. The researcher also put all stops to ensuring that the findings were reported truthfully. Permission was sought from all authorities for data collection within the company prior to the researcher starting. Also, it was necessary to conduct the study in such a way that participant involvement caused no or minimal disruption to the everyday operations of the respondents and organizations. The researcher took into account the possible harm that could be done not only to individuals but also to organizations throughout the research and employed preventative measures. Raw data records would be availed to ensure other researchers can verify the contents of this study.

3.10 Chapter Summary

The methodology used by the researcher for this study was outlined in this chapter. Research design and methods and sampling technique to be used were discussed, as were the population sample and its size plus the ethical considerations. Data presentation and analysis is described in the next chapter.

4.0 Introduction

This chapter is aimed at presenting the findings obtained from the research. Findings will be presented using frequency tables extracted from SPSS. Content analysis will be also used to analyze and evaluate the findings obtained.

4.1 Response rate

The response rate will be presented and analyzed in this section. The researcher used a questionnaire which was administered online to gather data for the research. The participants' response is presented on table 4.1.

Table 4.1 Response rate

Population identity (Investor Classification)	Distributed	Returned
Insurance companies	1	1
Investments, trust and properties	4	4
Banks and nominees	4	4
Individuals	2	2
Pension Funds	3	3
Total	15	15

Source: Primary Data 2020

The respondents were asked to complete the questionnaire on IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making. The findings obtained highlight that out of the 15 questionnaires distributed, all of them were successfully administered. Therefore, the findings show that the researcher obtained 100% response rate. This concurs with Yeng (2014) that a response rate above 70% is considered as reliable for a quantitative research.

4.2 Demographics

Respondents' demographic characteristics are presented in this section. The respondents were asked to fill in the space provided highlighting their gender age, level of education and lengthy of service.

4.2.1 Gender

The respondents' gender is presented in table 4.2.

Table 4.2 Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	8	53.3	53.3	53.3
	Female	7	46.7	46.7	100.0
	Total	15	100.0	100.0	

Source: Primary Data 2020

The respondents were asked to indicate their gender. 53.3% were males while 46.7% were females. The results obtained presents that there are slightly more males than females therefore, this shows that the respondents' gender is closed to being balanced; suggesting that gender biasness could not influence the outcome of the study.

4.2.2 Age

The respondents were asked to indicate their age category. The findings obtained are presented on table 4.3 below.

Table 4.3 Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 35	7	46.7	46.7	46.7
	35 - 44 years	5	33.3	33.3	80.0
	45 - 54 years	3	20.0	20.0	100.0

		Frequency	Percent	Valid Percent	Cumulative Percent
	Total	15	100.0	100.0	

Source: Primary Data 2020

Table 4.3 shows the participants different age groups. The findings obtained shows that 46.7% of the respondents are below 35 years, 33.3% are of the ages between 35 to 44 years. The results also establish that 20% respondents indicated 45-54 years as their age group. Therefore these findings entails that the majority of the participants below the age of 44.

4.2.3 Level of education

This section presents the qualifications of the respondents. The findings obtained are presented on table 4.4.

Table 4.4. Level of education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary level	0	0	0	0
	Diploma	0	0	0	0
	Professional Qualification	5	33.3	33.3	33.3
	Degree	3	20.0	20.0	53.3
	Masters	3	20.0	20.0	73.3
	PHD	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: Primary data 2020

The respondents were asked to indicate their qualification. The findings obtained show that all the respondents surpassed the secondary and diploma level. 33.3% indicate that they have a profession qualification, 20% indicated that they have university degrees, 20% indicated masters and 26.7% indicated PHD as their highest level of qualification. Therefore these findings enlightens that the highest number of the participants have professional qualifications followed by those at the PHD level. The respondents as a whole could be considered well-educated. These outcomes were to be expected as the census consisted of mostly representors of banks, pension and trust funds who should have knowledge in the investment field.

4.2.4 Length of service

This section presents and analyze the participants' length of service in the investment field.

Table 4.5 Length of service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than one year	5	33.3	33.3	33.3
	One to five years	6	40.0	40.0	73.3
	Five to ten years	4	26.6	26.6	100.0
	Total	15	100.0	100.0	

Source: Primary Data 2020

The findings presented on table 4.5 shows the respondents' length of service. The findings shows that 33.3% have been in the investment sector concerning Lafarge for less than a year, 40.0% indicated one to five years as their length of service and 26.6% indicated that they have been involved with Lafarge investments for fives years and more. This confirm that investors sampled, are most likely to be experienced and informed about investing in securities (shares) of Lafarge Cement Zimbabwe.

4.3 Relationship between investor decision making and credibility/reliability in financial statements

This section presents the regression analysis results obtained between the two variables, investor decision making and credibility/reliability in financial statement. The regression model results are presented on table 4.6. SPSS version 25 was utilized in the study as a tool for analysis of the variables in relation to regression analysis. Coding of the variables was done in the software with the help of a research instrument and the results generated are as shown in the tables below.

Table 4.6: H1 Relationship between investor decision making and credibility/reliability in financial statements

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.499	.079		6.327	.000
	Credibility and reliability	.484	.042	.725	11.450	.021
a. Dependent Variable: investor decision making						

Source: SPSS version 25

Regression analysis as indicated in the table shows that H1 was accepted at the expense of rejecting H0 showing the existence of a positive association of the variables. There is a positive relationship between investor decision making and credibility/reliability in financial statements. This association is shown by 6.3727 t-tests statistics that is supported with a 0.021 p-value significant at 5%. Therefore the findings shows that there is a positive relationship that exits between investor decision making by Lafarge investors and credibility/reliability of Lafarge financial statements that is to say an increase in credibility and reliability of financial statements by Lafarge will have a positive impact on the company's investors' decision making and vice versa.. Investors require information that helps in evaluating firm's performance, monitoring their investment, predicting earning per share and assessing the liquidity status of firms. The extent to which investors rely on the information reported in financial statements so as to make decisions depends on the credibility of those financial statements – that is, the trust or faith investors have in the financial statements presented to them. The findings obtained support this argument. Shroff (2015) measured the relationship of investor decision making and credibility/reliability of financial statements and found a positive relationship between the variables.

Table 4.7 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.034	1	14.034	131.094	.021[b]
	Residual	12.632	118	.107		
	Total	26.667	119			
a. Dependent Variable: investor decision making						
b. Predictors: (Constant), credibility and reliability						

Analysis of variance is also shown in the table in conjunction with the study variables. This is indicated by a p-value of 0.021 that is significant at 5%. In addition the findings presented on table 4.6 depicts that an increase in credibility and reliability of financial statements will also improve the investor decision making. Therefore a positive correlation exists between investor decision making and credibility/reliability in financial statement.

4.4 Relationship between investor decision making and quality of disclosures

Table below shows the regression analysis in relation to the findings that were managed to be generated from SPSS.

Table 4.7 H2 Relationship between investor decision making and quality of disclosures

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.589	.076		7.702	.032
	Quality of disclosures	.404	.038	.700	10.650	.000
a. Dependent Variable: investor decision making						

Regression analysis as indicated in the tables shows that H2 was accepted at the expense of rejecting H0 showing the existence of a positive association of the variables. There is a positive relationship between investor decision making and quality of disclosures. This association is shown by 7.702 t-tests statistics that is supported with a 0.032 p-value significant at 5%. The

results also shows that an improvement in quality of disclosures will improve investor decision making as agreed by Nwaobia *et al*. (2016).

Table 4.8 ANOVAᵃ

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.069	1	13.069	113.419	.032ᵇ
	Residual	13.597	118	.115		
	Total	26.667	119			
a. Dependent Variable: investor decision making						
b. Predictors: (Constant), quality of disclosures						

Analysis of variance is also shown in the table in conjunction with the study variables. This is indicated by a p-value of 0.032 that is significant at 5%. The findings shows that on average the respondents agree that there is a correlation that exits between investor decision making and quality of disclosures. Therefore quality of disclosures in financial statements helps to improve the decision making by investors.

4.5 Factors used to determine the extent of IFRS Compliance and disclosure in financial statements

This section presents the participants responses on the factors used to determine the extent of IFRS Compliance and disclosure in financial statements. The question was a starting point for the researcher to effectively investigate IFRS compliance, disclosure and relevance of financial statements with regards to investor decision making.

Table 4.9 Corporate Governance Levels

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	2	13.3	13.3	26.7
	Neutral	3	20.0	20.0	46.7
	Agree	4	26.7	26.7	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The respondents were asked whether corporate governance levels is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. The findings obtained from the study shows that 13.3% of the participants strongly disagree, 13.3% disagree and 20% were neutral that corporate governance levels. In addition the findings obtained also establish that 26.7% agree while 26.7% strongly that corporate governance levels is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. The research findings obtained clearly shows that corporate governance level has a great impact on IFRS compliance and disclosure in financial statements. Conclusively these findings relates to the view by Moen (2014) that good corporate governances helps to ensure transparency and accountability of financial disclosure.

Table 4.10 Audit Firm Reputation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	1	6.7	6.7	13.3
	Neutral	4	26.7	26.7	40.0
	Agree	5	33.3	33.3	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.10 above shows the participants' responses on whether audit firm reputation is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. The findings shows that 6.7% of the participants indicated that they strongly disagree, 6.7% disagree whereas 26.7% remained neutral on the view that audit firm reputation is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. Furthermore the results also highlights that 33.3% of the participants agree and also 26.7% strongly agreed on the same view. Therefore these findings points out that audit firm reputation plays bigger role in influencing the disclosure of financial statements. This concurs with Dereit (2015) who argued the importance of audit firm reputation on the reliability, credibility and transparency on reporting and disclosure of financial statements.

Table 4.11 Audit Committee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	1	6.7	6.7	20.0
	Neutral	4	26.7	26.7	46.7
	Agree	3	20.0	20.0	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.11 shows the respondents' views on whether audit committee is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. The findings from the data collected shows that 13.3% of the participants strongly disagree, 6.7% disagree whereas 26.7% remained neutral on the opinion that audit committee is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. In addition the results from the research also establish that 20% participants agree and 33.3% strongly agree that audit committee is one of the factor that determine the extent of IFRS compliance and disclosure in financial statements. Hence the results clearly shows that audit committee needs to be taken into consideration when determining the extent of IFRS compliance and disclosure in financial statements. The results from the research corresponds with the findings by Timmulo (2015) that it is more relevant to consider the competence and effectiveness of the audit committee when reporting financial statements.

Table 4.12 Company Size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	1	6.7	6.7	20.0
	Neutral	3	20.0	20.0	40.0
	Agree	4	26.7	26.7	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The respondents were asked to indicate their views on whether company size is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. The findings shows that 13.3% strongly disagree, 6.7% disagree whereas 20% remained neutral on the view that company size is a factor used to determine the extent of IFRS compliance and disclosure in financial statements. The results also further presents that 26.7% agree and 33.3% strongly agree that company size is a factor that determines the extent of IFRS compliance and disclosure in financial statements. Thus the findings obtained pointed out that the majority of the participant's supports that company size is a factor that should be considered on determining the extent of IFRS compliance and disclosure in financial statements. As referred by Ungry (2015) that it is important to consider the size of the organization when complying with the established financial reporting standards.

4.6 Can the following be used to examine level of credibility and reliability that can be placed on financial statements and disclosure?

This section presents the participants views on what is considered to examine level of credibility and reliability that can be placed on financial statements and disclosure. Different respondents' views are presented on the tables below

Table 4.13 Accounting Standards

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	1	6.7	6.7	13.3
	Neutral	4	26.7	26.7	40.0
	Agree	4	26.7	26.7	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.13 above shows the participants responses on whether accounting standards is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. The findings shows that 6.7% of the participants indicated that they strongly disagree, 6.7% disagree whereas 26.7% remained neutral on the view that accounting standards are used to examine level of credibility and reliability that can be placed on financial statements and disclosure. Furthermore the results also highlights that 33.3% of the participants agree and also 26.7% strongly agreed on the same view. Therefore these findings points out that accounting standards are used examine level of credibility and reliability that can be placed on financial statements and disclosure. This concurs with Irwin (2015) that accounting standards should always be used to ensure the credibility and reliability of the financial reporting.

Table 4.14 Corporate Governance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	2	13.3	13.3	20.0
	Neutral	4	26.7	26.7	46.7
	Agree	4	26.7	26.7	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants were asked to indicate their views on whether corporate governance is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. The findings shows that 6.7% strongly disagree, 13.3% disagree while 26.7% remained neutral on the view that corporate governance is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. Hence the findings shows that the majority of the respondents supported the view that corporate governance is a best practice to use when examining level of credibility and reliability that can be placed on financial statements and disclosure. Freid (2015) refers corporate governance as one of practices that need to be taken seriously when dealing with financial reporting and auditing.

Table 4.15 Internal Controls

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	1	6.7	6.7	13.3
	Neutral	3	20.0	20.0	33.3
	Agree	5	33.3	33.3	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.15 shows the participants views on whether internal controls is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. The findings from the data collected shows that 6.7% of the participants strongly disagree, 6.7% disagree whereas 20% remained neutral on the opinion that internal controls is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. In addition the results from the research also establish that 33.3% participants agree and 33.3% strongly agree that internal controls is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. Hence the results clearly shows that internal controls is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. This also supports the view by Cherish (2016) that it is imperative to take into recognition the impact of internal control when preparing financial statements.

Table 4.16 Ethical Practices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	2	13.3	13.3	26.7
	Neutral	3	20.0	20.0	46.7
	Agree	4	26.7	26.7	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants asked whether ethical practices is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. The findings obtained from the study shows that 13.3% of the participants strongly disagree, 13.3% disagree and 20% were neutral that ethical practices is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. In addition the findings obtained also establish that 26.7% agree while 26.7% strongly that ethical practices is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. The research findings obtained clearly shows that ethical practices is being used to examine level of credibility and reliability that can be placed on financial statements and disclosure. Conclusively these findings relates to Hingler (2016) that good ethical practices helps to improve and build investor confidence and reputation of the organization.

4.7 Do you consider the following to be important as attributes of quality financial information in your decision making?

This section presents the elements to be considered important as attributes of quality financial information in decision making. Different respondents' views are presented on tables below.

Table 4.17 Relevance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	1	6.7	6.7	13.3
	Neutral	4	26.7	26.7	40.0
	Agree	5	33.3	33.3	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.17 above shows the participants responses on whether the relevance is considered important as attributes of quality financial information in decision making. The findings shows that 6.7% of the participants indicated that they strongly disagree, 6.7% disagree whereas 26.7% remained neutral on the view that relevance is considered important as attributes of quality financial information in decision making. Furthermore the results also highlights that 33.3% of the participants agree and also 26.7% strongly agreed on the same view. Therefore these findings points out that relevance is considered important as attributes of quality financial information in decision making. This concurs with Murray (2015) that the relevance of the attributes in the financial statements helps to ensure their credibility and reliability.

Table 4.18 Faithful Representation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	1	6.7	6.7	20.0
	Neutral	4	26.7	26.7	46.7
	Agree	3	20.0	20.0	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants were asked to indicate their views on whether faithful representation is an important attribute of quality financial information in decision making. The findings shows that 13.3% strongly disagree, 6.7% disagree whereas 20% remained neutral on the view that faithful representation is an important attribute of quality financial information in decision making. The results also further presents that 26.7% agree and 33.3% strongly agree that faithful representation as an important attribute of quality financial information in decision making. Thus the findings obtained pointed out that the majority of the participant's supports that faithful representation is an important attribute of quality financial information in decision making. As referred by May (2015) that faithful representation of financial statements help to ensure the reliability of the financial reporting

Table 4.18 Comparability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	1	6.7	6.7	20.0
	Neutral	3	20.0	20.0	40.0
	Agree	4	26.7	26.7	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants were asked to indicate their views on whether comparability is an important attribute of quality financial information in decision making. The findings shows that 13.3% strongly disagree, 6.7% disagree whereas 20% remained neutral on the view that comparability is an important attribute of quality financial information in decision making. The results also further presents that 26.7% agree and 33.3% strongly agree that comparability is an important attribute of quality financial information in decision making. Thus the findings obtained pointed out that the majority of the participant's supports that comparability is an important attribute of quality financial information in decision making. This relates to the view by Winks (2015) that comparability is critical when preparing financial statements.

Table 4.19 Consistency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	1	6.7	6.7	13.3
	Neutral	3	20.0	20.0	33.3
	Agree	6	40.0	40.0	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.19 shows the participants views on whether consistency is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. The findings from the data collected shows that 6.7% of the participants strongly disagree, 6.7% disagree whereas 20% remained neutral on the opinion that consistency is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. In addition the results from the research also establish that 33.3% participants agree and 33.3% strongly agree that consistency is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. Hence the results clearly shows that consistency is used to examine level of credibility and reliability that can be placed on financial statements and disclosure. This relates to the view by Lewis (2016) that financial reporting should be consistent to ensure the credibility of the financial statements.

Table 4.20 Verifiability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	2	13.3	13.3	26.7
	Neutral	3	20.0	20.0	46.7
	Agree	4	26.7	26.7	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants asked whether verifiability improver IFRS Disclosure and Financial Statement Relevance. The findings obtained from the study shows that 13.3% of the participants strongly disagree, 13.3% disagree and 20% were neutral that verifiability improvers IFRS Disclosure and Financial Statement Relevance. In addition the findings obtained also establish that 26.7% agree while 26.7% strongly that verifiability improvers IFRS Disclosure and Financial Statement Relevance. The research findings obtained clearly shows that verifiability improvers IFRS Disclosure and Financial Statement Relevance. This concurs with Greit (2015) that verifying the figures is important before presenting financial statements as a way to ensure creditability of financial disclosure.

Table 4.21 Understandability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	1	6.7	6.7	13.3
	Neutral	4	26.7	26.7	40.0
	Agree	4	26.7	26.7	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.21 above shows the participants responses on whether understandability improvers IFRS Disclosure and Financial Statement Relevance. The findings shows that 6.7% of the participants indicated that they strongly disagree, 6.7% disagree whereas 26.7% remained neutral on the view that whether understandability improvers IFRS Disclosure and Financial Statement Relevance. Furthermore the results also highlights that 33.3% of the participants agree and also 26.7% strongly agreed on the same view. Therefore these findings points out that whether understandability improvers IFRS Disclosure and Financial Statement Relevance. This concurs with Edward (2014) that mutual agreement among all stakeholders is important when reporting financial statements.

4.8 Can IFRS Disclosure and Financial Statement Relevance be improved by applying the following measures?

The research findings pertaining to the respondents' views on whether IFRS Disclosure and Financial Statement Relevance can be improved by applying the following measures are presented below.

Table 4.22 Principle based approach on application of standards and corporate governance practices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	2	13.3	13.3	20.0
	Neutral	4	26.7	26.7	46.7
	Agree	4	26.7	26.7	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants were asked to indicate their views on principle based approach on application of standards and corporate governance practices. The findings shows that 6.7% strongly disagree, 13.3% disagree while 26.7% remained neutral on the view that principle based approach on application of standards and corporate governance practices. Hence the findings shows that the majority of the respondents supported the view that principle based approach on application of standards and corporate governance practices. Milkins (2014) that principality is to a greater extent important when disclosing financial statements.

Table 4.23 Enhancing reliability of troublesome disclosures such as accounting estimates, going concern and intangible assets by putting more emphasis on them

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.7	6.7	6.7
	Disagree	1	6.7	6.7	13.3
	Neutral	3	20.0	20.0	33.3
	Agree	5	33.3	33.3	66.7
	Strongly agree	5	33.3	33.3	100.0
	Total	15	100.0	100.0	

Source: SPSS

The findings presented on table 4.23 shows the participants views on whether it is important to enhance reliability of troublesome disclosures such as accounting estimates, going concern and intangible assets by putting more emphasis and focus on them. The findings from the data collected shows that 6.7% of the participants strongly disagree, 6.7% disagree whereas 20% remained neutral on the opinion that it is important to enhance reliability of troublesome disclosures such as accounting estimates, going concern and intangible assets by putting more emphasis and focus on them. In addition the results from the research also establish that 33.3% participants agree and 33.3% strongly agree that it is important to enhance reliability of troublesome disclosures such as accounting estimates, going concern and intangible assets by putting more emphasis and focus on them. Thus the results clearly shows that it is important to enhance reliability of troublesome disclosures such as accounting estimates, going concern and intangible assets by putting more emphasis and focus on them. This concurs with Helmet (2015) that auditors should ensure reliability in order to prepare and disclose credible financial statements.

Table 4.24 Enhancing presentation of reports by disaggregating information, using simple language and proper organizing and layering of reports

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	13.3	13.3	13.3
	Disagree	2	13.3	13.3	26.7
	Neutral	3	20.0	20.0	46.7
	Agree	4	26.7	26.7	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants were asked whether it is important to enhance presentation of reports by disaggregating information, using simple language and proper organizing and layering of reports. The findings obtained from the study shows that 13.3% of the participants strongly disagree, 13.3% disagree and 20% were neutral that to enhance presentation of reports by disaggregating information, using simple language and proper organizing and layering of reports. In addition the findings obtained also establish that 26.7% agree while 26.7% strongly that to enhance presentation of reports by disaggregating information, using simple language and proper organizing and layering of reports. The research findings obtained clearly shows that verifiability improvers IFRS Disclosure and Financial Statement Relevance to enhance presentation of reports by disaggregating information, using simple language and proper organizing and layering of reports. This is supported by Neuman that financial reporting should be clearly distinguished to ensure reliability of financial statements

4.9 Do you perceive financial statements and disclosures made in financial statements to be useful and relevant in your decision making?

The research findings pertaining to the respondents' views on whether they perceive financial statements and disclosures made in financial statements to be useful and relevant in their decision making is presented below.

Table 4.25 Usefulness and relevance of financial statements in investor decision making

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	6.67	6.67	6.67
	Disagree	2	13.3	13.3	20.0
	Neutral	3	20.0	20.0	40.0
	Agree	5	33.3	33.3	73.3
	Strongly agree	4	26.7	26.7	100.0
	Total	15	100.0	100.0	

Source: SPSS

The participants were asked whether they perceive financial statements and disclosures made in financial statements to be useful and relevant in their decision making. The findings obtained from the study shows that 6.67% of the participants strongly disagree, 13.3% disagree and 20% were neutral on the question asked. In addition the findings obtained also establish that 33.3% agree while 26.7% strongly that financial statements and disclosures are useful in their decision making. Over 50% of the respondents agree that financial statements are useful and relevant to their decision making. This finding is consistent with previous studies (Keyur. 2012; Kieso *et al.*, 2013).

4.10 Interview response rate

Table 4.26 Interview response rate

Scheduled Interviews	15	100%
Administered Interviews	11	73.33%

Question 1: Can financial statements and disclosures made in financial statements be considered useful and relevant in your decision making as an investor?

All the respondents stated that financial statements are very important when it comes to the disclosure as well as reporting and help investors in making decision making on when to buy all sale shares or even to invest more resources. Investors will use the information to assist them assess the ability of the enterprise to pay dividend and interest when due, while to the potential investors, information in published financial statement will be used to decide on the type of investment decision the investor will make and which company to invest in. The perception of both existing and potential investors about the company's ability will therefore influences investor's decisions as agreed by Patrick et al, (2017) and Chinyere (2019).

Question 2: What are the factors that may be used to determine the extent of IFRS compliance and disclosure in financial statements?

Most of the respondents agreed with the factors that were suggested in the questionnaire that they may be used to determine extent of IFRS compliance and disclosure in financial statements. These factors are corporate governance levels, company size, audit firm reputation and audit committee. Some respondents pointed out that financial leverage and profitability were equally important in determining the extent of disclosure and compliance. This view was supported by market (Verriest et al., 2014) and Schvirck and Gasparetto (2013). One respondent emphasised on considering the requirements of standards and the intended use of the reports. The responses for this question confirmed and supported the findings on questionnaires where more than 50% of the respondents were in agreement that the factors suggested by researcher should in-fact be considered when determining IFRS compliance and disclosure.

Question 3: What are the factors used to consider credibility and reliability of financial statement and to what extent can the financial statements and disclosures be deemed credible and reliable?

> **Respondent 1** Stated that Accounting Standards is another factor used to consider credibility and reliability of financial statement and to what extent can the financial statements and disclosures be deemed credible and reliable.

> **Respondent 2** Internal control system is another factor used to consider credibility and reliability of financial statement and to what extent can the financial statements and disclosures be deemed credible and reliable.

Respondent 3 Ethical practice is another factor used to consider credibility and reliability of financial statement and to what extent can the financial statements and disclosures be deemed credible and reliable.

Respondent 4 Corporate governance practices is another factor used to consider credibility and reliability of financial statement and to what extent can the financial statements and disclosures be deemed credible and reliable.

Question 4: What are the attributes of financial information in financial statements and disclosure that are considered important with regards to your decision making as an investor?

The respondents were in agreement with the attributes stated in the study but however put more emphasis on relevance and understability since lack of those grossly affect their decision making.

Question 5: What are the problems you as an investor find with information disclosure in financial statements?

Most participants stated that there were problems of complexity, ambiguity and information overload of irrelevant information. Another participant went on to state that the problem was an unreliable source of information. Respondents suggest that efforts to reform disclosures should focus on increasing the quality and completeness of disclosures, not reducing the volume of disclosures. Investors neither seek a reduction in disclosures nor believe they can be overloaded with useful information.

Question 6: In what ways can IFRS disclosure and financial statement relevance with regards to investment decision making be improved?

Respondents cited concerns over the need for comprehensiveness, the dynamic nature of information sources, how a complete set of financial statements would be defined, and the cost to investors of collecting such information as their major objections. All participants stated that the ways as suggested by the study include principle-based approach, enhancing the reliability of accounting estimates. Respondents added that improved financial statement presentation with improved disaggregation and cohesiveness was also another way.

4.11 Chapter summary

The researcher has managed to find out the relationship that exists on IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making. Summary and conclusion of findings will be highlighted on the next chapter.

CHAPTER V - SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter aims to summarise and conclude the study basing on the findings obtained from the primary data gathered on IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making. Summary of chapters and also findings and conclusions will be highlighted together with conclusions and recommendations in this chapter.

5.1 Summary of research

Chapter one focused on background of the study where the problem of the research was stated which is to come perceptions of investors about IFRS compliance, disclosure and relevance of financial statements with regards to their decision making as it has been noted that investor dissatisfaction and lack of confidence in financial statements is increasing (Shroff, 2015). In the same chapter objectives of the study were outlined. It also outlines limitations to the study, assumptions of the study and definition of terms.

Chapter two is on the literature review to the study, it gives in-depth research on what other researchers said about the objectives of this research. Kieso *et al*. (2013) highlights the importance of financial statements in decision making and supposes that their main objective is to provide information for decision making to users. However some researchers like Khan et al (2017) disagree and state that financial statements are losing their relevance. The research was therefore carried out to supplement data and findings of investment decision making as affected by financial reporting as misinformed decisions have gross effects on investors.

Chapter three focused on the methodology. The study adopted a mixed approach and a research design of descriptive case study was used. Primary data was used and it was collected using questionnaires and interviews administered online and through telephones respectively. A census of 15 investors was used since the investors selected made up about 96% of shareholding in Lafarge. A total of 15 questionnaires were distributed and 11 interviews were done to entity members. The questionnaires were designed using 5 pointer, Likert Scale. Descriptive statistics and regression analysis were used to analyse data.

Chapter four is on analysis and presentation of data that was collected using questionnaires and interviews as stated in chapter 3. The researcher presented data using descriptive tables from SPSS. The chapter analysed problems that are associated with research objectives.

5.2 Summary of findings

The research data was analysed through descriptive statistics and regression, the data of which was obtained from questionnaires with a Likert Scale. Analysis was performed to provide the background statistics of the variables examined. Interviews were also carried out to give the respondents a chance to explain further on their opinions. The summary of findings obtained are highlighted as follows:

5.2.1 The factors which affect the extent of IFRS compliance and disclosure in financial statements

The findings from the research summarized that corporate governance, audit form reputation, audit committee and company size are major factors used to determine the extent of IFRS compliance and disclosure in financial statements as evidenced by 53% participants supporting the same views. The research findings obtained clearly summarizes that audit firm reputation and company size have a great impact on IFRS compliance and disclosure in financial statements.

5.2.2 The level of credibility and reliability that can be placed on financial statements and disclosure

The findings from the study summaries that accounting standards, corporate governance, internal controls and ethical practices are factors used to examine level of credibility and reliability that can be placed on financial statements and disclosure. This is evidenced by more than 50% participants' supporting the same view. However, these findings points out that internal controls are more favoured compared to other factors to examine level of credibility and reliability that can be placed on financial statements and disclosure. Concerning the relation between investor decision making and credibility/reliability, the research found that a positive relationship exists between the variables. According to interviews, investors were to a large extent confident with the financial statements of Lafarge as they placed a high level of credibility of financial statements of Lafarge.

5.2.3 The quality/attributes of disclosures in financial statements with regards to investors need for financial information

The findings from the study summaries that the relevance, faithful representation, comparability, consistency, verifiability and understandability are considered important as attributes of quality financial information in decision making as evidenced by the majority of the participants who supported the same view. However, relevance, consistency and comparability were more agreed on by respondents as the most important attributes of quality information in financial statements for decision making as pointed out by the findings. In terms of the relationship, the study found a positive relationship between quality of information shown by the attributes and investor decision making. In interviews, respondents mentioned that quality was being compromised by complexity and ambiguity.

5.2.4 Ways in which companies can improve on disclosure issues and issuing relevant financial statements with regards to investment decision making

The research findings summaries that verifiability and understandability helps to improve IFRS Disclosure and Financial Statement Relevance as evidenced by a high number of participants who supported the view. Investors consider increasing the effectiveness of disclosures, better integrating information and emphasizing matters of importance the primary objectives of a disclosure framework project.

5.3 Conclusions

Basing on the results obtained from the study the following conclusions have been made on the responses pertaining to the research topic, IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making:

5.3.1 The factors which affect the extent of IFRS compliance and disclosure in financial statements

The findings from the research concludes that corporate governance, audit form reputation, audit committee and company size are major factors used to determine the extent of IFRS compliance and disclosure in financial statements. Therefore corporate governance audit form reputation, audit committee and company size have a great impact on IFRS compliance and disclosure in financial statements and Lafarge should put more emphasis on the factors.

5.3.2 The level of credibility and reliability that can be placed on financial statements and disclosure

The findings from the study concludes that accounting standards, internal controls, corporate governance and ethical practices are to be used to examine level of credibility and reliability that can be placed on financial statements and disclosure but most importantly internal controls and corporate governance. Therefore, Lafarge should focus more on these concepts so as to better increase the credibility of their financial statements to investors since credibility affects investor decision making as pointed out by regression results

5.3.3 The quality/attributes of disclosures in financial statements with regards to investors need for financial information

The findings from the study summaries that the relevance is considered as important attribute of quality financial information in decision making as evidenced by the majority of the participants who supported the same view. Therefore these findings points out that relevance is considered important as attribute of quality financial information in decision making.

5.3.4 Ways in which companies can improve on disclosure issues and issuing relevant financial statements with regards to investment decision making

The research findings summaries that verifiability and understandability helps to improve IFRS Disclosure and Financial Statement Relevance as evidenced by a high number of participants who supported the view. Therefore verifiability and understandability helps to improves IFRS Disclosure and Financial Statement Relevance.

5.4 Recommendations

Basing on the findings obtained from the research the following recommendations were made:

- ✓ Lafarge should implement international financial reporting standards to ensure the reliability of financial statements
- ✓ Lafarge should invest in information and technology as a way to improve transparency in financial disclosures.
- ✓ Lafarge should also create a financial data base to support the relevance of financial disclosed statements.
- ✓ Lafarge should also conduct refresher courses and training of their employees to enhance competence on financial reporting.

- ✓ Lafarge should always use private auditors to improve accountability on financial reporting.
- ✓ The study also recommends that Lafarge should also take into consideration the implementation of corporate governance practices to enhance transparency and accountability on financial reporting.
- ✓ Lafarge is encouraged to practice voluntary disclosure on information items that influence investment decisions and be required to give a simplified interpretation of the information contained in the annual reports, and this should be attached with the financial reports released at any one time

5.5 Area of further research

This study focused on how investors perceive usefulness and relevance of financial statements and disclosure with regards to their decision making. Further research can be done on how investors make investment decision and how they actually incorporate financial information in their decision models. In addition, a research on how financial information competes with other sources of information can also supplement this since some researchers are arguing that financial statements are no-longer viewed as the most important and primary source of information for decision making (Khan et al., 2017). Such a study will have to be empirical. For example a study on how investors assess risk could provide guidance about which disclosures can aid investors in assessing risk.

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APPENDICES

Appendix 1

Midlands State University

Faculty of Commerce

Department of Accounting

P O Box 9055

Gweru

Dear Sir/Madam

RE: REQUEST TO RESPOND TO QUESTIONAIRE

My name is Bernadet Dingwa. I am a final year student at Midlands State University undertaking a Bachelor of Commerce Accounting Honours Degree. I am carrying out a research on **IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making – case study of Lafarge Cement Zimbabwe**. The research is being done as a requirement in fulfilling the degree. I am kindly asking for your assistance in responding to a few questions regarding the research. The information provided will be held in confidence, specifically used for academic purposes and will not be disclosed to any other party without your prior permission. Your response is greatly valued.

Yours faithfully

Bernadet Dingwa – R163842H

Contact number: +263776453845   Email address: bernadingwa@gmail.com

Appendix 2

Questionnaire

A Questionnaire on IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards to their decision making.

Instructions

   i.   Do not write your name on the questionnaire.

  ii.   Show your response by ticking in the respective answer box.

 iii.   Where applicable give your opinion on the blank space provided.

Section A: Personal and General Information

Please read each question carefully and tick a box to indicate your answer

1. Please indicate your gender.

    ☐ Male   ☐ Female

2. Please indicate your age range.

    ☐ Below 35   ☐ 45 - 54

    ☐ 35 - 44   ☐ 55 and above

3. Please indicate highest education qualifications.

    ☐ Secondary level   ☐ Professional Qualification

    ☐ Diploma   ☐ Masters

    ☐ Degree   ☐ PHD

4. Please indicate years of service?

    ☐ Less than one year   ☐ to ten years

    ☐ One to five years   ☐ Over ten years

Section B:

The following are statements on IFRS compliance, disclosure and relevance of financial statements as perceived by investors with regards your decision making. The statements are represented on a Likert scale of 1 – 5 showing the extent to which you agree or disagree with the statement. Please tick the appropriate box.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

5. Knowledge of financial statements reports

	1	2	3	4	5
I understand and comprehend financial statements					

6. Can the following be considered as factors used to determine the extent of IFRS Compliance and disclosure in financial statements?

	1	2	3	4	5
a) Corporate Governance Levels					
b) Audit Firm Reputation					
c) Audit Committee					
d) Company Size					

7. Can the following be used to examine level of credibility and reliability that can be placed on financial statements and disclosure?

	1	2	3	4	5
a) Accounting Standards					
b) Corporate Governance					
c) Internal Controls					
d) Ethical Practices					

8. Do you consider the following to be important as attributes of quality financial information in your decision making

	1	2	3	4	5
a) Relevance					
b) Faithful Representation					
c) Comparability					
d) Consistency					
e) Verifiability					
f) Understandability					

9. Can IFRS Disclosure and Financial Statement Relevance be improved by applying the following measures?

	1	2	3	4	5
a) Principle based approach on application of standards and corporate governance practices					
b) Enhancing reliability of troublesome disclosures such as accounting estimates, going concern and intangible assets by putting more emphasis and focus on them					
c) Enhancing presentation of reports by disaggregating information, using simple language and proper organising and layering of reports					

10. In general, do you perceive financial statements and disclosures made in financial statements to be useful and relevant in your decision making?

1	2	3	4	5

Appendix 3

Interview Guide

➤ Can financial statements and disclosures made in financial statements be considered useful and relevant in your decision making as an investor?

➤ What are the factors that may be used to determine the extent of IFRS compliance and disclosure in financial statements?

➤ What are the factors used to consider credibility and reliability of financial statement and to what extent can the financial statements and disclosures be deemed credible and reliable?

➤ What are the attributes of financial information in financial statements and disclosure that are considered important with regards to your decision making as an investor?

➤ What are the problems you as an investor find with information disclosure in financial statements?

➤ In what ways can IFRS disclosure and financial statement relevance with regards to investment decision making be improved?

Appendix 4

Panel Data

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon,$$

Where,

Y_i= decision making of investors

β_0= constant (coefficient of intercept), $\beta_1 \ldots \beta_2$= regression coefficient of two variables.

X_1= Credibility/ reliability

X_2= Quality of disclosures

ε = Error term;

Credibility/ reliability (X_1) independent variable	Quality of disclosures (X_2) independent variable	Investor decision making (Y) dependent variable)
1	1	1
1	1	1
2	2	2
2	3	3
3	3	3
3	3	3
3	3	4
4	4	4
4	4	4
4	4	4
4	5	5
5	5	5
5	5	5
5	5	5
5	5	5