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MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN EVALUATION OF FINANCIAL STATEMENTS IN DISCLOSING TRUE
BUSINESS PERFORMANCE TO STAKEHOLDERS IN HOSPITALITY INDUSTRY:**

(A case of African Sun Limited)

By

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Submitted in Fulfillment of Bachelor of Commerce Accounting Honors Degree

Gweru, Zimbabwe

2016

APPROVAL FORM

The undersigned certify that they have supervised the student **Malvern Katiyo** research project entitled, “**An evaluation of financial statements in disclosing true business performance to stakeholders in hospitality industry**” submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree at Midlands State University.

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DECLARATION

I, **KATIYO MALVERN** , Reg number **R133620F**, 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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I would like to express my gratitude to the following individuals for their co-operation during the course of this research study. First and foremost to Ms C. Mhaka, my project supervisor. Secondly to my wife and family for their support and sacrifices for the successful completion of this research. Special mention goes to all who successfully responded to my questionnaires and interviews. Last but not least I thank the Almighty God in the name of Jesus Christ, for with him all good things are possible and indeed my research project was a success and memorable one.

Dedication

I dedicate this project to the lord Jesus Christ for it is through his kindness and love.

Abstract

The aim of this project was to evaluate financial statements in disclosing true business performance to stakeholders in hospitality industry. The project appreciates that financial disclosures are important and they are essential in the financial reports of organisations. The research focused on the case study of African Sun Limited. The researcher used descriptive research design and qualitative approach was used to collect data. A population of 180 was the target and a sample of 109 was selected using judgemental sampling or non-probability sampling. Questionnaires and structured interviews were used as the research instruments. Only primary data was used in this research. The questionnaire was designed and distributed from a sample of Major Shareholders, Senior Managers, Junior Managers and Accounts Staff in African Sun Limited. Data gathered was presented, analysed and evaluated so as to aid the understanding of the research findings. Bar graphs and tables were used to present data. The researcher then concluded the project by expressing recommendations to company so as to ensure disclosure of true business performance.

The research further appreciated that current developments in International Financial Reporting Standard and Generally Accepted Accounting Standards is an achievement towards disclosure of true business performance to stakeholders.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

In trying to meet the requirements of the users of financial statements instruments like presentation as well as disclosure are being used to communicate performance and financial position of an entity (Conceptual framework for financial reporting 2010). There is still a need for presentation as well as disclosure to be included in the Conceptual Framework in order to have clarity and reducing reporting fraud (Conceptual framework for financial reporting 2010) Abed, Al-Najjar and Roberts (2016), Miihkinen (2013), Leaz and Wysocki (2015), Castillar-Polo and Callardo-Vazquez (2016) and Ramirez, Tejada and Manzaneque (2016) are among scholars who agreed that disclosure is an abstract concept that cannot be measured in an unambiguous or precise manner. However, Liesegang and Bartley (2014), Alvarez and Barlevy (2015) and Abraham and Shrives (2014) argues that disclosure may be seen as symbolic window dressing, they are of little use to the readers of financial statements. This study seeks to come up with level of trust that can be put by various stakeholders in measuring business performance with financial statements in the hospitality industry.

1.1 Background of the study

The directors of African Sun in line with the listing requirements and Zimbabwe's Companies Act are obliged to keep and maintain the accounting records as well as preparing and presenting financial reports for every 12months of its operations that reflects the state of affairs of the organisation. (African Sun Limited Annual Report 2014). According to

www.africansunhotels.com the Group has consistently applied and agreed to accounting standards as well as possibly applicable interpretations comes from IASB and IFRIC. For the period under review 2012, 2013 and 2014 all presentations were done in a manner prescribed by International Accounting Standards (IASs) and according to Auditor's opinion in financial statements for the years under review; the financial reports were fairly and faithfully presented (Annual Financial Reports). The financial reports mainly concentrate on the information required by investors, government and lenders because there is a statute requirement for disclosure on issues affecting these stakeholders (Zimbabwe stock exchange act and company act). Employees, customers, suppliers and public are other stakeholders to the organisation but little or nothing is disclosed that concern them. There is no disclosure on employee policy, human rights policy, environmental matters although in 2014 they just highlighted on organisation's contribution to the environment, among other intangible assets.

To show compliance and transparency to Lenders and Stockholders, according to annual financial reports for the period under review the organisation's directors reported return on equity of 7%, (37)% and (22)%, earning per share of 0.12, (0.8) and (0.28) and gearing ratio of 40%, 53% and 58% for the years 2012,2013 and 2014 respectively (Annual Financial Reports). These are issues that affect owners of equity and lenders, nothing was reported that have anything to do with the employee policy for example the retirement policy. At the 2013 workers council general meeting the organisation's workers council national chairperson argues that the entity should have a clear policy on employee benefits plan, the policy that is understandable to every employee, which clearly states terminal and postretirement benefits (Workers Council Minutes). On environmental policy the entity in its 2014 financial report highlighted that it has

water and energy conservation and waste management as integral part of operations and will continue to seek initiatives to conserve environment in line with the Group's value of Responsible Management (2014 Annual Report).

1.2 Statement of the problem

By preparing and presenting financial statements organisations or directors will be making an assertion to financial statement users that they have taken into consideration the interest of all stakeholders. This study seek to come up with level of trust that can be put by stakeholders in measuring business performance using financial statements by outlining some of the crucial information that is needed by financial users for decision making.

1.3 Main research question

To what extent are financial statements reliable in disclosing true business performance to stakeholders in hospitality industry?

1.4 Objectives of the study

- ❖ To outline factors to be considered when disclosing information in financial statements.
- ❖ To carry out a cost benefit analysis on the importance of financial statements.
- ❖ To come up with level of reliance that can be placed on financial statements on disclosing business performance.
- ❖ To come up with financial information needs for different stakeholders.
- ❖ To outline the effects of neglecting other stakeholders when presenting information.

1.5 Sub-question to the study

- ❖ What are the factors to be considered when disclosing financial information in financial reports?
- ❖ Do the benefits of financial statements override cost of preparing them?
- ❖ How reliable are financial statements on disclosing business performance?
- ❖ What are the financial information needs of an entity's stakeholders?
- ❖ What are the effects of neglecting other stakeholder's financial information needs when presenting annual financial statements?

1.6 Significance of the study

The research contributes to accounting literature demonstrating that detailed financial information disclosure in financial statements contributes positively to the credibility of financial statements. In addition, the findings will contribute to prior literature on the importance of disclosing relevant information to meet organisation's stakeholders' needs. The results of this study benefits the researcher, the institution (MSU) and the corporate (ASL) by demonstrating how detailed financial information disclosure influences stakeholders behavior and activities.

1.7 Delimitations of study

- ❖ The research is confined to one organisation (African Sun Limited) and covers the 2012 to 2014.
- ❖ The information will be from the company's accountants and support services

1.8 Assumption of study

- ❖ The response from questionnaires are accurate and reliable

- ❖ The respondents know the financial statements and they have little understanding on interpreting them
- ❖ The respondents accurately represents stakeholders of the organisation
- ❖ The respondents are not biased in their response

1.9 Limitation of the study

Despite the contribution of this study the researcher recognized limitations to the study. This study is limited by simple size, location and access to information. The fact that only African Sun Limited stakeholders were analysed means that other stakeholder groups in the hospitality industry have not yet been considered e.g. hunters. This study is also based on the perceptions of African Sun Limited stakeholders; different results might have been obtained if another organisation or entity has been selected.

1.10 Definition of terms

Disclosure- is whereby entities provide important information to users of financial statements (Conceptual framework for financial reporting 2010).

Presentation- the review of entity's operational information using statement of financial position and financial performance. (Conceptual framework for financial reporting 2010).

Financial Statements- are well presented and prepared statement of comprehensive income and balance sheet as well as cash flow statement and notes (Conceptual framework for financial reporting 2010).

Stakeholders- are individuals or groups who have the power to affect the future of an organisation (Mathur et al 2007)

1.11 Acronyms

IASB- International Accounting Standard Board

IFRIC- International Financial Reporting Interpretation Committee

IAS- International Accounting Standards

MSU- Midlands State University

ASL- African Sun Limited

ZSE- Zimbabwe Stock Exchange

1.12 Summary

This chapter covered an insight in the background of the research, statement of the problem, main question to the study, objectives to the study, sub-questions to the study, significance as well as delimitations of the research, assumptions of the study as well as limitation of study. The chapter also covered definition of terms and acronyms to the study. The subsequent chapter is an in-depth analysis on what other scholars research on about the stated area of study.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter gives literature review to the research; it looks into every objective of this research and establishes what other scholars had to say about the same issues. The chapter will provide a ground to analyse, evaluate and assess financial statements in disclosing true business performance.

2.1) To outline factors to be considered when disclosing information in financial statements

2.1.1) Regulatory requirement regarding disclosure of financial information

The IASB is committed to narrowing the differences in financial statements of different countries by seeking a harmonised regulation, accounting rules as well as regulations associated to how the financial reports should be presented (Conceptual framework for financial reporting 2010). The harmonization has been considered relevant for reports prepared for decision making purpose (Conceptual framework for financial reporting 2010).

Garanina and Kormiltseva (2014) stipulated that since the 1970s considerable efforts have been made by various bodies such as IASB to bring together accounting and financial standards around the world to improve the usefulness and comparability of financial reports. In 2002 such initiatives resulted in the approval of the regulation which provides for the mandatory application of IFRSs by companies listed on the European regulated stock markets as of January 2005 (Miihkinen 2008 and Garanina and Kormiltseva 2014). Garanina and Kormiltseva (2014) stated

that by 2009 many countries adopted IFRS and other economically well being nations including Japan and Canada had programs in to converge their standards with IFRS.

Companies are different from Sole Proprietorship and Partnerships in that limited companies are guided by regulatory framework that makes it compulsory to publish an amount of information that may otherwise be confidential (Collis and Jarvis 2002). Collis and Jarvis (2002) stated that financial disclosure is required for public interest because public companies may raise capital on share market through public subscription to shares at stock exchange.

Accounting information is of no relevant when it does not include details of intangible values financial position of an entity (Flostrand and Strom 2006). According to Flostrand and Strom (2006) criticism on argument that financial reports are lagging instead of leading which is the requirement of users. Jenkins Committee of 1991 was appointed by American Institute of Certified Public Accountants Board of Directors to assess the information that was made available to users of financial statements by those entrusted. Flostrand and Strom (2006) stated that the report that was released in 1994 suggested that financial statements should review the future of an entity.

Management may be liable to offer voluntary disclosures as a means of clarify areas of argument and management is to decide on voluntary disclosure timing so as to report manipulated gains as well as displaying acceptable alteration to IFRSs by so doing minimize regulatory costs (Iatridis 2012). The idea to furnish investors and other stakeholders with voluntary disclosures may attract a positive thinking on validation of published financial reports. Iatridis (2012) stated that

suitable voluntary disclosures may reduce the risks and irregularities that are surrounding the financial statements. ASB statement provides voluntary best practice guidance (Miihkinen 2008).

Environmental effects from business operations are under strict inspection from society and consequently the stakeholders are asking for more and qualitatively better environmental information from entities (Fallan and Fallan 2009). Qu, Leung and Cooper (2013) stated that voluntary disclosure is provision of information other than that available in financial report and is not stated as requirement by accounting rules: it is a disclosure made in excess of requirements.

The organisation ASL according to the financial statements for the period under review they adhere to requirements of Zimbabwe's Companies Act and the ZSE requirements that requires public listed companies to prepare and publish its financial statements. Though the company adhered to these statutory requirements the organisation has failed to disclose on environmental issues for the periods 2012 and 2013, in 2014 they highlighted that the organisation has water and energy conservation and waste management as integral part of its operations and will seek initiatives to conserve environment. Therefore there is a need to understand if the regulatory requirements are vital for financial statements to disclosing true business performance.

2.1.2) Preparation of financial statements

According to Sytnik (2014) internationally there is ongoing process in line with the identification and taking up of IFRS. In the majority of developed and developing nations there is evolution to integrate accounting language, accounting methods and reporting principles. The practice of incorporating with international business started to guide companies to report in line with

regulatory on financial reporting. The bases stated in conceptual framework on presentation of financial reports are unique. The conceptual framework is the source for accepting IFRS (Sytnik 2014).

IASB considers a variety of conceptual issues, it considers the way in which elements of financial statements are recognised, the units in which they are reported and the concepts used by companies (Sytnik 2014). Sytnik (2014) also stated that when preparing reports the main beliefs are well thought-out which are: the characteristics of financial statements and the rules and regulations in which items are classified as well as the policies used by reporting entity.

To catch the attention of investments corporates are faced with the need to make available financial outcome in line with the requirements of IFRS (Sytnik 2014). The argument was supported by mentioning the implementation of international standards in entity's reports so as to ensure proper reporting, display real financial situation as well as outcome of performance. Sytnik (2014) stated that in line with the concept there are two major assumptions when preparing annual financial reports that are accrual basis and going concern. Eccles and Holt (2005) stated that balance sheet, comprehensive income statements and other reports do not just come into existence; they are prepared in accordance with agreed regulations. Tsalavoutas and Evans (2010) stated that European Union Regulation 1606/2002 oblige publicly traded entities to prepare consolidated financial reports in accordance with IFRSs as from January 2005.

Financial reports preparation (IAS 1) has to be observed when preparing financial statements. There is a need for the organisation for adherence to IFRSs when defining and recognizing financial statements items and the use of standard units across organisation's operations that are

across Africa. There is a need for this research to look at the preparation of financial statements and outline the requirements that are of help in disclosing true business performance.

2.1.3) Audience to financial statements

According to Conceptual framework for financial reporting (2010) financial reports are prepared and made available to external users in many companies internationally. Mack and Ryan (2007) stated that five categories were identified for stakeholders and internal management was also identified as stakeholders. The matter of using the financial statements and its declaration has implications on public (Mack and Ryan 2007).

Magness (2006) argues that while stakeholders to information were primarily the owners of capital, entities now make use of their financial statements to make available information on other issues which are not financial matters. Magness (2006) stated that shareholders were the early users of financial statements to be considered for reporting purposes. According to Magness (2006) mostly disclosure in financial statements was aimed primarily to these groups alone. Conceptual framework for financial reporting (2010) stipulated that other stakeholders besides financial stakeholders may consider financial reports as worth to be prepared.

Gomez-Guillamon (2006) stipulated that bank officers or lenders as well as investment analysts are also audience to financial statements and they try to ensure correctness of financial information by asking the review of that information enclosed in financial statements. Gomez-Guillamon (2006) stated that for the purpose of issuing loans the auditor can be used as source of reliance..

The preparers of organisation's financial statements are failing to take the interest of all stakeholders into consideration. They are reporting on financial bases only therefore the investors, creditors and management are the only groups that are benefiting much because they are concerned about the financial position of the entity. Therefore this research has to come up with the level best for the entity to understand the audience to its financial statements for the purpose of disclosing business performance.

2.2) To carry out a cost benefit analysis on the importance of financial statements

2.2.1) Cost and Benefits of disclosing financial information

Iatridis (2012) stated that releasing accounting information is a obligation for every company and such disclosures must help users in evaluation performance of business as well as policies in place. There are costs and benefits that are associated with disclosure of accounting information. Iatridis (2012) stated that non-voluntary IFRS disclosures exhibit a larger favourable figure in leverage and a reduction in liquidity.

Elzahar and Hussainey (2012) stated that companies attempt to meet the requirements of the users of reports by giving more detailed information on sustainability. Elzahar and Hussainey (2012) stated that such information help the users to look into the current state of the company as well as the risks that affects the returns. Iatridis 2012 stated that by disclosing more information an entity can enjoy lower capital cost at the capital market. According to Elzahar and Hussainey (2012) entities benefit from disclosures by eliminating financial failure due to undisclosed risks.

The disclosure of human capital information by organisations also has espoused benefits in particular creating trustworthiness and reducing information asymmetry (Dumay and Lu 2010).

They further stipulated that it enhance company reputation among stakeholders and public. The disclosure also has a positive impact on stakeholder's assessment of the company which may lead to positive financial outcome. On the other hand Cinquini et al (2012) argues that reports on sustainability are at present scarcely read by entity stakeholders since there reliability is doubtful.

Talha, Sallehuddin and Mohammad (2006) stipulated that some entities reports in segments, though its understood that reporting in segments has its benefits it faced stiff criticism from the international community. Talha, Sallehuddin and Mohammad (2006) also stated that cost of putting together segment reports exceeds derived benefits. Talha, Sallehuddin and Mohammad (2006) stipulated that, segment reporting can impact negatively on reporting entity by benefiting the competitors. Talha, Sallehuddin and Mohammad (2006) stated that this disadvantage can show itself in many ways. According to Talha, Sallehuddin and Mohammad (2006) entities hold a reason to give more information to minimise asymmetry of information.

The organisation considers disclosure of information as a cost that does not give any benefit to the organisation therefore they disclose information they consider worth for disclosure. By so doing the organisation is living information that is of importance to other financial statements users. This research has to assess if disclosing information in financial statements it's a cost or a benefit to the organisation in disclosing true business performance.

2.2.2) Relevance of financial statements

Financial statements are prepared on periodically bases; with the aim of disclosing essential information to stakeholders (Palea 2014). IASB however states that instead of providing guidance annual statements 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 it's 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 and Asteriou 2010). Analysts consider well reported information as of importance in attaining better investment decision. Dimitropoulos and Asteriou (2009) stated that by relevant and reliable they mean ability of financial reports to give a valuable summary of information that affect stock price movements and help all stakeholders to review the value of the firm.

According to Hernandez and Perez (2006) although there are many players in the economy worldwide decisions are to be made no matter how hard is the economical situation. The users of information are to be given all the information they may need in order to come up with well advised decisions.

According to Lander and Auger (2008) tools and systems are together to convey reports to a point where they show high reliance.. Lander and Auger (2008) stated that for all entities to achieve that level of assurance the accounting managers and the accountants have to comply with the requirements of GAAP as well as explaining the usefulness of reported information to stakeholders. According to Gararina and Kormiltseva (2014) by adopting certain set of standards the accounting information can be used to communicate across borders and at international level.

The relevance of financial statements depends on the intended use of the financial statements; general reporting has to take every stakeholder's requirements into account. The organisation has

information they consider not relevant for disclosure in financial statements thereby living other stakeholder's needs i.e. the public information needs on environmental issues in areas in which the organisation operates. For financial statements to be relevant benefits derived from the financial statements has to override the cost of preparing them. This research has to highlight on how relevant are financial statements in disclosing true business performance.

2.2.3) Significance of Stakeholder groups

Abeysekera (2013) stated that in period where some technological means are being used to spread news on issues authorities are emphasizing on accountability. Abeysekera (2013) stipulated that entities are to treat every stakeholder with self-respect and respect for the contribution they make to the success of the entity.

According to Al-Ajmi and Saudagaran (2011) companies bring together different agents and allow a relationship to build between different financial statement user groups. It allows a relationship for instant for managers and shareholders to emerge as agents and principals, with the agent suppose to act in the interest of the principal. Therefore every user group is supposed to get satisfactory information in order to come up with sound decisions that are of benefit to interested parties.

Financial analysts are also an important group in as far as the financial statements is concerned; they play an essential role in financial markets a function that seems to have improved in importance in current years (Byard and Cerbenoyan 2007). They are viewed as information intermediaries who gather; process and disseminate firm's information for investors and debt providers. The analysts are the ones who can install confidence and credibility in financial statements status for investment purpose and other decision making.

The stakeholders to the entity are not being equally treated when it comes to disclosure of information there are other groups that are always getting preference than others. The preparers are looking on the contribution made by different stakeholder groups and those who contribute much to their satisfactory they are the most valued stakeholders. This research has to bring equality in the way the stakeholders are treated in the organisation in disclosing information for true business performance.

2.3) To come up with level of reliance that can be placed on financial statements on disclosing business performance.

2.3.1) Management fraudulent reporting

Huang, Tsaih and Lin (2012) when management reports business performance in financial statements the idea is to enlighten the stakeholders on the performance of organisation but contrary to that some anomalies may happen. Huang, Tsaih and Lin (2012) stated that misrepresentation of facts and total exclusion of essential elements from entity's financial reports it exhibits financial reporting fraud. Chalevas and Tzovas (2010) stated that forgery and falsification may be used by management to make financial reports look favourable.

Crawford and Weirich (2011) stated that for as long as the shares are being traded at public markets management fraudulent reporting cannot be eliminated from public enterprises. Crawford and Weirich (2011) stated that though fraudulent reporting is common in public entities private is doing it for as long as they want to access loans from lenders. Crawford and Weirich (2011) stated that falsification in association with tax computations it has been happening. These forms of fraud frequently come as a result of greediness and high level of

dishonesty (Crawford and Weirich 2011). Crawford and Weirich (2011) the management is able to do dress-up to the financial statements in order to meet the requirements of users.

Due to alarming rate at which financial statements fraud is being perpetrated internal controllers of organisations enhanced their duties and responsibility (Huefner 2010). Huefner (2010) stated that the wave of 2001 to 2002 exposed the weaknesses that are there in organisation's control mechanisms. Management is finding it worth a while to improve the internal control systems to avoid huge losses that are as a result of inadequate control systems and they now believe that a sound control system can improve level of reliance to be placed on their financial reports.

Spathis (2002) stated that fabricate in annual reports mostly is in a form of forgery and misrepresentation of elements. Spathis (2002) stated that when financial reports have misrepresentation; due to fraud the meaning of the content can be misleading. It is not the big entities only that are the victims of financial statement fraud; some small businesses are also victims and are failing to meet stakeholders' requirements due to fraud (Spathis 2002). Kaminski, Wetzel and Guan (2004) stipulated that cases like those of Enron and WorldCom are critical problematic for external auditors, both due to possible law litigation that may result in negative impacts on audit profession.

According to Gilsinan et al (2008) citizens in order to efficiently take part in their self governance should have right to use information, to assure the responsibility of public officials. The current epidemic of corporate scandals has exposed how lack of transparency and responsibility created incentives for executives to commit crimes (Gilsinan et al 2008). According to Kalbers (2009) on October,19, 1987 the Dow Jones Industries Average dropped by

22.6% of its value in one day. Kalbers (2009) stated that it is mainly annoying for members of the Commission to view the financial reporting reporting scandals that took place late 1990s and early 2000s over a decade after its report was issued. That shows that their recommendations fell on deaf ears.

Stakeholders have to be satisfied that the financial statements are free from management collusion and free from intentional errors for the information to be relevant and reliable. The organisation reports in line with the requirements of IFRS but clarity is still needed on certain area i.e. the difference that is there between 2013 end of year figures and restated figures in 2014 financial reports. There is need for this research to come up with the level of trust to be placed on management in disclosing information that shows true business performance.

2.3.2) Report relevant and reliable information

Kostagiolas (2011) stipulated that reliability has to do with the consistency of satisfying user needs at the end of any given period. Bricker and Chandarr (2012) stated that accounting investigations has long struggled with varied results on the assessment effects of relevance and reliability characteristics of fair value disclosures.

Du, McEnroe and Stevens (2014) stated that as long as the mark-to-model approach is still in use observable market prices will never be available and estimates are to be used. Du, McEnroe and Stevens (2014) stated that due to environment that surround human opinion the users of annual reports are being skeptical in assessing the fairness and relevance of reported information. Du, McEnroe and Stevens (2014) also stated that lack of dependability bound the relevance of reported information. Du, McEnroe and Stevens (2014) argues that instead of relying on a

precise point estimate, managers may improve the perceived reliability of fair value estimates in the gain condition by specifying the degree of confidence and such a disclosure can be at the notes of the reporting entity.

Werner (2011) stipulated that to improve reliability pension accounting rules worldwide have been progressively moving to a transparent model. This follows FASB and IASB efforts to combine and harmonise standards internationally. Werner 2011 stated that the changes at issue were slightly informative for equity as well as credit valuation. The resultant was an important issue because it affects the main users of financial reports (Werner 2011).

As stipulated by Pilcher (2005), as of the current community all sort of organisations be it private or public are obliged to be sensitive and responsible. Many factors are considered when assessing responsiveness of organisations which includes the way service is being provided. Pilcher (2005) also stated that ability to give a breakdown regardless of way or form used to give the breakdown on someone's actions shows high level of accountability. Transfer of authority from one person to another gives the person authority to act on someone's behalf but accountability is not transferred together with authority (Pilcher 2005). The issue of accountability brings about relevance and reliability of information that is being reported.

Information has to be timely reported for it to be relevant and reliable, in the organisation there is a trend of delaying the timing for financial information to be reported and that leads to uninformed decision. This research has to come up with the level of reliance to be placed on disclosed information in disclosing true business performance.

2.3.3) Source of information

For accounting information to be relevant and reliable the source from which one gets information from has to be considered. According to Chaudhry and Alansari (2013), there are brokers and investment advisors as source to which investors get information about securities performance on the market. Chaudhry and Alansari (2013) stated that investment professionals like financial analysts, investment advisors, share brokers, amongst others are there to assist with information. Investment specialists use their capability and understanding to give an opinion on favourable investment portfolio to investors as well as organisations (Chaudhry and Alansari 2013). Chaudhry and Alansari (2013) stipulated that for a good return one have to make a good choice on what to invest in.

Chaudhry and Alansari (2013) stated that investment advisors are able of giving a valid advise if the information they are using is from authentic source and that can help clients in understanding the situation they are getting into and the advisors are able of advising throughout the investment process. Chaudhry and Alansari (2013) stated that when investment advisors are well informed on the investment may be of assistance on ways of maximizing returns. Financial analysts requires all sort of information to succeed on their work both for financial providers and non-financial participants (Chaudhry and Alansari 2013).

Schwarzkopf (2006) stipulated that the source from which information comes from plays an important role on planning so it has to be credible. The assumption used is that investors look at the source of information when assessing trustworthiness of decision made. Schwarzkopf (2006) stated that independence as well as accountability of source of information is also used in measuring source reliability. Schwarzkopf (2006) stated that if you understand the requirements

of the investors you particularly scan the source before making decisions. The users of information may differ according to situation (Schwarzkopf 2006).

O'Mara-Shimek (2015) stated that financial news reporting plays an important role in informing people's financial decisions such as in the collapse of Northern Rock Bank in September 2007 following the BBC's coverage of its sensitive liquidity situation. The journalists they can create or increase panic scenarios or promote stability and faith in prevailing conditions. He further stated that the role that journalists played or not in alerting the world to the seriousness of the situation. O'Mara-Shimek (2015) stated that the existing crisis in international banking, markets and economies took us back to the significance financial and business journalism brings. Another example is the ideological implications of how financial journalists communicated information concerning the stock market crash of 2008 at the New York Stock Exchange (NYSE), the singular event that initiated the Great Recession, whose effects are still being felt in many places of the world and how it impacted perceptions of the events (O'Mara-Shimek 2015).

Haller and Staden (2014) provide arguments that a well thought-out presentation of the traditional determinant of value added in purported value added statement would be a practical, effective, efficient and reliable and as a result helpful reporting instrument that complement and represents the concept of Integrated Reporting. They provide argument that the value added statement might and must become one of key reporting instruments for Integrated Reporting and they should be assembled to best provide the information requirements for both internal and external stakeholders of integrated reports.

The source of information is of greater importance when it comes to assessing the reliability of information. Most of information reported by ASL is from the internal sources the entity reports

on the performance of the organisation financially living out other important external sources. This research has to establish level of reliance to be placed on this source of information that is in use.

2.4) To come up with financial information needs for different stakeholders.

2.4.1) Provide informational needs regarding non-financial issues

Flostrand and Strom (2006) stated that participants in the accounting sector are to adjust and try to give meaning to accounting information in line with ever changing stakeholders informational needs that are varying from financial to more of non-financial. Flostrand and Strom (2006) stated that valuation relevance as a straightforward sign of the usefulness of information to users of financial reports and these can be provided outside four financial statements as non-financial information.

Hussain, Gunasekaran and Islam (2002) stated that temporarily financial performance measures directly connected to profitability are appropriate measures of performance. Hussain, Gunasekaran and Islam (2002) suggested that nonfinancial items maximise profits in the long run as a result of showing the intangibles in financial statements. These factors that are considered non-financial in the short run are usually financial in long run. Hussain, Gunasekaran and Islam (2002) suggested that factors like employee morale boost customer satisfaction as well as higher return on capital because there is a direct impact on performance due to satisfaction of customers.

Samudhram, Sivalingam and Shaumugam (2010) stated that in some instances these non-financial issues are referred to as intangible assets, as a result allows activities that are good for economic growth to be implemented. Samudhram, Sivalingam and Shaumugam (2010) stated how critical is understanding the effect these intangible assets have on stakeholders and come up with a proper approach to be used in dealing with such assets.

Due to high demand for information the business sector has employed new information and communication technologies to make financial information more transparent (Perez and Hernandez 2008). More information transparency is required in both government and private sector financial affairs so that accountability can be facilitated and citizens apprised of decision making process.

Sillanpaa et al (2010) stated that in service entities the function of Intellectual Capital is vital due to the end results of activities are based on ability of certain specialists. Sillanpaa et al (2010) for non-profit making organisations the welfare of those that are their responsibility is vital than financial achievements.

Arvidsson (2011) stated that with surfacing of intellectual assets human know-how is now rated as valuable intangible asset. Arvidsson (2011) stated that they are centered on discovering the undetectable value omitted from financial statements. Now disclosure of intangible assets can make a company even better.

The organisation is reporting much on financial information living the non-financial issues that affects other stakeholders of the entity. There is need for the organisation to disclose information that affects the society in which the organisation operates and more information on

environmental issues. This researcher has to come up with the level of non-financial disclosure that is required in disclosing true business performance to the stakeholders.

2.4.2) Provide information needs for employees

According to Bellou (2007) the relationship between employer and employee enhances the status of employees and employee can be recognised. Bellou (2007) stated that it is an important thing to identify differences in employees' insight when assigning responsibilities, on bases of specialty depending on what the entity do. Bellou (2007) stipulated that there it is necessary for certain information to be accessible to employees for them to see how important are they to the organisation. Bellou (2007) suggested that there are some important information that is needed by employees and they need such information to be presented to them in a manner they understand.

Samudhram, Sivalingam and Shaumugam (2010) in their study suggests that a framework that considers some theoretical perspectives that may be capable to give details why firms are unwilling to disclose supplementary information on human capital in external reports. Few of employee issues are presented to public domain most of issues are kept as confidential.

Gaicedo and Martensson (2010) stated that considering the importance of human resources as intellectual capital of entities may allow channeling of more resources towards ensuring that employees do not have a medical condition that is work-related, if it exist they should get treated and if it is a disability they should be able to continue with their employment. Gaicedo and Martensson (2010) stated that these days employee wellbeing is no longer related to how the person lives and what that person have in community they stay. Gaicedo and Martensson (2010)

suggested that employee is considered to be essential for business operation. Management should be in a position to give account of the employees on health based issues (Gaicedo and Martensson 2010).

Employee issues are some of issues that are still being treated with high level of confidentiality in organisations with little or none being reported at all in financial statements. As stated by Komissarov (2014) matters that have to do with employee benefits are being treated with great confidentiality at all level of operation. Komissarov (2014) stated that the users of financial statements are finding it difficult to make an assessment using financial reports. Komissarov (2014) stated that FASB issued two standards as a remedy to disclosure of employee issues for both pension and postretirement. Komissarov (2014) stated that these two standards work as basis for disclosure for entities on employment policies.

In business environment there are many stakeholder groups with some classified as capital providers and some as non-capital providers and employees are under non-capital providers. According to Williams and Adams (2013) few information is given to clients without considering the amount of information disclosed and if such information is enough to meet required level of disclosure. Williams and Adams (2013) stated that employees are a responsibility of the entity and the entity should be responsible for employee moral and well being.

Although other authors are of the view that employees must be vanished with information that concern them on postretirement issues. Garaai and Kleiner (2003) argue that developments regarding employee benefits and pensions appear to expose a tendency towards self-reliance on the part of employees. Garaai and Kleiner (2003) stated that organisations have shifted the

responsibility from organisation to individual employees on issues that have an effect on them. They further stipulated that the complexities of the business environment now demand that employees take responsibility for their investments and their future. Garaai and Kleiner (2003) are of the view that employees are able to handle their affairs and they must have all the information that pertain their matters at their disposal.

Employees are vital asset to the organisation but there is nothing disclosed in the financial statements for the period under review that concern them as stakeholders to the entity. The organisation has no employee policy that is viable and for the period under review the organisation failed to highlight on employee share ownership. This research has to come up with the level of reliance employees should put on financial statements in disclosing true business performance.

2.4.3) Providing Information needs for Society and Public at large

The environmental matters are the issues that affect public or society in which entities operate from and they are a matter of concern to organisations. Negash 2012 stated that failure to observe recognition rules may lead to reported losses. Some of the organisations are reporting on environmental issues voluntarily. Negash 2012 argues that when monitoring environment it's not easy to make a voluntary disclosure. Negash (2012) stated that financial reports and sustainability report are two useful policies possibly can help on reporting minimum required environmental issues.

According to Chiang (2010) suggested that environmental issues may affect an entity and its financial reporting in numerous ways and may also have an effect on the government. According

to Chiang (2010) stated that in excessive situations, going concern of an entity may be affected by failure to comply with requirements of environmental laws. Chiang (2010) also stipulated that when environmental affairs are significant to an entity and are important to financial reporting there may be risk of material misstatement in the financial statements rising from such issues.

Companies have faced growing demands from stakeholders for reporting environmental information (Monteiro and Guzman 2010). Freedman and Stagliano (2015) stated that lots of the entities that have acknowledged the need to be more environmental aware or that have declared to be concerned about sustainability have of their own free will take part and disclose information yearly at own will. They further stated that firms that issue environmental reports often provide these disclosures to demonstrate their contribution to sustainable development.

Ferreira, Moulang and Hendro (2010) argued that environmental management accounting does not influence product innovation. Ferreira, Moulang and Hendro (2010) stated that even though the outcome proposes that use of EMA do not affect usual operations but some benefits flow into an entity.

The environmental matters have been however, linked with the overall performance of the business. Dunk (2002) stated that improved quality due to taking part in environmental reporting is the other benefit attainable. Dunk (2002) stated that the growing demand by stakeholders for disclosure of information that replicates relations between organisations and the environment, product quality and the implementation of environmental accounting are considerable factors in enhancing quality performances.

The organisation is failing to engage in voluntary disclosure of public and societal information for the need of the people who live around the areas in which the organisation operates. This researcher has to bridge the gap and come up with the level of reliance the community should have on the financial statements in disclosing true business performance.

2.5) To outline the effects of neglecting other stakeholders when presenting information.

2.5.1) Loss of trust and confidence in financial statements

Barlaup, Dronen and Stuart (2009) stated that trust and confidence is fundamental to the performance of capital markets. Barlaup, Dronen and Stuart (2009) also stated that accounting scandals, where entities fraudulently prepared financial statements as well as auditor's issuance of clean report cause worn out of trust amongst stakeholders. Stakeholders wonder about the independence of auditors when management fraud occurs. According to Barlaup, Dronen and Stuart (2009) along with policies and contracts, trust and confidence lead interactions in the market. Barlaup, Dronen and Stuart (2009) stated that trust and confidence have for all time been essential but are still more important in today's complex, changing business environment.

Atkinson (2002) stated that the capability to appropriately evaluate company and to rely on its financial reports disclosures is vital to the free market concept. Atkinson (2002) stated that without doubt the accounting profession has come under the most analysis for the failures in precise reporting but it is most likely that the statements have been prepared solely by accountants as much of the preparations and crafting had been carried out by the corporate communication professionals and it has been used to articulate negative information in positive terms (Atkinson 2002). Fischer (2013) stipulated that in the business perspective, trust can be a significant prerequisite for commercial exchange and in inter-enterprise dealings, trust is

considered as influential commercial asset mostly because lack of trust can have rigorous cost implications.

Tonkiss (2009) stated that trust is the pillar of economics as well as the combination of trust and confidence they are critical in functioning of the whole economy. Hurley and Waqar (2014) also stipulated that the effects of losing trust were felt internationally during the global financial catastrophe of 2008 when money stopped moving and the economy ground to a standstill. Rezaee (2004) stipulated that Certified Public Accountants (CPAs) have appreciated and was grateful for confidence public have in their work as professionals. Rezaee (2004) also stated that a raise in big companies that are having their operation curtailed due to fraudulent reporting worn out trust and confidence of stakeholders.

Trust and confidence are the pillars to the success of any entity; the organisation has to report on issues of interest to stakeholders in order to boost up trust and confidence of stakeholders in entity's financial statements. It has to take every stakeholder requirements in to account so that all the stakeholders trust and have confidence in organisation's financial reports. This research has to establish level of trust and confidence that should be place on financial statements in disclosing true business performance.

2.5.2) Organisational reputation

Qu, Leung and Cooper (2013) stated that other information that is not available in financial statements gave rise to voluntary disclosure for enhancement of entity stakeholder relationship.

Qu, Leung and Cooper (2013) stated that stakeholder theory reflects on the handling of stakeholders in the environment in which entity operates for long run survival. According to

Bebbington, Larrinaga and Moneva (2008) voluntary reporting may act as risk management remedy for an entity.

Bebbington, Larrinaga and Moneva (2008) stated that conceptualizations of reputation vary from economic management point of view to sociological with different perceptions being drawn.

Bebbington, Larrinaga and Moneva (2008) stated that reputation is an asset that can bring tangible benefits. Bebbington, Larrinaga and Moneva (2008) stated that there is bias in assessing reputation whereby you be able to see what you want to see or what you think you know about a certain entity. Bebbington, Larrinaga and Moneva (2008) stated that reputations are relative; that is dissimilar organisations will have different reputation characteristics depending on the details of the situation.

Samkin and Schneider (2010) stated that failure to attain legitimacy from stakeholder groups has severe implications for organisations in that these groups may exhibit lack of interest towards efforts by organisations to deal with and protect the environment. Hemphill (2006) stated that when a corporation is dealing with allegations of business rudeness, one of the most significant intangible assets the entity has to lose is its well acknowledged reputation in the market place. The taint to corporate reputation associated with allegations of improper business practices has widespread and possibly long-term financial and legal implications for various key stakeholders of the corporation including shareholders, employees, creditors, management and suppliers.

Salama, Hussainey and Hubbash (2010) stated that societal issues tend to be accepted as a important corporate responsiveness to be in touch between organisation and the society with consideration to social responsibility and sustainability. Organisations like those not for profit are highly dependent on upholding a sound reputation to maintain legitimacy and protect access

to funding bases (Conwary, O’Keefe and Hrasky 2015). They further stated that one way organisations can respond to potential legitimacy threats is by demonstrating accountability through disclosure in annual reports. The annual report has been identified as a key accountability document for not for profit organisations.

Graca and Arnaldo (2016) stipulated that corporate reputation is one of intangible assets an entity can have and is considered an important intangible resource that can provide competitive advantage to companies. Intangibles include all resources that although lacking physical substance, contribute future benefits to the organisation to which they belong (Castillar-Polo and Gallardo-Vazquez 2016). These include know-how, quality management, innovation, consumer trust and reputation among other assets.

Organisation’s reputation is something that an entity cannot do without, there is a need for the entity to revive its old time reputation whereby every stakeholders needs were considered with equality. Reputation is good for the future of any entity that operates in a going concern bases. This research has to establish the most acceptable level of reputation an organisation requires for it to be viable in as far as disclosing true business is concerned.

2.6 Summary

This chapter has to look into objectives of the research by outlining the problems that are associated with every objective. This chapter had to look into what other scholars said about the existing problems and the researcher had to link every problem to those on ground in the organisation of his choice ASL.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

The chapter reviews the research method used to collect data on evaluation of financial statements on disclosing true business performance in hospitality industry. It gives details of research design, population, sampling size and design and data collection instruments.

3.1 Research Design

According to Kothari (2004) research design deals mainly with how data has been collected as well as the analysis of gathered data so that meaning can be obtained and the objectives of the research can be attained. The research used descriptive case study because it provides answers to the research questions and through the ways that are stated in the research design the researcher effectively evaluate the financial statements in disclosing true business performance to stakeholders in the hospitality industry. The research used qualitative approach in this research. Qualitative approach to research is to do with resultant findings on how people behave and think. In this research the researcher used qualitative approach because all of the research objectives they 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. To carry out his research the researcher used face to face interviews and questionnaires to gain data from the respondents.

3.2 Descriptive Case Study Research

According to Heppner et al (2016), descriptive case study is investigations that do not exercise experimental control and are conducted in a real-life setting. A descriptive research was used as the research aims to evaluate the financial statements in disclosing true business performance. The descriptive research in this research was typically concerned with determining the relationship between preparation and presentation of financial statements and disclosure of true business performance. Descriptive research that was used was qualitative as the researcher manages to collect data that permit complete description of financial statements as a tool to disclose true business performance. Heppner et al (2016) stated that descriptive case study is high in external validity because a sample of participants can be drawn directly from selected population.

3.3 Population

The target population is the group of people to whom we want our results to apply (Lucey 2004). The population of the research was 180, typically represented all the stakeholders in Zimbabwe's hospitality industry. The population to this research comprised of Senior Managers, Junior Managers, Major Shareholders and Accounts Staff of African Sun Limited. The researcher used this population because he was using qualitative research approach and these are the individuals who have the knowledge of financial statements and their use. Sampling was used for participants' selection instead of census because by considering the population to the study census was not practical and selected sample guarantees accuracy.

3.4 Sampling Size and Design

According to Latham (2007) sampling involves drawing representatives from selected population and using the data collected as research information. The research draws sample from senior managers, junior managers, accounts staff and shareholders of the organisation. The research considered such a sample because they are the main stakeholders that are affected by entity's operations and its performance and the information disclosed by the organisation.

	POPULATION	SAMPLE	SAMPLE %
Senior Managers	40	24	60%
Junior Managers	60	30	50%
Accounts Staff	77	52	68%
Major Shareholders	3	3	100%
	180	109	61%

According to Israel (2011), on sampling size a proportion of 50% indicates a greater level of variability. In this research a sample size of 61% is being used with 109 participants selected from a population of 180.

3.5 Sampling Technique

The researcher used judgmental sampling to gather information as it was necessary to obtain knowledge from the most experienced experts namely Major Shareholders, Senior and Junior Managers and Accounts Staff in the hospitality industry. This sampling can also be termed non-probability sampling. The sample was chosen basing on the experience and knowledge of the users of financial statements to assess on disclosure and true business performance as well as

feasibility for the research to get information from that particular group of stakeholders. According to Latham (2007), non-probability sampling is convenient way for researches to assemble a sample with little or no cost. The researcher used this technique because, according to Teddlie and Yu (2007), this sampling type is mostly used in qualitative research and may be defined as selecting units based on precise purposes associated with answering a research study question.

3.6 Data Sources and Collection Techniques

According to Cooper and Schindler (2003) data is defined as the essentials presented to the investigation learning environment. It is from this information that the investigator drew conclusions to a research project. Primary and secondary data are two forms of data. According to Hox and Boeije (2005) primary data is data that is collected for a particular problem that is under research. Secondary data is information collected earlier before the research.

3.6.1 Primary Data

The research used primary data because primary data provides relevant information for the problem under study and it is reliable since it is gathered specifically for this research. Primary data encompasses current data and all developments that are taking place during the time of research. According to Driscoll (2011), when researching on new things primary data can give a reliable result.

3.7 Research Instruments

To gather data on the financial statements in disclosing true business performance the researcher employed questionnaires and 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.

3.7.1 Questionnaire

A questionnaire was specifically designed to deal with the research objectives. 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 research used close ended questions; the respondents were selecting their answer by ticking the one they consider appropriate. Answers were given for participants to select and that allows systematic data analysis.

3.7.2 Likert Scale

Boone Jr and Boone (2012) stated that in answering to complexity of measuring character and personality behavior, Likert (1932) developed a procedure for measuring attitudinal scale.

According to Johns 2010 the agree-disagree approach to measuring attitudes has for decades been ubiquitous in questionnaire of all kinds: health, marketing etc. This research is using Likert Scale because according to Losby and Wetmore (2012) Likert scale is suitable when assessing on things that need respondent's opinion. The Likert scale is a scale where respondents are given chance to chose one best answer according to their opinion.

Figure: Likert Scale

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

Source: www.respository.tamu.edu

The research used a 5 pointer scale because it is simple to understand and easy to analyse.

3.7.3 Interviews

Interviews were conducted to complement information gathered by the questionnaires. Formal face to face interviews were done to the company staff and other influential stakeholders of the entity. These gave instant feedback on asked questions as well as enable in-depth answers. The interviews conducted by the researcher were in-depth in nature. This was high due to the desire by the researcher of encouraging respondents an extra mile and deeper the way of thinking. According to Boyce and Neale (2006), the interviews gave much more in depth information than

what obtainable through other data collection methods, such as surveys. The interviews are for the most part useful for getting the story behind a participant's experiences (Valenzuela and Shrivastava 2009). The interviews can chase deeply on information around the topic under study.

3.8 Data validation and reliability

In performing the research the researcher has to validity and assesses reliability of the sample size and the research instruments. 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. The sample size that constituted 61% of population was selected and it was valid because according to Israel (2011) a representation of 50% of the population indicates higher level of variability.

3.9 Data presentation and analysis plan

The data gathered was presented using graphs and tables. The research used bar graphs and tables because they facilitate the process of comparison, reduces explanatory and descriptive statements.

3.10 Summary

The chapter outlined methodology to the study, it dealt with population and sample used and it also dealt with data collection method and instruments used to carry out the research (questionnaires and interviews).

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter is on presentation and analysis of collected data. Information was collected using questionnaires and interviews. In this report, the researcher analysed the valuation of financial statements in disclosing true business performance.

4.1 Questionnaire Response Rate

The researcher distributed 109 questionnaires to stakeholders that included major shareholders, senior managers, junior managers and accounts staff in hospitality industry. Both questionnaire distribution and interviews were done in four days. Face to face interviews were done with stakeholders of the entity.

TABLE 4.1 Questionnaire Response Rate

Respondents	Questionnaires administered	Questionnaires fully completed	Questionnaires partially responded to	Questionnaires not responded to at all	Response Rate
Major Shareholders	3	2	0	1	66.67%
Senior Managers	24	22	1	1	91.67%
Junior Managers	30	28	0	2	93.33%
Accounts Staff	52	48	1	3	92.31%
TOTALS	109	100	2	7	91.74%

Response rate = $\frac{\text{No. of completed questionnaires}}{\text{Total no. of questionnaires distributed}} \times 100$

Total no. of questionnaires distributed

The table above shows (100/109) 91.74% in total responded questionnaires and 8.26% in not responded or spoiled questionnaires. The researcher was satisfied by this rate of response because it constitutes 100/180 (55.56%) of the overall population to the study. According to Israel (2011) a proportion of 50% indicate a greater level of viability therefore this research is viable. Credit is given to all those who facilitated the distribution and collection of questionnaires.

4.2 Research Findings

The researcher collected information and the here are the findings on the evaluation of financial statements in disclosing true business performance in hospitality industry.

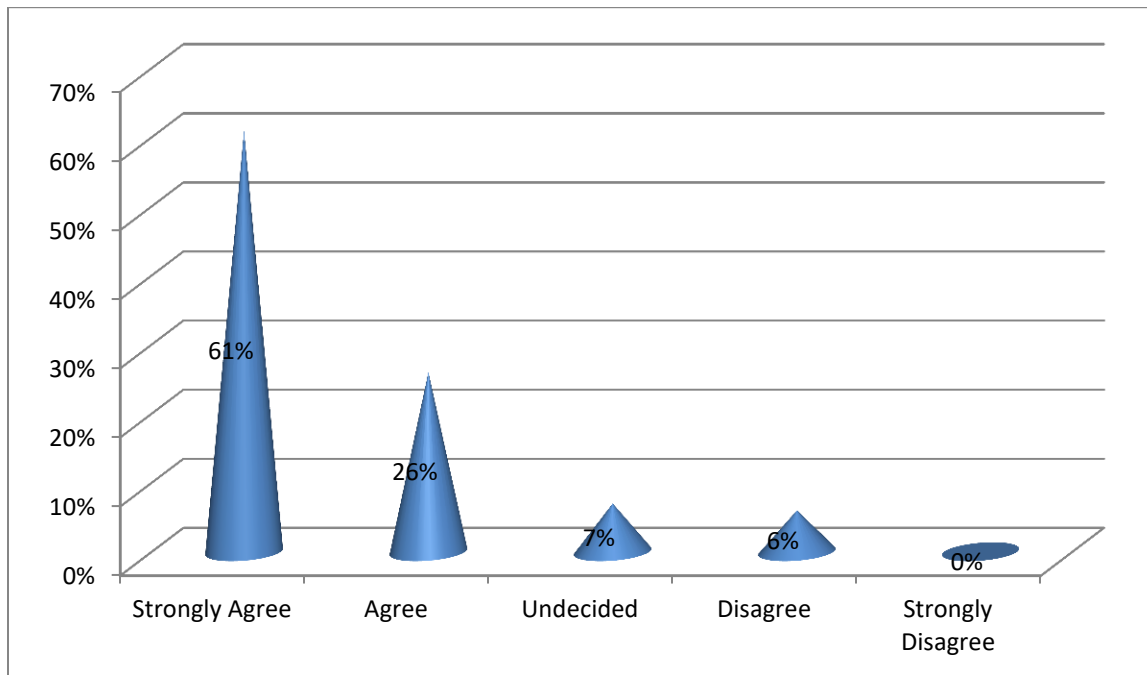
4.2.1 Should the following factors be considered when disclosing information in financial statements?

Regulatory requirements

The above factor sought to assess if the respondents did appreciate that regulatory requirements are essential in disclosing true business performance. The question was a starting point for the researcher to effectively evaluate the impact of financial statements in disclosing true business performance in hospitality industry. The table below illustrates the number of response.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
61	26	7	6	0

Graph 4.1. Regulatory requirements



The graph above shows 61/100 (61%) respondents strongly agreed that regulatory requirements are to be considered when disclosing information in financial statements. 26/100 (26%) agreed, 7/100 (7%) were undecided whilst 6/100 (6%) disagreed and no one (0%) strongly disagreed. The results above showed that regulations requirements are an essential when disclosing true business performance that is represented by 61% of overall respondents who strongly agreed. Collis and Jarvis (2002) confirmed the importance of regulations when they stated that disclosure is regulated for public interest in public limited companies. An overall response rate of 87/100 (87%) agreed, 7/100 (7%) were undecided whilst 6/100 (6%) disagreed that, the fact that regulatory requirements are to be considered when disclosing information in financial statements. The results obtained shows that majority of respondents agreed that regulatory requirements are essential and it confirms how important rules and regulations are when

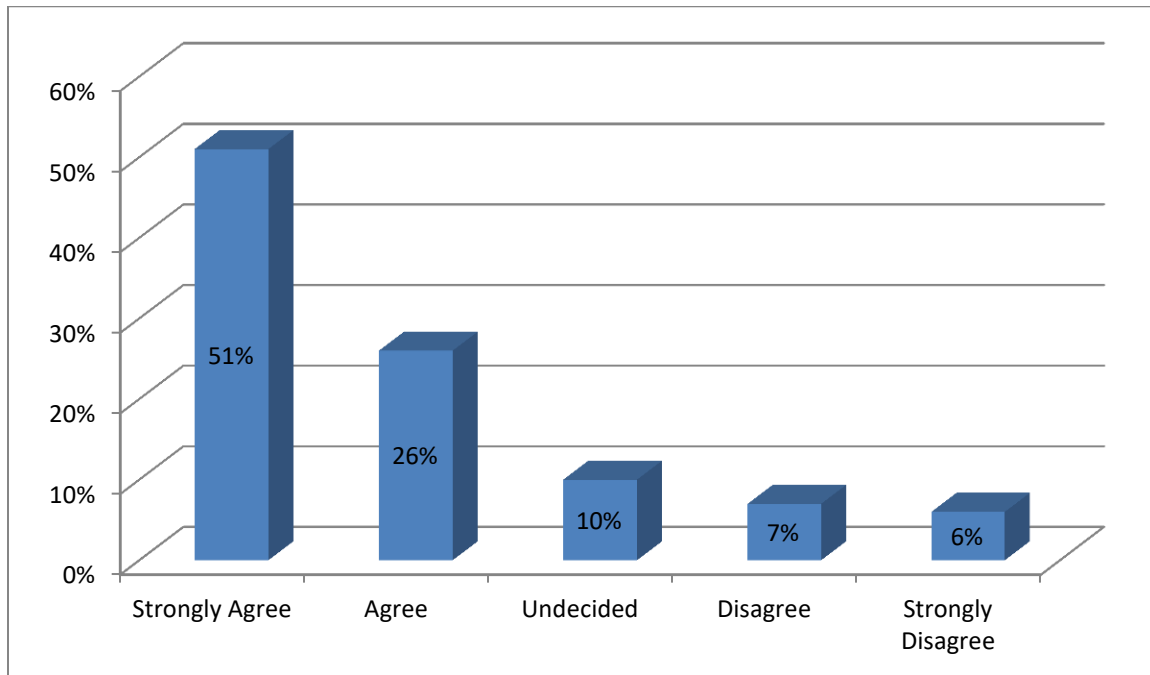
disclosing true business performance. For those who were undecided and disagree it meant that there is still a need for awareness on regulatory requirements. According to Collis and Jarvis (2002) if it was not due to regulatory framework that requires certain amount of information to be disclosed companies could have kept more information to themselves. Therefore the finding that supports recognition of regulation requirements confirmed to be a valid result. The mode to the findings was 87 which was a number of respondents who agreed. Such a mode shows that respondents were aware and regulatory requirements are essential when disclosing information therefore maximum adherence should be observed always. African Sun Limited is experiencing regulatory compliance problems which are resulting in failure to disclose some information that are required by stakeholders i.e. disclosure of environmental issues and highest frequency on those who agreed that regulatory requirement, affects disclosure of information confirms the situation on ground at ASL.

Preparation of financial reports

The factor was meant to address if preparation of financial statements should be considered when assessing disclosure of information in financial reports. The table below shows number of respondents.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
51	26	10	7	6

Graph 4.2. Preparation of financial statements



The graph above shows 51/100 (51%) strongly agreed, 26/100 (26%) agreed, 10/100 (10%) undecided, 7/100 (7%) disagreed and 6/100 (6%) strongly disagreed to the fact that preparation of financial statements has to be considered when disclosing information in financial statements. The results above shows a high frequent of 51 respondents who strongly agreed that the preparation of financial statements should be considered when disclosing information in financial statements. Sytnik (2014) stated that principles are to be considered when preparing financial reports for proper disclosure. That gives an overall respondents of 77/100 (77%) agreed, 10/100 (10%) undecided and 13/100 (13%) disagreed. These results mean that majority agreed that preparations of financial statements are to be considered though a significant number of respondents were undecided and disagreed. Eccles and Holt (2005) stated that those for

accounting reports they don't just come to existence they are prepared in accordance to rules and regulations. Sytnik (2014) stated that the exercise of integrating international standards stated to oblige to report in line with IFRSs. Results showed here supports that preparation of financial reports needs to be considered when disclosing information. The respondents who agreed were the highest therefore the mode was 77 which is agreed. The mode showed that preparation of financial reports affects disclosure of information therefore should be taken into consideration when disclosing information. The results above confirm the need at ASL to consider the way they prepare the financial reports in order to meet disclosure requirements and IAS 1 has to guide the preparers for them to produce a reliable and meaningful document.

Audience to the financial statements

The factor aimed to assess how stakeholders understands the impact of audience to the financial reports and if the audience should be considered for information disclosure purpose. All the respondents answered this question.

Table 4.2. Audience to the financial statements

	Frequency	Percentage
Strongly Agree	47	47%
Agree	25	25%

Undecided	7	7%
Disagree	15	15%
Strongly Disagree	6	6%
Total	100	100%

The table above shows that 47/100 (47%) of respondents strongly agreed and 25/100 (25%) agreed that audience to the financial statements has to be considered when disclosing information in financial statements. 7/100 (7%) were undecided whilst 15/100 (15%) and 6/100 (6%) disagreed and strongly disagreed respectively. The results above means the respondent's opinion were widely spread but those who strongly agreed forms the majority therefore audience should be considered for disclosure purposes. Magness (2006) confirms consideration of audience when he stated that there is a need for reporting entity to disclose informational needs of all its stakeholders. An overall response rate of 72/100 (72%) of respondents agreed, 7/100 (7%) undecided and 21/100 (21%) disagreed that audience to financial statements have to be considered when disclosing information in financial statements. The result showed that even though those who agreed are more than those who were undecided and disagreed there is a need for awareness on what audience expects and what consideration should be given to them. Magness (2006) stated that companies are now using financial statements to communicate with its variety of stakeholders which is an improvement from previous one where issues of financial stakeholders used to take precedence. The mode was 72 respondents which were agreed, of the mode the highest was strongly agreed with 47 respondents. This mode showed that audience to

the reports has to be considered in order to meet their requirements. ASL is failing to recognise its audience to financial statements and the mode of 72 respondents confirm that the audience to ASL reports should be considered when disclosing information.

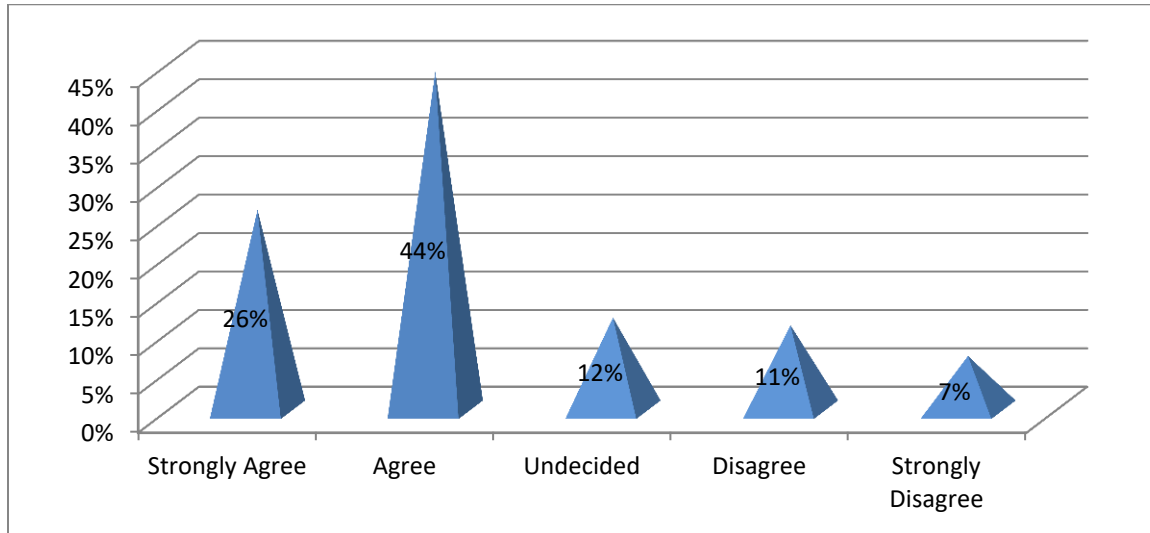
4.2.2 Are the following to be considered when assessing the importance of financial statements?

Cost and benefits of disclosing information

The question was meant to review if the benefits derived from financial reports and the cost of preparing the statements should be assessed when disclosing financial statements and see if the information is worth reporting. The table below shows the number of respondents.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
26	44	12	11	7

Graph 4.3 Cost and benefits of disclosing information



The results above shows that 26/100 (26%) of respondents strongly agreed, 44/100 (44%) agreed 12/100 (12%) undecided, 11/100 (11%) disagree and 7/100 (7%) strongly disagreed that cost and benefits of disclosing information has to be considered when assessing importance of financial statements. The results above meant that cost and benefits of preparing financial report are essential elements that need to be considered. Talha, Sallehuddin and Mohammad (2007) stated that disclosing more information may cost reporting entity by giving a competitive advantage to competitors. An overall rate of 70/100 (70%) agree, 12/100 (12%) were undecided and 18/100 (18%) disagreed that cost and benefits of disclosing information are to be considered when assessing financial statements importance. The results showed that costs and benefits need to be considered when assessing the importance of financial statements preparation and is represented by highest figure of those who agreed. Iatridis (2012) stipulated that cost of capital can be reduced by disclosing more information. According to Elzahar and Hussainey (2012) financial

failure can get reduced by disclosing risks that are associated with that investment. The mode is 70 respondents who agreed. The mode shows that costs and benefits have to be considered when assessing the importance of preparing financial statements. Therefore ASL should not worry much about the costs that are incurred when preparing the financial reports but also should consider the benefits that flow in as a result of disclosing certain information in financial reports.

Relevance of financial information

The question intended to gather the level of appreciation on the information that should be disclosed in financial reports and its relevance to the financial report. The researcher aimed to assess if relevance of information should be considered when disclosing financial information.

Table 4.3. Relevance of financial information

	Frequency	Percentage
Strongly Agree	35	35%
Agree	45	45%
Undecided	10	10%
Disagree	5	5%

Strongly Disagree	5	5%
Total	100	100%

The table above shows 35/100 (35%) of respondents strongly agreed, 45/100 (45%) agreed, 10/100 (10%) undecided, 5/100 (5%) disagree and 5/100 (5%) strongly disagree that relevance of financial information has to be considered when assessing importance of financial statements. The outcome means that relevance of information has to be considered though few respondents were of an opinion that there is no need for assessing contribution certain information bring into an entity before disclosing such information. Dimitropoulos and Asteriou (2010) stated that financial reports can be of more importance if relevant information is considered. An overall response rate of 80/100 (80%) agreed, 10/100 (10%) undecided and 10/100 (10%) disagree on considering relevance of financial information when assessing importance of financial statements. The results showed how important is considering relevant information when assessing the doing cost benefit analysis on the importance of financial statements. Palea (2014) stated that financial reports can assist in meeting the requirements of vast stakeholders which is the idea behind its preparation. Agreed attained 80 respondents and was the mode. The mode showed that relevance of financial information has to be considered when doing cost benefit analysis on the importance of financial statements which is one of the objectives of financial statements to report relevant information. ASL is facing challenge on selecting information to report on, it has to consider all stakeholders in its general reports and report on all information of interest with consideration to information that might be of any use to financial statements users.

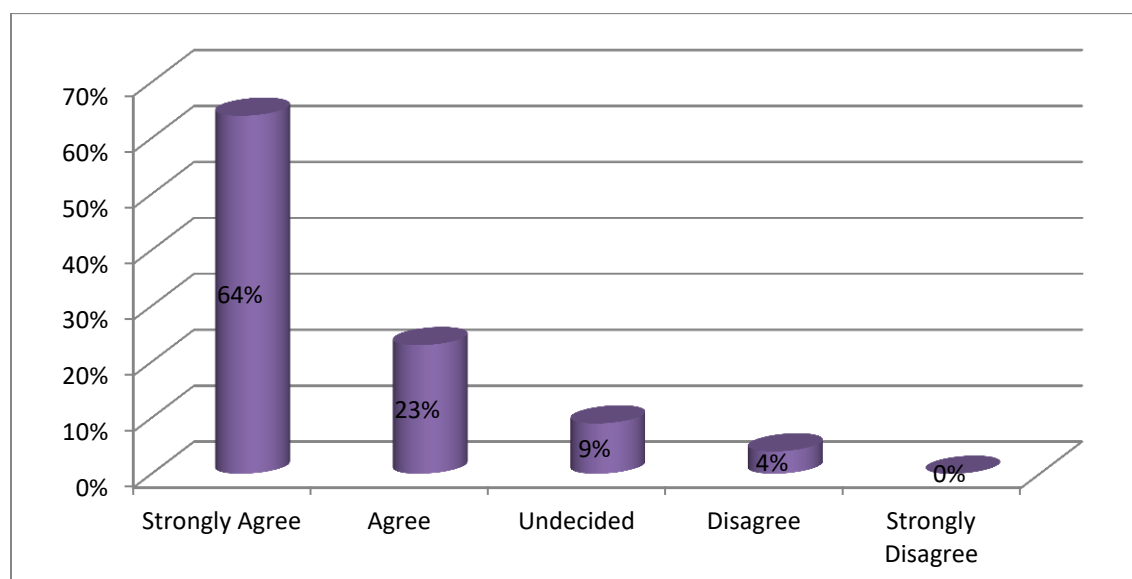
4.2.3 Does the following affect level of reliance that can be placed on financial statements on disclosing business performance?

Management fraudulent reporting

The objectives of the question was to find out if misrepresentation of information, intentional errors, forgery and other fraudulent practices by management when disclosing information affects the level of reliance that should be put on financial reports on business performance disclosure. The table below shows the number of respondents.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
64	23	9	4	0

Graph 4.4. Management fraudulent reporting



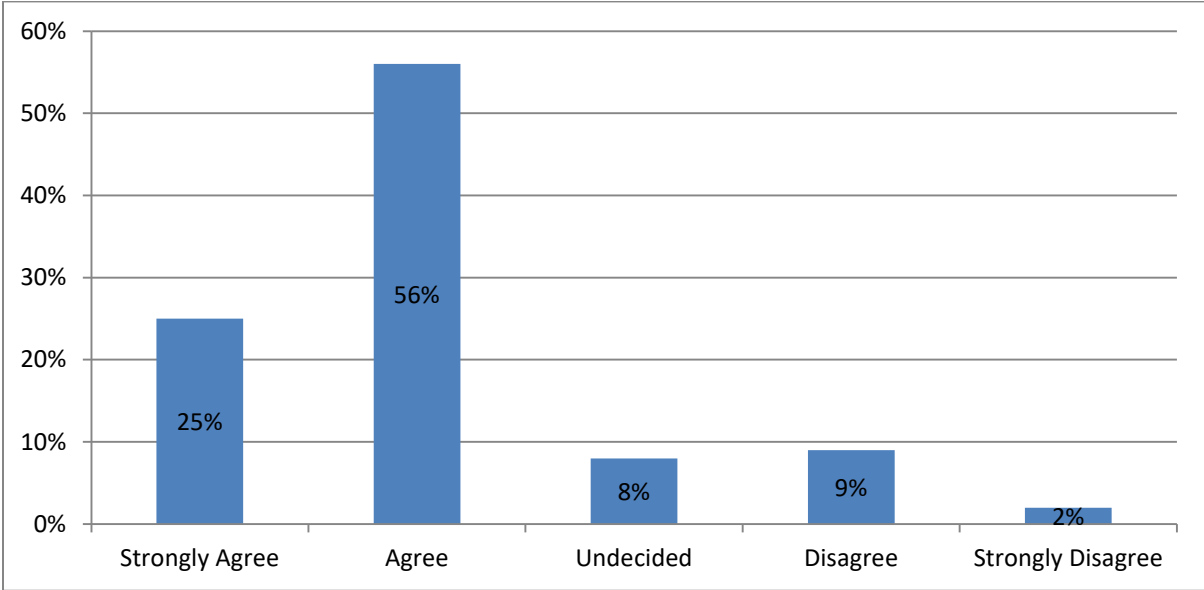
The graph above shows that 64/100 (64%) of total respondents strongly agreed, 23/100 (23%) agree, 9/100 (9%) undecided, 4/100 (4%) disagree and 0% strongly disagree that management fraudulent reporting affects the level of reliance that can be placed on financial statements on disclosure of information. The outcome above shows confirms that management fraudulent reporting affects reliance to be placed on financial statements. Huang, Tsaih and Lin (2012) nondisclosure of information and intentional errors are forms of fraudulent reporting that may lead to unreliability of financial reports. An overall rate of 87/100 (87%) agreed, 9/100 (9%) undecided and 4/100 (4%) disagree that fraudulent reporting may affect level of reliance that can be place on financial statements in disclosing information. The results means an act of financial reporting fraud is a wave that most people believes can affect reliance. According to Chalevas and Tzovas (2010) manipulation can be used by management in attempting to make financial statements reflect abetter position. Mode was 87 respondents who agreed. Therefore the results were supporting that management fraudulent reporting may affect the reliance that may be placed on financial statements that was shown by high mode of respondents who agreed. African Sun Limited or the preparers of its financial statements have to make it clear if adjustments are done mostly those that affect stakeholders negatively in order to boost level of trust to be placed on financial statements. There is lot of dress up that is happening on the ground and such practices can mislead stakeholders.

Source of information

The question was designed with the aim of assessing if the stakeholders are concerned with where the information that is in financial statements is coming from. Data gathered is presented below.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
25	56	8	9	2

Graph 4.5. Source of information



The graph above illustrate that 25/100 (25%) strongly agree, 56/100 (56%) agreed, 8/100 (8%) undecided, 9/100 (9%) disagree and 2/100 (2%) strongly disagree to the fact that source of information affects level of reliance to be placed on financial statements in disclosing information. The response shown above means that it's not every source of information that is

reliable, the source from which information comes from has to be considered. Schwarzkopf 2006 credibility of source of information it's a matter of concern when it comes to decision making. Overall response rate of 81/100 (81%) agreed, 8/100 (8%) undecided and 11/100 (11%) disagreed to the fact that source of information affects reliance to be placed on financial reports in disclosing information. Attainment of 81% agreed respondents showed that source of information contribute towards reliability of information. Chaudhry and Alansari (2013) stated that there are brokers and investment advisors as source to which investment information is obtained from. A mode of 81 respondents who agreed was attained. The mode showed that the source from which disclosed information comes from it's an issue of concern when assessing level of reliance that should be placed on financial statements. As shown by the results source of information is worth to be considered, ASL is using information from internal sources that means it's internally generated and it's vulnerable to forgery. As shown by the results above source of information affects reliability of financial statements. Therefore ASL has to assess the strengths and weaknesses of using internal data only and consider the use of external sources of information.

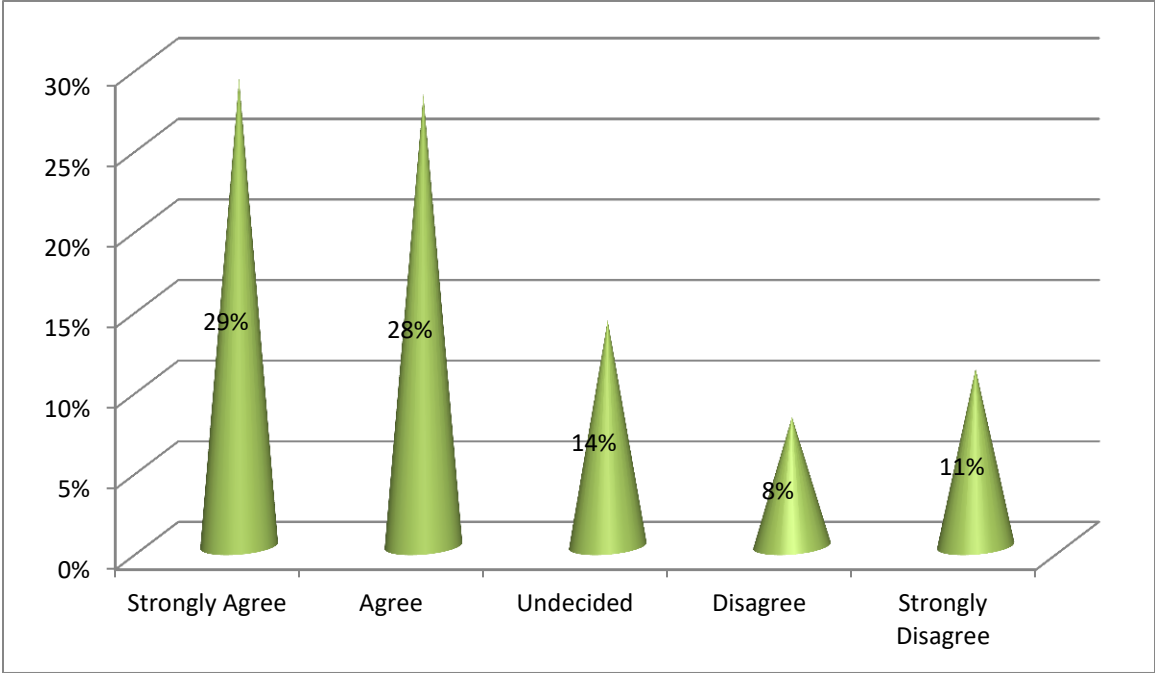
4.2.4 Does the following assist in coming up with financial information needs for different stakeholders?

Disclosure of non-financial information

The aim of this question was to assess if non-financial information can be of any help in meeting the informational needs of different stakeholders mostly those that are not financially involved in business activities. The table below shows the number of respondents.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
29	28	14	8	11

Graph 4.6. Disclosure of non-financial information



The graph above shows that 29/100 (29%) strongly agreed, 28/100 (28%) agreed, 14/100 (14%) undecided, 8/100 (8%) disagree and 11/100 (11%) strongly disagree that disclosure of non-financial information can be of help in meeting different stakeholder information needs. The findings meant disclosure of non-financial information it's a contestable issue that is shown by quite a significant percentage of those who are undecided. Perez and Hernanderz (2008) stated that some mechanisms are put in place to meet high pressure from users of financial statements which include non-financial stakeholders. An overall response rate of 57/100 (57%) agreed, 14/100 (14%) undecided and 19/100 (19%) disagree. The results confirm that little is known

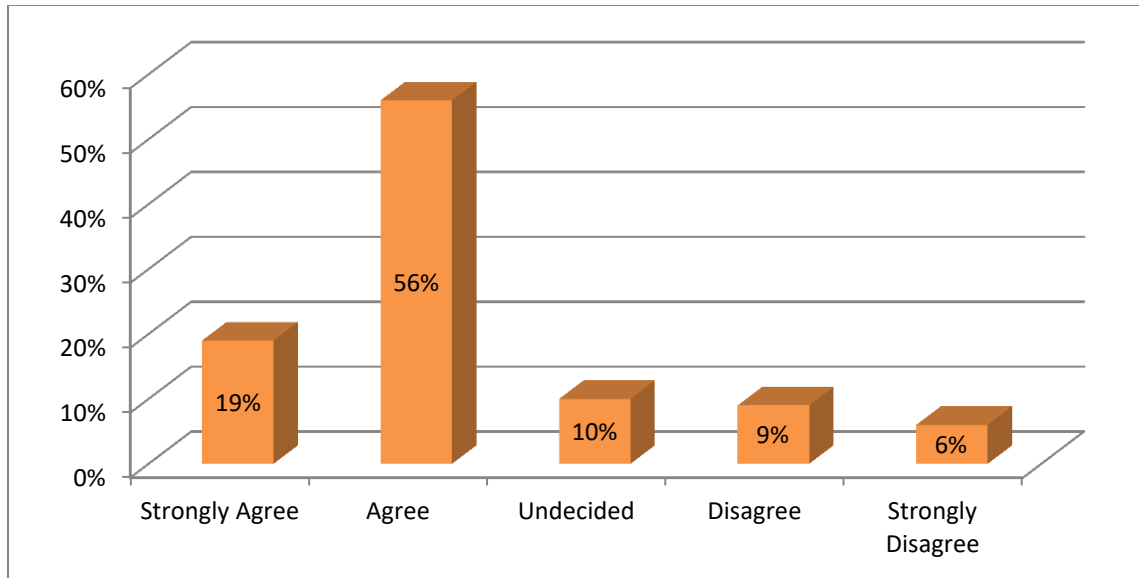
about the non-financial issues that is shown by almost 50% of respondents who were undecided combined with disagreed. Flostrand and Storm (2006) stated that there is other information that is considered useful information to users of financial reports and these can be provided outside four financial statements as non-financial information. A mode of 57 respondents was attained which is agree. The mode shows and supports that non-financial information can be used to disclose other important issues in financial statements and that information can be of important use to stakeholders. ASL is facing the challenge on disclosing non-financial information. Information needs for employees and community are hardly reported on and some stakeholders other than those who contribute to the organisation financially are not being taken into consideration. Therefore the results can assist the company in coming up with a non-financial disclosure mechanism.

Disclosing information needs for the society

The question was meant to find if disclosure of informational needs for the society in which the entity operates can be of any assistance in meeting the informational needs of different stakeholders with emphasis on public informational needs. The table below shows the number of respondents.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
19	56	10	9	6

Graph 4.7. Disclosing information needs for the society



The graph above shows that 19/100 (19%) strongly agreed, 56/100 (56%) agreed, 10/100 (10%) undecided, 9/100 (9%) disagreed and 6/100 (6%) strongly disagreed that disclosing information needs for society may assist in coming up with financial information needs for different stakeholders. The results shown above confirms that information that affects the community in which firm operates is of concern in order to meet information requirements of various stakeholders. Chiang (2010) stated that companies may get affected by the environment matters that arise from the societies in which they operate. Overall response rate of 75/100 (75%) agreed, 10/100 (10%) undecided and 15/100 (15%) disagreed. An overall percentage of 75% meant that the respondents are of the opinion that the societal information affects informational needs of various stakeholders. It is impossible to use voluntary disclosure instruments when monitoring public products. Negash (2012) provided sustainable report is there to give a breakdown on the effects of entity's operations on environment. Mode was 75 respondents it was on agreed. This mode confirms that disclosing information on society can be of assistance in meeting

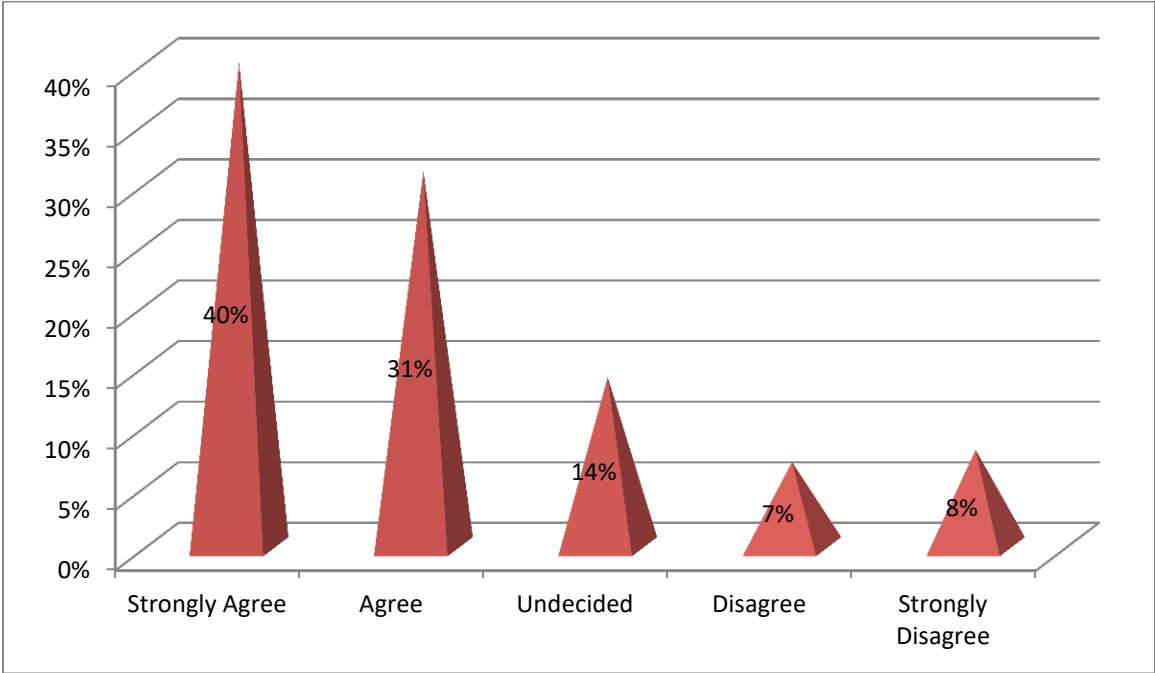
stakeholder’s information needs. There are no disclosures at ASL on societal needs i.e. the environment issues. The company is failing to disclose on what they are giving back to the communities in which the entity operates.

Disclosure of employee information

The researcher decided to ask this question as there is little that is done in line with employee information needs, issues pertaining employees are less dealt with in financial reports. The table below shows the number of respondents.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
40	31	14	7	8

Graph 4.8 Disclosure of employee information



The graph above shows 40/100 (40%) strongly agreed, 31/100 (31%) agreed, 14/100 (14%) undecided, 8/100 (8%) strongly disagree and 7/100 (7%) disagree on disclosure of employee information as way that may assist in coming up with financial information needs for different stakeholders. The results means that respondents are supporting that employee informational need are vital in contributing towards disclosure of information for various stakeholders. Bellou (2007) also stated that certain employee information must be availed to them in line with the relationship that exists between them and employees. An overall response rate of 71/100 (71%) agreed, 14/100 (14%) undecided and 15/100 (15%) disagreed the fact that disclosure of employee information needs may assist in coming up with information needs of different stakeholders and that can be vital for disclosure of true business performance. Komissarov (2014) stated that less has been disclosed on pension policies in both government and business at all levels. Agree constitute 71 of respondents and is the mode. The mode confirms that disclosure of employee information can assist in coming up with the information needs of different stakeholders. ASL discloses nothing on the employee issues the results here confirms the importance of disclosing employee issues in financial statements. ASL has no defined policy on employees i.e. on pension and postretirement benefits.

4.2.5 Does the following get affected by neglecting other stakeholders' needs when presenting information?

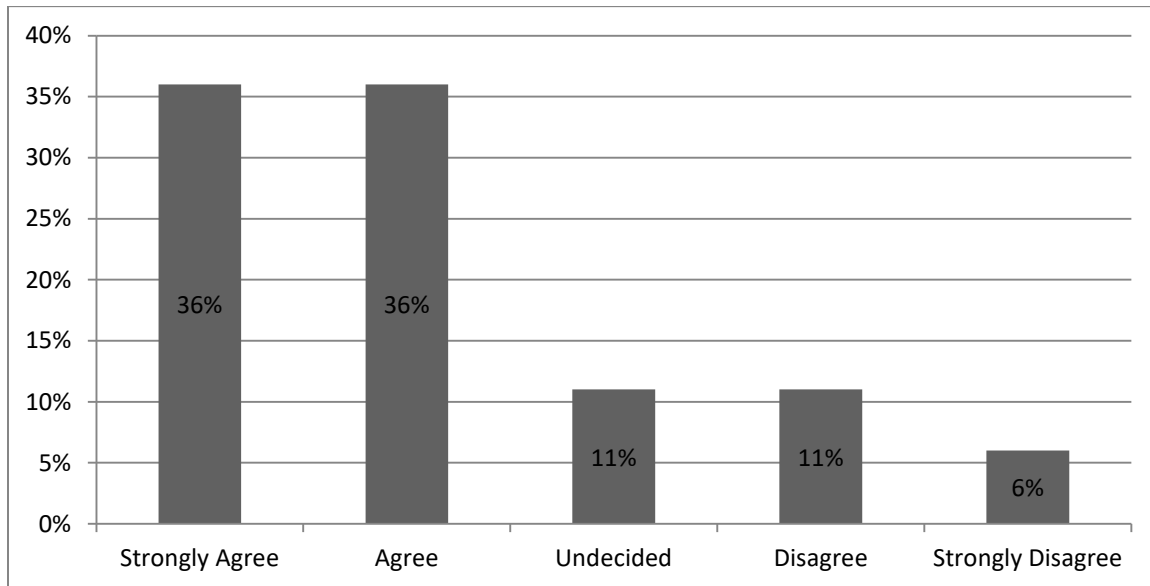
Trust and confidence in financial statements

The researcher aimed to assess the effects of neglecting other stakeholder informational needs in financial reports by asking if trust and confidence levels on financial reports will remain the

same even if other stakeholder needs are not taken into account. The table shows the number of respondents.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
36	36	11	11	6

Graph 4.9 Trust and confidence in financial statements



The graph above shows that 36/100 (36%) strongly agreed, 36/100 (36%) agreed, 11/100 (11%) undecided, 6/100 (6%) strongly disagree and 11/100 (11%) disagreed that trust and confidence in financial statements may be affected by neglecting other stakeholders needs. The outcome above means that there was no dominating response since agreed and strongly agreed both attained a 36%. Tonkiss (2009) stated that trust and confidence are the pillars for economy to function. A response rate of 72/100 (72%) agreed, 11/100 (11%) undecided and 17/100 (17%) disagreed. The results shown above confirms that the entity may lose trust and confidence when neglects

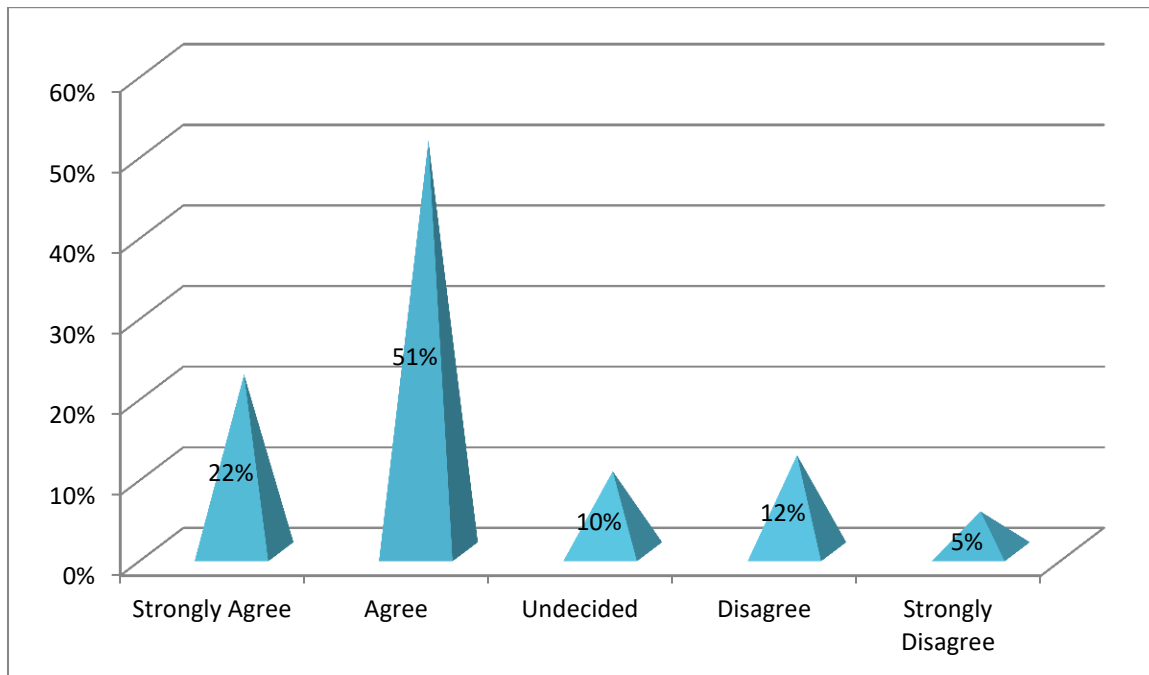
other stakeholders. Rezaee (2004) stated that public trust and confidence has been worn out due to fraudulent reporting in high profiled entities. The mode was 72 respondents who agreed and it was evenly distributed between strongly agreed and agreed. The mode confirms that trust and confidence in entity's financial statements may be affected by neglecting other stakeholders when disclosing information. African Sun Limited is neglecting stakeholders as a result of that they are failing to meet informational needs requirements of these stakeholders and the issue is affecting negatively on organisation's trustworthiness.

Organisation reputation

This question seeks to address the effects of neglecting other stakeholders' informational needs on the organisation's reputation. The researcher wanted to establish if the reputation of the organisation can be affected by failure to disclose other stakeholder needs. The table below shows number of respondents

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
22	51	10	12	5

Graph 4.10 Organisation reputation



The graph above shows that 22/100 (22%) strongly agreed, 51/100 (51%) agreed, 10/100 (10%) undecided, 12/100 (12%) disagreed and 5/100 (5%) strongly disagreed that organisation's reputation may be affected by neglecting other stakeholders needs when presenting information. The results shown illustrates that reputation comes as a result of good relationship between an entity and its stakeholders. According to Bebbington, Larrinaga and Moneva (2008) stated that each entity have a reputation that is different from the other organisation and depend on how it interact with its stakeholders. An overall of 73/100 (73%) agreed, 10/100 (10%) undecided and 17/100 (17%) disagreed to the fact that neglecting other stakeholders may affect reputation of the organisation. The overall results shows that those who agreed constitute the majority and those results means reputation of an organisation may be affected by neglecting other stakeholders.

Reputation differ depending on the nature of operations associated with entities (Bebbington, Larrinaga and Moneva 2008). The mode was 73 agreed respondents and of the mode 51 respondents who agreed carries the highest frequency. The mode shows that the respondents agreed that reputation of an entity maybe affected by neglecting other stakeholders' information needs. The organisation has a bad reputation that impact much on its share value, a mechanism has to be put in place in order to implement the findings of this research. There is a need for the entity ASL to consider all of its stakeholders when disclosing information for it to gain good reputation.

4.3 Interview Response Rate

Scheduled Interviews	5	100%
Administered Interviews	4	75%

The researcher scheduled 5 interviews and administered 4/5 (75%) of total scheduled interviews.

4.4 Respondent's view

Q1) What are the factors to be considered when disclosing information in financial statements?

The general manager said the regulatory requirements are an essential when disclosing information in financial statements and the intended use of financial reports has to be considered also. The chief financial controller emphasised on considering the requirements of standards and the intended use of the reports. The accountant stated that one should consider the intended users

and their understanding of financial statements and the requirements of IFRSs. The accounts member of staff just said the regulatory requirements are vital when disclosing financial information in financial statements. Collis and Jarvis (2002) stated that companies are required by regulatory framework to make disclosures because they are required in public interest as large public companies are able to raise capital by offering shares to public.

The responses for this question confirmed or supported the findings on questionnaires where a mode of 87 respondents supported that regulatory requirements to the financial statements are among the factors to be considered when disclosing information in financial statements. In their response both participants mentioned regulatory requirements as a factor to be considered when disclosing information in financial statements. This result implies that African Sun Limited have to honor regulatory requirements when disclosing information they should not disclose things that please them but disclosure should be in line with regulatory requirements.

Q2) How reliable are financial statements on disclosing business performance?

The chief financial controller said financial statements are reliable though they are surrounded with some anomalies e.g. forgery and intentional errors. The general manager said financial statements are very reliable except for extreme cases where some relevant information is not disclosed. The accountant stated that one can rely on financial reports though things like forgery and dress-up may exist. Accounts staff member said financial statements are reliable though anomalies around reporting system may cause doubt. The results show that the respondents agreed that financial statements produce reliable information but viewed some anomalies that are associated with the preparers and the source of information. Huang, Tsaih and Lin (2012) stated

that the idea of reporting is to enlighten stakeholders on the performance of organisation and contrary to that some anomalies may happen which involves the intentional misstatement or omission of material information.

On the questionnaire management fraudulent reporting and source of information are considered to be other factors that affect the level of reliance that can be placed on financial statements on disclosing true business performance. Forgery, intentional errors and other anomalies that surround financial statements are amongst the issues that are mentioned by interview respondents that may affect reliability of financial statements. Modes of 87 as well as 81 were attained on questionnaire respondents who agreed that management fraudulent reporting and source of information respectively affects reliability of disclosed information. To African Sun these interview responses confirms how important the organisation need to deal with an form of misrepresentation of facts.

Q3) Do the benefits of financial statements override cost of preparing them?

The general manager said he thinks the benefits derived outshine the costs because through financial statements stakeholders e.g. investors will be able to analyse and if interesting invest in your organisation through scanning of financial statements. The financial controller said he thinks the financial statements are worth to be prepared though sometimes the cost seems to be significant. Accounts member of staff thinks that benefits and costs cancel each other. The accountant said the benefits are much visible as the entity may attract new investors using financial statements. This result shows the need for preparers to consider the cost and benefits of preparing financial reports and such consideration can assist in assessing if the information is

worth being reported. Dumay and Lu (2010) is of suggestion that disclosure of information by organisation has benefits in particular creating trustworthiness and reducing information asymmetry.

On answering questionnaires on cost and benefits of disclosing information respondents agreed that cost and benefits have to be considered when assessing the importance of preparing financial statements. Mode of 70 was attained on those who agreed that cost and benefits are worth to be considered for importance of financial statements assessment. And on responding to similar question interviewees are satisfied that benefits of preparing financial reports outshine the costs of preparing them. Therefore a consideration should always be given on cost and benefits of disclosing information. As the preparers of organisation's financial reports viewing disclosure of information as a cost that does not attract benefits. African Sun Limited should do an assessment on the cost and benefits of disclosing information.

Q4) What are the financial information needs of an entity's stakeholders?

The accountant said the stakeholders may need information on investments, going concern of an entity and information on non-financial items amongst others. The general manager said stakeholders need to be informed on issues that affect them or issues of interest to them e.g. the investors need to know the going concern of an entity. A member of accounts staff stated that stakeholders need to know if the entity is giving back to the society in which it operates. The chief financial controller said stakeholders are interested in things that affects them either financial or non-financial information. The findings confirm the importance of disclosing nonfinancial information. Nagash (2012) outlined policy avenues for improving disclosure of

environmental matters for the society. Komissarov (2014) stated that there is a need for disclosing employee issues since accounting for employee benefits has long been one of less transparent areas in financial statements. Sillanpaa et al (2010) outlined that disclosing intellectual capitals is crucial because activities are based on them.

The interviews gave various information needs of an entity's stakeholders which include non-financial information and financial information. The stakeholders are interested on investment information, going concern of an entity and other societal related issues. That is in support of the outcome on the questionnaires where the respondents supported that nonfinancial information and society related information can assist in meeting information needs for various stakeholders. Modes of 57 and 75 agreed respondents were attained in respect of disclosure of non-financial and societal information in financial statements.

Q5) What are the effects of neglecting other stakeholder information needs when presenting annual financial statements?

The general manager was of the sentiment that entity may lose great opportunities and trust can be lost through failure to recognise other stakeholders to the financial statements. Accounts member of staff said he thinks neglecting other stakeholder information needs affect reputation of an entity at large. The chief financial controller said entity may lose some of its stakeholders and trust and confidence may be eroded. The accountant was of the sentiment that the entity may lose e.g. interested investors when they discover that the entity does not disclose investment issues in financial statements. The results show that neglecting other stakeholders informational needs contribute negatively to the overall organisation performance. Tonkiss (2009) stated that trust is the spinal cord of economics and trust and confidence are crucial to effective economic

functioning. Samkin and Schneider (2010) stated that failure to gain legitimacy from stakeholder groups has serious implications for organisation.

The questionnaire respondents are of the view that organisation reputation and trust and confidence in financial statements may be affected by neglecting other stakeholders when presenting annual financial statements. Mode of 73 on reputation and 72 on trust and confidence were attained on agreed respondents. The interview respondents were of the view that great opportunities and trust can be lost by failure to recognise other stakeholders to the financial statements. The findings enlightened ASL on considering all its stakeholders for disclosure purposes to avoid the implications.

4.5 Summary

This chapter focused on data analysis and presentation of the research findings. The researcher had to analyse information that was collected using both questionnaires and interviews. Chapter to follow is on summarizing of previous chapters and analysis of findings as well as recommendations.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The purpose of this research was to make an evaluation of financial statements in disclosing true business performance to stakeholder in hospitality industry. The underlying motive was to identify how financial statements can be improved in disclosing true business performance and the stakeholders can rely on information contained in financial reports. The results of the research were then applied to come up with a conclusion on whether financial statements are disclosing true business performance. The researcher was in a position to carry out an assessment of the objectives that were set to be achieved. The researcher was also in a position to identify future work that need to be done on this topic so as to compliment this research.

5.1 Summary of research study

Chapter one focused on background to the study where the problem of the research was stated which is to come up with level of trust that can be placed by various stakeholders in measuring business performance using financial statements in hospitality industry. In the same chapter objectives of the study were outlined which include to carry out cost benefit analysis on the importance of financial statements. It also outlines limitations to the study which include sample size and location as well as assumptions of the study, definition of terms and acronyms.

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. Collis and Jarvis (2002) stated that

financial disclosure benefits the public at large because public companies raise capital on stock markets. Sytnik (2014) stated that companies are required to report in line with the requirements of IFRSs. Magness (2006) argues that nonfinancial stakeholders are now being considered when disclosing information.

Chapter three focused on research design descriptive case study was used. The researcher used qualitative approach to carry out the research and only primary data was used and it was collected using questionnaires and interviews. A population of 180 was used and a sample of 109 participants was selected using judgmental sampling. A total of 109 questionnaires were distributed and 4 interviews were done to entity members. The questionnaires were designed using 5 pointer, Likert Scale.

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 graphs and tables. The chapter analysed problems that are associated with research objectives.

5.2 Major research findings

5.2.1 To outline factors to be considered when disclosing information in financial statements.

- ❖ It has been established that regulatory requirements regarding disclosure of financial information, preparation of financial statements and audience to financial statements are amongst the factors to be considered for information disclosure purpose.
- ❖ Most of the respondents agreed that these factors are to be considered when disclosing information that is shown by the highest mode attained therefore the ASL has to take these factors into consideration when disclosing information.

- ❖ The interview responses show that regulatory requirements and the users of financial statements are amongst factors to be considered when disclosing information in financial statements.
- ❖ Sytnik (2014) stated that when preparing financial statements the principles are considered are the objectives of financial reporting, qualitative characteristics, definitions, rules and methods for assessing elements.

5.2.2 To carry out a cost benefit analysis on the importance of financial statements.

- ❖ The research identified cost and benefits of disclosing financial information, relevance of financial statements and significance of stakeholder groups as the factors to be considered when carrying out a cost benefit analysis on the importance of financial statements.
- ❖ These factors received the modest respondents and that shows that ASL has to do the same assessments when valuing the importance of financial statements.
- ❖ Interview respondents are of the opinion that benefits derived from the financial statements outshine the costs of preparing them.
- ❖ According to Iatridis (2012) higher level of accounting disclosure reduces the uncertainty portion of reported financial information leading to lower cost of capital.

5.2.3 To come up with level of reliance that can be placed on financial statements on disclosing true business performance.

- ❖ The research established that management fraudulent reporting, report relevant and reliable information and source of information are to be taken into account when

assessing level of reliance that can be placed on financial statements on disclosing business performance.

- ❖ Those who agree to these factors are considered the modest on this objective therefore ASL has to consider these factors for reliance to be placed on the financial statements by users.
- ❖ The respondents to interviews are of the opinion that the financial statements are reliable but they cited some anomalies that are surrounding financial statements reporting system.
- ❖ According to Chaudhly and Alansari (2013) source of information is essential to investment advisors and assist when they helping clients on financial goals.

5.2.4 To come up with financial information needs for different stakeholders.

- ❖ The research identified provide informational needs regarding non-financial issues, provide information needs for employees and providing information needs for society and public at large can assist in coming up with information needs for different stakeholders.
- ❖ Those who positively support that these factors are to be considered form the modest of all respondents on this objective. African Sun Limited should also report on these issues in order to meet information requirements of interested stakeholders.
- ❖ The interviewees were of suggestion that non-financial information and society information on entity giving back to the community can help in coming up with information for different stakeholders.
- ❖ Monteiro and Guzman (2010) stated that companies have faced growing demands from stakeholders for reporting environmental information. According to Arvidsson (2011) the

organisations are focusing on exploring the invisible value omitted from financial statements when disclosing non-financial information.

5.2.5 To outline the effects of neglecting other stakeholders when presenting information.

- ❖ The research identified trust and confidence in financial statements and organisation reputation are the major effects of neglecting other stakeholders when presenting information in financial statements.
- ❖ On these factors those who agreed have the highest frequency therefore the respondents agreed that these can be affected by failure to recognise other stakeholders when reporting information in financial statements. At ASL there is a need for incorporating stakeholders in its financial statements.
- ❖ The interview respondents suggest that great opportunities may be lost and trust and organisation reputation may be affected as a result of neglecting other stakeholders.
- ❖ Barlaup, Dronen and Stuart (2009) stated that trust and confidence is essential to the capital markets. Failure to gain legitimacy from stakeholder groups has serious implications for organisation (Samkin and Schneider 2010)

5.3 Finding Conclusion

The major objective of this research was to evaluate financial statements on disclosure of true business performance to stakeholders in hospitality industry. The findings on the objectives of this research supports that the problems associated with these objectives are of effects to financial statements in disclosing true business performance to stakeholders. Therefore the

organisation should also implement these results in order to improve on disclosure of true business performance.

5.4 Recommendations

The researcher is now in a point to recommend on the following areas concerning disclosure of true business performance in financial statements.

5.4.1 Recommendations to ASL

Voluntary disclosure

The organisation should adopt voluntary disclosure in order to meet the requirements of other non-financial information needs and disclosure on intellectual capitals that are there for the organisation to reduce information asymmetry. According to Iatridis (2012) management may reduce costs that may come due to failure to observe rules and regulations they should do voluntary disclosure.

Use of relevant sources of information

According to Chaudhry and Alansari (2013) source of information is of importance to investment professionals. The organisation should consider both internal and external sources of information to meet stakeholder requirements.

Incorporate all stakeholder information needs in financial reports

The organisation should always fits in all stakeholders' information requirements as a way of maintaining good reputation and boosting trust and stakeholders' confidence. Failure to gain legitimacy from stakeholder groups has serious implications for organisations in that these groups may display apathy towards the attempts by organisations to manage and protect the environment (Samkin and Schneider 2010).

5.5 Areas for further study

Further studies can be carried on effects of intellectual capital disclosure on financial statements.

5.6 Summary

This chapter summaries the first 4 chapters, recommendation to ASL and areas for further study.

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APPENDIX 1

Midlands State University

Faculty of Commerce

Department of Accounting

Box 9055

Senga Rd, Gweru

8 April 2016

To whom it may concern:

RE: RESEARCH ASSISTANCE

My name is Malvern Katiyo a final year student at Midlands State University (MSU) pursuing a Bachelor of Commerce (Honours) Degree in Accounting. In partial fulfillment of the requirements of the degree programme, I am carrying out a research entitled: “**An evaluation of financial statements in disclosing true business performance to stakeholders in hospitality industry**”. The information obtained will be used for academic purposes and I assure privacy and confidentiality of the information. I kindly ask you to assist by responding to a questionnaire below:

Instructions

1. You may choose not to write your name.
2. Fill in your responses in the spaces provided below the questions.
3. Where there are multiple responses, tick the box adjacent to the response of your choice

QUESTIONNAIRE

PART A: PERSONAL INFORMATION

Please tick (✓) on the appropriate answer(s)

1. Gender

Male	
Female	

2. Age range (in years)

21 – 30	
31 – 40	
41 – 50	
51 – 60	
60+	

3. Length of service (in years)

Less than 2	
2 – 5	
6 – 8	
8 +	

4. Indicate your highest level of qualification

O Level	
A Level	
Diploma	
Degree	
Masters	
Doctorate	
Other (specify)	

5. Do you understand accounting and management of finances?

Yes	
No	

Part B

1. The following factors are to be considered when disclosing information in financial statements

Please tick (✓) on the appropriate answer

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Regulatory requirements					

Preparation of financial reports					
Audience to the financial statements					

2. The following have to be considered when assessing the importance of preparing financial statements.

Please tick (✓) on the appropriate answer

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Cost and benefits of disclosing information					
Relevance of financial information					

3. The following affects the level of reliance that can be placed on financial statements on disclosing business performance.

Please tick (✓) on the appropriate answer

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Management fraudulent reporting					
Source of information					

4. The following may assist in coming up with information needs for different stakeholders.

Please tick (✓) on the appropriate answer

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Disclosure of non-financial information					
Disclosing information needs for					

society					
Disclosure of employee information					

5. The following maybe affected by neglecting other stakeholders’ needs when presenting information.

Please tick (✓) on the appropriate answer

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
Trust and confidence in financial statements					
Organisation reputation					

APPENDIX 2

INTERVIEW GUIDE

1. What are the factors to be considered when disclosing information in financial statements?
2. How reliable are financial statements on disclosing business performance?
3. Do the benefits of financial statements override cost of preparing them?
4. What are the financial information needs of an entity's stakeholders?
5. What are the effects of neglecting other stakeholder's financial information needs when presenting annual financial statements?