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Perceptions on Qualitative Characteristics in Financial Reporting: Iranian Evidence

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Abstract
The objectives of financial reporting are to provide information about the financial position, performance, and changes in financial position of an entity. The results of the current study show the differences existed between accountants and non-accounts with respect to sufficiency of abridged financial statements.
Keywords: Financial reporting, Perception gap, Iran

Introduction
The objectives of financial reporting have evolved over time. For a long time in accounting history, the objective of financial reporting was to provide a mechanism for exercise of investors' control over management coupled with another purpose of information provisioning for investment decision making focusing on managerial needs. Later, the objective was on 'measuring past performance' with an emphasis on profit measurement, which had the management as the target user group. However, in recent years, the objectives of financial reporting have undergone a paradigm shift from exercise of control, past performance analysis and information for investment decision making for management to provisioning of information for decision making by a large body of user groups. To conclude, the literature on accounting provides the extensive discussion but does not provide tacit conclusion on the objectives of financial reporting. References to reporting objectives, when found, are either so vague as to give no direction to the development of theory or are specific but lacking a rationale for such objectives." The whole controversy focuses on whether financial reporting aims at 'stewardship accounting' or 'decision-making usefulness'. The result of this debate has been the gradual transformation of the objective of financial reporting to the decision-making usefulness.

The Objectives:

The objectives of financial reporting are to provide information about the financial position (balance sheet), performance (income statements), and changes in financial position (cash flow statement) of an entity. This information should be useful to a wide range of users for the purpose of making economic decisions.

The relevant evidence for this observation comes from the academic and professional pronouncements. Accounting is thus not essentially a process of valuation but the allocation of historical costs and revenues to the current and succeeding periods.

The paradigm shift in the objective of decision usefulness of financial reporting was evidenced when Salehi and Rostami (2011) defined the objective of financial reporting as the provision of data to be used as a basis for choosing between available economic alternatives and for checking and evaluating progress and results. He further argued that anyone who adopted a criterion of usefulness for reporting must answer two important questions: Useful to whom? And for what purpose?

The literature thus provides evidence of a growing consensus that the usefulness of accounting statements should be judged according to the relevance of the information provided for decisions. It is not argued that stewardship is unimportant - the securing of proper stewardship is itself associated with significant economic decisions. It is coming to be acknowledged, however, that considerable importance should be attached to the provision of information to assist shareholders' investment decisions; and that is seen to involve the prediction of future cash flows. These views are not confined to writers of reports for professional organizations. Various academic papers have stressed the importance of the decision-making objective, either implicitly, in testing accounting practices for predictive value, or explicitly. The acceptance of forward-looking objectives has not been unanimous though recent dissent seems to be much smaller in volume.

The status of objectives vis-à-vis financial reporting may be summed up as a paradigm shift from stewardship accounting to decision-making usefulness tried to be achieved through enhanced disclosure by retaining the basic structure of the financial reporting model of historical allocations devoid of valuation reporting model leading to decision usefulness.

The Assumptions:

The two main assumptions are accrual basis and going concern

Accrual Basis. Effects of transactions and other events are recognized when they accrue (not when the cash flows). These effects are recorded and reported in the financial statements of the periods to which they relate.

Going Concern. It is assumed that the entity will continue to operate for the foreseeable future.

Qualitative Characteristics:

Qualitative characteristics are attributes that make the information provided in financial statements useful to users:

Relevance. Relevant information influences the economic decisions of users, helping them to evaluate past, present, and future events or to confirm or correct their past evaluations. The relevance of information is affected by its nature and materiality.

Reliability. Reliable information is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. The following factors contribute to reliability: faithful representation; substance over form; neutrality; prudence; and completeness.

Comparability. Information should be presented in a consistent manner over time and in a consistent manner between entities to enable user to make significant comparisons.

Understandability. Information should be readily understandable by users who have a basic knowledge of business, economic activities, and accounting, and who have a willingness to study the information with reasonable diligence.

The Constraints:

The following are constraints on providing relevant and reliable information:

Timeliness. Undue delay in reporting could result in loss of relevance but improve reliability.

Benefit Versus Cost. Benefits derived from information should exceed the cost of providing it.

Balancing of Qualitative Characteristics. To meet the objectives of financial statements and make them adequate for a particular environment, providers of information must achieve an appropriate balancing among qualitative characteristics.

Fair Presentation:

The application of the principal qualitative characteristics and appropriate accounting standards normally results in financial statements that provide fair presentation.

Fair presentation is achieved through the provision of useful information (full disclosure) in the financial statements, whereby transparency is secured. If one assumes that fair presentation is equivalent to transparency, a secondary objective of financial statements can be defined: to secure transparency through full disclosure and provide a fair presentation of useful information for decision-making purposes.

Elements of Financial Statements:

The following elements of financial statements are directly related to the measurement of the financial position:

- Assets. Resources controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- Liability. Present obligations of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of economic benefits.
- Equity. Assets less liabilities (commonly known as shareholders' funds)

Further, income and expenses forming part of the elements of financial statements are directly related to the measurement of performance:

- Income. Increase in economic benefits in the form of inflows or enhancements of assets, or decreases of liabilities that result in an increase in equity (other than increases resulting from contributions by owners). Income embraces revenue and gains.
- Expenses. Decreases in economic benefits in the form of outflows or depletion of assets, or in currencies of liabilities that result in decreases in equity (other than decreases because of distributions to owners).

A financial statement element (assets, liabilities, equity, income and expenses) should be recognized in the financial statements if: (a) It is probable that any future economic benefit associated with the item will flow to or from the entity; and (b) The item has a cost or value that can be measured with reliability.

Measurement Bases:

The following bases are used to different degrees and in varying combinations to measure elements of financial statements:

- Historical cost
- Current cost

- Realizable (settlement) value
- Present value

CORPORATE DISCLOSURE

The thrust of conceptual framework is on disclosure, which may be defined as a process of disseminating significant information to relevant users through mainly annual reports, and such other media. American Accounting Association (AAA) (1977) defined disclosure as "…. the movement of information from the private domain to public domain." The importance of such information moving from private domain to public domain has behavioural implications for a wide range of users. There is an obvious need for reliable information, which they can use to acquire an essential knowledge or the way in which the business enterprise are behaving in relation to the public interest. By perceiving enterprise behaviors through communicated information, interested parties can use this knowledge to amend or adopt their own behaviour vis-à-vis the enterprise concern. In fact, financial reporting is interchangeably used with 'financial accounting disclosure'. It is widely held that expanded disclosure enhances the usefulness level of financial reporting in decision-making. As a result, the disclosure level has been increasing tremendously worldwide.

The concept of disclosure has been analyzed under (i) Types of Disclosure; (ii) Tests of Adequate Disclosure; and (iii) Dimensions of Adequate Disclosure.

(i) Types of Disclosure:

In reality it is recognized three types of disclosure, viz., fair disclosure, full disclosure and adequate disclosure. Fair disclosure implies an ethical objective of providing equal treatment for all potential readers of financial statements. Full disclosure emphasizes the presentation of all relevant information. Adequate disclosure implies enough disclosure to avoid the misleading of the user. However, it is argued that there is no difference among these concepts. In recent times there is a general acceptance to use adequate disclosure and fair term is also implied to fair disclosure and full disclosure.

(ii) Tests of Adequate Disclosure:

The problem of testing adequate disclosure in these words: "Adequacy of disclosure cannot be tested accurately and precisely since no definite test to measure it exists in financial reporting. But when information is reported outside the business enterprise adequacy of disclosure can be tested. The basis of the test is the extent to which the items of information are helpful to users, for whom disclosure is made, in making economic decisions. If users vary in number or quality, more or less information greater or lesser the rate would be adequate."

(iii) Dimensions of Adequate Disclosure:

The scope of adequate disclosure is examined by theorists, who focus on (a) User; (b) Purpose; (c) Quantum; (d) Mode; and (e) Timing and a discussion of these is presented below.

(a) User:

Adequate disclosure is dependent more upon user needs and user groups because these user groups may differ in their information needs. In support of this generalization, Buzby (1974), observes that the identification of users helps in defining user group characteristics, which impinge on the specific type of information to be presented as well as the method of presentation. The identification of user groups also helps in the development of financial reporting system itself as argued by the Trueblood Committee (1973).

To serve user needs, the accounting process should consist of inter related and compatible system of objectives, standards or principles, and practices or procedures. Objectives should identify the goals and purposes of accounting. Standards should follow logically from objectives, and should provide guidelines for the formulation of accounting practices compatible with the desired goals. All three levels of the system should be linked rationally to the needs of users. Otherwise, the development of objectives becomes a sterile activity, which cannot be justified.

The discussion of users has resulted in the identification of many user groups. First and the foremost is on the user groups being classified into 'sophisticated users' and 'unsophisticated users,' which include both individual and institutions. However, the distinction between these two user groups is highly ambiguous. Normally, individual users are assumed to be unsophisticated users and institutional users are identified to be sophisticated users based on the criterion of depth in the knowledge of interpretation of financial reporting data. Kam (1986) criticizes this basis of user classification. Another classification, based on user need differences, has been the financial analysts' group and lenders' group, which have substantial differences in perceptional differences on different accounting items.

Another classification base for investors is the size of investment, which results in small investors and large investors. Normally, small investors suffer from lack of information as against large investors. However, large investors have access to information, ability to interpret the data without much difficulty.

The other dimensions of user groups are with regard to the level of seriousness of readers of financial statements and reasonable level of understanding of financial information. Regarding the level of seriousness, Miller and Scot (1980) observe: "It is impossible to cater for careless users of Financial Statements; they could misuse or ignore any information, aggregated or disaggregated that is presented." It is true that there is no universally accepted classification of user groups and hence the user classification is always guided by the prevalent socio-economic and cultural conditions of a nation. However, the financial statements are prepared and presented to those who have reasonable diligence, which has been very aptly presented by the FASB (1978) in these words: "The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence."

(b) Purpose:

The user identification is basically linked to the purpose of adequate disclosure and the purpose influences the quality of disclosure also. Chambers [1966:*162*] depicts the confusion in the identification of the purpose of information to be disclosed in annual reports. Traditionally, the information has been used by users in making investment decision and exercise of investor control over management (AAA, 1977). From the viewpoint of management, the primary purpose of financial reporting is to measure the enterprise performance and this task culminates in accountability by management or stewardship. The study by AICPA (1972) presents the following significant purposes of disclosure: (1) To provide information useful to investors and creditors for predicting, comparing and evaluating potential cash flows to them in terms of amount, timing and related uncertainty; (2) To provide information to users for predicting, comparing and evaluating enterprises earning power; (3) To supply information useful in judging management's ability to utilize enterprises resources effectively in achieving the primary enterprise goal; (4) To provide information useful for the predictive process; and (5) To report on those activities of the enterprise affecting society, which can be determined and described or measured and which are important to the role of enterprise in its social environment.

To conclude, investors become the dominant user group and hence the purpose of information disclosure is to facilitate investment decision. However, the purposes of other groups are not less important. Hence there is a need for balancing the purposes of various interested user groups in the general-purpose financial statements. In this direction the observation by Bedford (1973:*4*) is still relevant: " … the decision as to proper disclosure to specific groups may well have to be based on a balancing of the different interests of different groups. Disclosure helpful to one group but harmful to another would have to be balanced and judged according to some undefined standards."

(c) Quantum:

Another dimension of adequate disclosure relates to the quantum of information load, which is determined by information needs and the sophistication of the user group. Basically, the quantum of information group depends upon the degree of uncertainty under which decision makers are operating. Larger the uncertainty of a decision phenomenon greater is the amount of information provision. However, the cardinal principle of quantum of disclosure is not to overload with information leading to make users misleading.

The issue of quantum relates to what should be included in financial reporting. There is extant literature on what should be included in financial reporting. Hendriksen (1977) advocates that annual reports should include the use of procedure that materially affect income or balance-sheet presentation, a material change in procedures from one period to another, significant events or relationship not arising from normal activities, special contracts of assignments, material events likely to affect expectations, material changes in activities or operations that would affect decisions regarding the firm.

Many writers have also suggested the disclosure of many items. For instance, Chandra (1975) finds information concerning the income statements, earning per share, budgeting projections and forecasts more useful to security analyst for investment decisions.

In recent times, the pronouncements of IASB on various items to be included in financial reporting have almost become mandatory. Hence the IASC has suggested the disclosure of following items of information; restrictions on the little to assets, security given in respect of liabilities, pension and retirement plans, contingent assets and contingent liabilities, amounts committed for future capital expenditure, property, plant and equipment, long-term investments, long-term receivables, goodwill, patents, trademarks and similar assets, expenditure carried forward such as preliminary expenses, deferred taxes, reorganization expenses, current assets like cash, marketable securities, receivables, inventories, long-term liabilities such as secured loans, unsecured loans, inter-company loans, loans from associated companies, current liabilities such as bank loans and overdraft, current portion of long-term liabilities, payables, deferred taxes, share capital, capital paid-in excess of par value (share premium), revaluation surplus, reserves, retained earnings (Greuning, 2005).

(c) Mode:

Mode refers to the method of disclosing information and this factor also influences on the usefulness of information. Several different methods of making disclosure are: (i) form and arrangement of formal statements, (ii) terminology and detailed presentations, (iii) parenthetical information, (iv) foot-notes, (v) supplementary statements and schedules, (vi) comments in the auditors' certificates, (vii) chairman's or president's letter, and (viii) report of the board of directors.

The suitability of any method of financial reporting in any circumstances should only be judged by its success in furthering the objectives of the financial report. Form of presentation should be so designed as to enhance the reader's understanding of the data and minimize the possibility of misinterpretation. Investors would undoubtedly like to see accounts drawn up in a manner, which provides the most satisfactory basis for assessing the future prospects of a company's quality, which has been described as a 'predictive ability.' It is important to note that the so-called unimportant information may become important information for the users. In this regard AAA (1972:*567*) observes: "Notes to the financial statements and related schedules represent a great potential for aiding full and fair disclosure of financial information. This potential is not being used to its full extent… greater reliance on schedules rather than textual material might improve understanding." Hence due care should be exercised by the drafters of financial reporting in judging whether a particular information is important or not and the management should act in good faith to present the useful information.

(d) Timeliness:

The usefulness of annual reports depends on timeliness, which is also an element of adequate disclosure. Hence West (1968:*15*) argues that "timely disclosure is fundamental to good investor relation." According to APB (1970:*37-38*), timely financial accounting information should be communicated early enough to the users to be used for the economic decisions, which it might influence and avoid delay in making decisions. Delay in releasing financial statements is likely to result in redundancy of information and higher level of uncertainty associated with decisions and hence sub-optimal level of usefulness.

RESEARCH METHODOLOGY

The study envisages an analysis of the perceptions of individual investors in making use of quantitative and qualitative information from the corporate annual reports for equity investment decisions. The study relies upon both primary and secondary sources. The secondary sources of information relate to empirical evidences on the problem and they are used to present the review of literature. The primary source of information is used to empirically test the perceptions of individual investors towards the usefulness of corporate financial reporting.

The selection criterion of respondents was that the individual investors were defined as those individuals, who subscribed to initial offering of listed companies in Tehran Stock Exchange between 2009 and 2011. In the background of the objectives for the study, a pilot questionnaire was prepared on Likert's five-point scale and served to elicit the opinions from 60 individual investors from the list. The opinions on questionnaire were collected from 53 respondents. Based on the opinions on a pilot survey, the final questionnaire was prepared and served personally to elicit the responses. Totally, 400 questionnaires were received from the sample respondents. The verification of filled-in questionnaires revealed that there 40 incomplete questionnaires and these were removed and 360 questionnaires were complete with responses. The statistical tools used in the study were weighted mean value and standard deviation.

Perceptions on Qualitative Characteristics:

The perceptions on qualitative characteristics in financial reporting have been analyzed under (1) Designation; (2) Eagerness; (3) Initiation; (4) Readership; and (5) Reading Incident.

(1) Designation:

Table 1 presents the perceptions on qualitative characteristics in financial reporting based on designation. The overall perception of accountants and non-accountants on sixteen qualitative characteristics was found to have a slightly higher mean value assigned by accountants than the non-accountants and their respective mean values stood at 3.30 and 3.24, with lower dispersion and a slightly higher dispersion respectively. If simplicity was assigned the highest mean value of 3.78 by the accountants, readability was assigned the highest mean value of 3.62 by non-accountants. It was also interesting to note that both accountants and non-accountants rated the quality lowest, and their respective mean values 2.57 and 2.58.

TABLE 1.PERCEPTIONS ON QUALITATIVE CHARACTERISTICS:
ACCOUNTANTS Vs. NON-ACCOUNTANTS

No.	Characteristics	Group	Total	MV	Rank	SD	Sign
1	Simplicity	As	237	3.78	I	1.19	0.004
		NAs	123	3.52	IV	1.30	
2	Interpretability	As	237	3.69	II	1.23	0.764
		NAs	123	3.61	II	1.21	
3	Readability	As	237	3.49	VI	1.32	0.041
		NAs	123	3.62	I	1.19	
4	Freedom from bias	As	237	3.59	III	1.23	0.037
		NAs	123	3.34	VI	1.36	
5	Materiality	As	237	3.55	IV	1.13	0.005
		NAs	123	3.37	V	1.28	
6	Relevance	As	237	3.44	VII	1.34	0.047
		NAs	123	3.57	III	1.22	
7	Transparency	As	237	3.52	V	1.33	0.046
		NAs	123	3.15	X	1.47	
8	Adequate information disclosure	As	237	3.29	IX	1.40	0.653
		NAs	123	3.33	VII	1.36	
9	Reliability	As	237	3.38	VIII	1.31	0.043
		NAs	123	3.11	XI	1.42	
10	Volume (precise or voluminous)	As	237	3.23	X	1.30	0.007
		NAs	123	3.31	VIII	1.47	
11	Substance over form	As	237	3.08	XIII	1.21	0.046
		NAs	123	3.21	IX	1.33	
12	Timeliness	As	237	3.14	XI	1.41	0.047
		NAs	123	3.04	XIII	1.28	
13	Accessibility	As	237	3.00	XIV	1.45	0.043
		NAs	123	3.08	XII	1.31	
14	Predictive value	As	237	3.00	XV	1.32	0.684
		NAs	123	3.03	XIV	1.31	
15	Understandability	As	237	3.05	XII	1.43	0.712
		NAs	123	2.91	XV	1.44	
16	Quality	As	237	2.57	XVI	1.38	0.054
		NAs	123	2.58	XVI	1.25	
	Total Means	As	237	**3.30**		**1.34**	
		NAs	123	**3.24**		**1.36**	

Similarly, both the groups rated predictive value and understandability very lowly. Glaring differences in ranking were evidenced with regard to readability being ranked first by non-accountants and sixth by accountants. Similarly, transparency was ranked fifth by accountants and tenth by non-accountants. It was surprising to note that readability was ranked first by non-accountants and it was ranked sixth by the accountants. Further, the moderate level of ranking differences was evidenced in case of reliability for which accountant assigned eighth rank as against eleventh rank by non-accountants. It was also important to note that perceptional differences were evidenced between accountants and non-accountants with regard to simplicity, interpretability, freedom from bias, materiality, relevance, transparency, reliability, and volume of information, substance over form, timeliness, accessibility and quality. A slightly lower dispersion level on perceptions on qualitative characteristics was evidenced in accountants than in non-accountants.

(2) Eagerness:

Table 2 highlights the levels of perceptions on qualitative characteristics on financial reporting by non-exciters and exciters. It was observed that the non-exciters perceived a slightly higher weightage to sixteen qualitative characteristics with the mean value of 3.29 than the exciters assigning the mean value of 3.27 with similar dispersion patterns. If non-exciters assigned first rank to interpretability the exciters assigned highest mean value to simplicity and their respective mean values stood at 3.69 and 3.79. In tune with accountants and non-accountants the least weightage assigned to quality by both non-exciters and exciters and their respective mean values stood at 2.60 and 2.54. The substantial ranking differences were found with regard to following characteristics simplicity being ranked first by exciters and being ranked third by non-exciters, readability being ranked sixth by non-exciters and third by exciters and substance over form being ranked sixteenth by non-exciters and the eleventh by exciters. Lastly, there were significant differences in perceptions on qualitative characteristics between non-exciters and exciters with regard to relevance and understandability. There was no significant difference in the dispersion level on perceptions on qualitative characteristics between non-exciters and exciters.

TABLE 2. PERCEPTIONS ON QUALITATIVE CHARACTERISTICS: NON-EXCITERS Vs. EXCITERS

No.	Characteristics	Group	Total	MV	Rank	SD	Sign
1	Simplicity	NEs	182	3.60	III	1.24	0.35
		Es	178	3.79	I	1.22	
2	Interpretability	NEs	182	3.69	I	1.23	0.964
		Es	178	3.64	II	1.22	
3	Readability	NEs	182	3.44	VI	1.25	0.553
		Es	178	3.63	III	1.31	
4	Freedom from bias	NEs	182	3.63	II	1.28	0.642
		Es	178	3.39	V	1.27	
5	Materiality	NEs	182	3.60	IV	1.17	0.358
		Es	178	3.38	VI	1.2	
6	Relevance	NEs	182	3.49	V	1.37	0.019
		Es	178	3.48	IV	1.23	
7	Transparency	NEs	182	3.42	VII	1.35	0.322
		Es	178	3.37	VII	1.43	
8	Adequate information disclosure	NEs	182	3.30	VIII	1.45	0.045
		Es	178	3.31	VIII	1.32	

9	Reliability (dependability)	NEs	182	3.27	IX	1.35	0.821
		Es	178	3.30	IX	1.35	
10	Volume (precise or voluminous)	NEs	182	3.26	X	1.35	0.602
		Es	178	3.25	X	1.37	
11	Substance over form	NEs	182	3.02	XIV	1.27	0.43
		Es	178	3.24	XI	1.23	
12	Timeliness	NEs	182	3.14	XI	1.34	0.632
		Es	178	3.08	XII	1.39	
13	Accessibility	NEs	182	2.99	XV	1.31	0.188
		Es	178	3.06	XIII	1.39	
14	Predictive value	NEs	182	3.10	XII	1.33	0.888
		Es	178	2.92	XV	1.31	
15	Understandability	NEs	182	3.05	XIII	1.49	0.042
		Es	178	2.95	XIV	1.38	
16	Quality	NEs	182	2.60	XVI	1.38	0.178
		Es	178	2.54	XVI	1.30	
	Total Means	**NEs**	**182**	**3.29**		**1.35**	
		Es	**178**	**3.27**		**1.35**	

(3) Initiation:

Table 4.55 depicts the perceptions of new entrants and early entrants on qualitative characteristics of financial reporting. There was no difference in the overall perception between new entrants and early entrants on all the

TABLE 3. PERCEPTIONS ON QUALITATIVE CHARACTERISTICS:

NEW ENTRANTS Vs. EARLY ENTRANTS

Sl. No.	Characteristics	**Group**	**Total**	**MV**	***Rank***	**SD**	**Sign**
1	Simplicity	NEs	198	3.66	I	1.23	0.968
		EEs	162	3.74	I	1.23	
2	Interpretability	NEs	198	3.62	II	1.25	0.611
		EEs	162	3.72	II	1.19	
3	Readability	NEs	198	3.46	VI	1.30	0.497
		EEs	162	3.62	III	1.25	
4	Freedom from bias	NEs	198	3.53	IV	1.32	0.162
		EEs	162	3.49	IV	1.23	
5	Materiality	NEs	198	3.51	V	1.11	0.01
		EEs	162	3.47	V	1.27	
6	Relevance	NEs	198	3.54	III	1.30	0.668
		EEs	162	3.43	VI	1.31	
7	Transparency	NEs	198	3.39	VII	1.36	0.365
		EEs	162	3.40	VII	1.42	
8	Adequate information disclosure	NEs	198	3.35	VIII	1.39	0.627
		EEs	162	3.25	VIII	1.38	
9	Reliability (dependability)	NEs	198	3.35	IX	1.33	0.437

		EEs	162	3.21	IX	1.38	
10	Volume (precise or voluminous)	NEs	198	3.32	X	1.32	0.564
		EEs	162	3.15	XI	1.38	
11	Substance over form	NEs	198	3.12	XI	1.26	0.69
		EEs	162	3.14	XII	1.25	
12	Timeliness	NEs	198	3.05	XII	1.39	0.772
		EEs	162	3.18	X	1.34	
13	Accessibility	NEs	198	2.99	XIV	1.36	0.862
		EEs	162	3.07	XIII	1.35	
14	Predictive value	NEs	198	3.05	XIII	1.35	0.217
		EEs	162	2.96	XV	1.28	
15	Understandability	NEs	198	2.97	XV	1.41	0.571
		EEs	162	3.04	XIV	1.47	
16	Quality	NEs	198	2.59	XVI	1.34	0.922
		EEs	162	2.56	XVI	1.35	
	Total Means	NEs	198	**3.28**		**1.34**	
		EEs	162	**3.28**		**1.35**	

Source: Annexure – A28, p. 282.

sixteen qualitative characteristics and the mean values of both the group stood at 3.28, with a slightly thicker dispersion in new entrants than in early entrants. Significant differences in ranking were evidenced between two groups with regard to the following qualitative characteristics: Readability being ranked third by early entrants and ranked fourth by new entrants, relevance being ranked third by new entrants and ranked sixth by early entrants; and predictive value being ranked thirteenth by new entrants and fifteenth by early entrants. On the whole, there were extreme perceptional differences between these groups with the exception of materiality as a qualitative characteristic of financial reporting. There was no significant difference in the dispersion level on perceptions on qualitative characteristics between new entrants and early entrants.

(4) Readership:

Table 3 highlights the perceptions on qualitative characteristics by serious readers and shallow readers. The serious readers assigned highest weightage than the shallow readers. Considering the overall weightage to all the sixteenth qualitative characteristics and the mean values stood at 3.32 and 3.22 with regard to serious readers and shallow readers respectively with thicker dispersion level in serious readers than in shallow readers. If serious readers assigned the highest mean value to interpretability with the weightage of 3.74 simplicity was assigned highest mean value of 3.65 by shallow readers. Both the groups rated quality as the lowest characteristics and the mean values stood at 2.66 and 2.44 for serious readers and shallow readers respectively. Substantial ranking differences were evidenced between serious and shallow readers with regard to these qualitative characteristics. Materiality was being ranked second by shallow readers and eighth by serious readers and reliability being ranked seventh by shallow readers and tenth by serious readers. Lastly, significant differences in perceptions are qualitative characteristics were found with regard to materiality and substance over form. A significantly lower dispersion level was evidenced in perceptions on qualitative characteristics in serious readers than in shallow readers.

TABLE 3. PERCEPTIONS ON QUALITATIVE CHARACTERISTICS:

SERIOUS READERS Vs. SHALLOW READERS

Sl. No.	Characteristics	*Group*	Total	MV	Rank	SD	Sign
1	Simplicity	SERs	215	3.73	II	1.28	0.119
		SHAs	145	3.65	I	1.16	
2	Interpretability	SERs	215	3.74	I	1.19	0.283
		SHAs	145	3.54	III	1.27	
3	Readability	SERs	215	3.55	IV	1.31	0.321
		SHAs	145	3.51	V	1.24	
4	Freedom from bias	SERs	215	3.50	V	1.28	0.785
		SHAs	145	3.52	IV	1.28	
5	Materiality	SERs	215	3.40	VIII	1.23	0.014
		SHAs	145	3.63	II	1.1	
6	Relevance	SERs	215	3.50	VI	1.29	0.294
		SHAs	145	3.46	VI	1.32	
7	Transparency	SERs	215	3.43	VII	1.43	0.056
		SHAs	145	3.34	VIII	1.32	
8	Adequate information disclosure	SERs	215	3.33	IX	1.35	0.148
		SHAs	145	3.28	X	1.45	
9	Reliability (dependability)	SERs	215	3.24	X	1.32	0.277
		SHAs	145	3.36	VII	1.39	
10	Volume (precise or voluminous)	SERs	215	3.22	XI	1.39	0.438
		SHAs	145	3.31	IX	1.32	
11	Substance over form	SERs	215	3.56	III	0.8	0
		SHAs	145	2.48	XV	1.5	
12	Timeliness	SERs	215	3.08	XIII	1.38	0.813
		SHAs	145	3.14	XI	1.35	
13	Accessibility	SERs	215	3.00	XIV	1.35	0.904
		SHAs	145	3.06	XII	1.36	
14	Predictive value	SERs	215	3.00	XV	1.32	0.732
		SHAs	145	3.02	XIII	1.32	
15	Understandability	SERs	215	3.15	XII	1.45	0.307
		SHAs	145	2.78	XIV	1.39	
16	Quality	SERs	215	2.66	XVI	1.35	0.351
		SHAs	145	2.44	XVI	1.32	
	Total Means	**SERs**	**215**	**3.32**		**1.33**	
		SHAs	**145**	**3.22**		**1.37**	

(5) Reading Incident:

Table 4 portraits the perceptions of late readers and early readers on qualitative characteristics of financial reporting. Both the groups assigned

TABLE 4. PERCEPTIONS ON QUALITATIVE CHARACTERISTICS: LATE READERS Vs. EARLY READERS

Sl. No.	*Characteristics*	Group	Total	MV	Rank	SD	Sign
1	Simplicity	LRs	218	3.66	II	1.25	0.567
		ERs	142	3.75	I	1.21	
2	Interpretability	LRs	218	3.69	I	1.26	0.512
		ERs	142	3.63	II	1.18	
3	Readability	LRs	218	3.58	III	1.26	0.445
		ERs	142	3.46	V	1.31	
4	Freedom from bias	LRs	218	3.56	IV	1.29	0.968
		ERs	142	3.42	VII	1.27	
5	Materiality	LRs	218	3.47	V	1.18	0.866
		ERs	142	3.53	IV	1.19	
6	Relevance	LRs	218	3.39	VI	1.35	0.024
		ERs	142	3.63	III	1.22	
7	Transparency	LRs	218	3.37	VII	1.37	0.497
		ERs	142	3.43	VI	1.42	
8	Adequate information disclosure	LRs	218	3.36	VIII	1.35	0.37
		ERs	142	3.23	IX	1.43	
9	Reliability (dependability)	LRs	218	3.22	X	1.4	0.051
		ERs	142	3.39	VIII	1.28	
10	Volume (precise or voluminous)	LRs	218	3.33	IX	1.34	0.92
		ERs	142	3.13	XI	1.36	
11	Substance over form	LRs	218	3.19	XI	1.29	0.123
		ERs	142	3.04	XIV	1.18	
12	Timeliness	LRs	218	3.10	XIII	1.37	0.929
		ERs	142	3.13	XII	1.37	
13	Accessibility	LRs	218	3.01	XV	1.32	0.103
		ERs	142	3.05	XIII	1.4	
14	Predictive value	LRs	218	2.90	XIV	1.3	0.454
		ERs	142	3.17	X	1.34	
15	Understandability	LRs	218	3.06	XII	1.43	0.708
		ERs	142	2.91	XV	1.44	
16	Quality	LRs	218	2.56	XVI	1.32	0.465
		ERs	142	2.59	XVI	1.38	
	Total Means	**LRs**	**218**	**3.28**		**1.35**	
		ERs	**142**	**3.28**		**1.34**	

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The same weightage to sixteen qualitative characteristics of financial reporting and their mean values stood at 3.28 each with almost similar dispersion level. If simplicity was assigned the first rank by early readers, interpretability was assigned first rank by late readers, and their respective mean values stood at 3.75 and 3.69, with lower dispersion level and a little higher dispersion level respectively. The trend of assigning least weightage to quality as a characteristic of financial reporting was also evidenced under reading incident. Significant ranking differences were evidenced with regard to these qualitative characteristics relevance ranked third by early readers and sixth by late readers, reliability ranked eighth by early readers and tenth by late readers, volume ranked eleventh by early readers and ninth by late readers, accessibility ranked thirteenth by early readers and fifteenth by late readers and predictive value was ranked tenth by early readers and fourteenth by late readers. There was no significant difference in the dispersion level on perceptions on qualitative characteristics between early readers and late readers.

Conclusion and remarks

Financial reporting has become the most important medium of information dissemination to be used by the users. However, this dissemination process has become complicated from the viewpoint of structural development and changes in the investment community, the identification of components of financial statement having use value, problems of measurement, the management motives for earnings management, the value relevance of accounting information and the credibility of audit opinion on financial statements.

The differences existed between accountants and non-accounts with respect to sufficiency of abridged financial statements; role of stock exchange in investors protection; usefulness of qualitative financial reports; the perceptional differences were found to exist between new entrants and early entrants with respect to role of stock exchange in investors protection; overall usefulness of financial reporting.

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