

**FACTORS AFFECTING PERCEIVED USEFULNESS OF INFORMATION DISCLOSED IN
FINANCIAL REPORTS IN INVESTMENT DECISION**

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Factors Affecting Perceived Usefulness of Information Disclosed in Financial Reports in Investment Decision**” The work of this dissertation has not been submitted previously for the purpose of conferral of any degree nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation I have received during this research work has been acknowledged. In addition, I declare that all the information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Somyan Maharjan has defended research proposal entitled “**Factors Affecting Perceived Usefulness of Information Disclosed in Financial Reports in Investment Decision**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Prakash Kumar Gautam Submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**Factors Affecting Perceived Usefulness of Information Disclosed in Financial Reports in Investment Decision**” Presented by Somyan Maharjan Candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

NEPSE	Nepal Stock Exchange
ASB	Accounting Standards Board
NAS	Nepal Accounting Standard
IAS	International Accounting Standards
NFRS	Nepal Financial Reporting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
FASB	Financial Accounting Standards Board
I.E.	That Is
R	Relevance
FR	Faithful Representation
U	Understandability
C	Comparability
PU	Perceived Usefulness
SPSS	Statistical Package for Social Science
ANOVA	Analysis of Variance
SD	Standard Deviation
SE	Standard Error

ABSTRACT

This study investigates the influence of qualitative characteristics of financial reports on their perceived usefulness for individual investors, based on the conceptual framework defined by the International Accounting Standards Board (IASB). It focuses on two fundamental characteristics—relevance and faithful representation—and two enhancing characteristics—understandability and comparability. The research employs a descriptive design, utilizing primary data collected through a self-administered structured questionnaire, with a sample size of 257 participants. Data analysis was conducted using SPSS and MS Excel, employing descriptive statistics, correlation, and regression analysis.

The findings reveal that all four qualitative characteristics significantly influence the perceived usefulness of financial reports, particularly in investment decision-making, portfolio monitoring, and analyzing future opportunities. Among the factors, comparability and faithful representation have the greatest impact, while relevance has the least. The study highlights that users prioritize comparable and credible information in financial reports for their decision-making process.

Additionally, the study observes that financial reports often lack forward-looking information and adequate disclosure of corporate governance practices, which are crucial for informed decision-making. It also finds that users value the organization and presentation of data, such as graphs and tables, which are easily understandable. Overall, the study concludes that individual investors consider understandability and comparability as the most influential qualitative factors in the perceived usefulness of financial reports.

Keywords: Financial Reports, Qualitative Characteristics, Perceived Usefulness, Relevance, Faithful Representation, Understandability, Comparability, Investment Decision Making, Portfolio Management, Information Disclosure, User Perception.

CHAPTER I

INTRODUCTION

1. 1 Introduction

All effective market participants view information as a way of communication. Transparency and transparency encourage businesses to safeguard investors, which raises investors' confidence in the capital markets. To make wise choices concerning the price, ownership, and voting of shares, prospective investors need access to timely, accurate, and comparable information. Market efficiency is hampered, capital costs rise, and resources are poorly allocated because of incomplete or imprecise information. As a result, disclosure must be accurate, on-time, and instructive to be useful. Companies need to implement generally accepted accounting and auditing standards and ensure the independence of the audit process to ensure the accuracy of revealed information. Therefore, it demonstrates that businesses should provide standard, timely, reliable, and sufficient information which helps users to make informed investment decisions.

Lamichhane (2018) study's findings revealed weak disclosure practices in the Nepalese stock market. According to the study's findings, listed companies are not complying with disclosure standards because many of them still hold annual general meetings after the deadline for doing so has passed but before the annual and audit reports have been submitted in accordance with the laws, internal rules, and regulations that apply to each act, law, and regulation. Without conducting background checks on promoters' track records in terms of their moral character, honesty, and professional experience, fraudulent and worthless securities are frequently issued in the securities market.

Financial reports are those that notify their users about the company's financial resources, claims made against it, and the results of various transactions, events, and circumstances that result in adjustments to those resources and claims. Specified financial reports may also provide additional details about the management's plans and expectations for the reporting company as well as other sorts of forward-looking information.

According to IASB, (2008), the main goal of financial reports is to give readers financial data about the reporting entity or firm that they can use to make investment decisions. Both the IASB and FASB's conceptual frameworks have established a certain class of major customers who serve as the company's capital providers. Current and potential equity investors, lenders, and other creditors are the main users because they all have

similar information demands. In addition to meeting the objectives of one specific group, general purpose financial reporting also addresses the needs of all capital sources.

Financial data in financial reports illustrates in words and numbers of financial activities that have already occurred (IASB, 2008). Financial information presented in financial statements and in other ways are both included in the qualitative features of useful financial information (FASB, 2018).

Depending on how they enhance the information's usefulness, these qualitative features can be classed as either basic or enhancing. No matter how it is categorized, each qualitative feature increases the value of financial reporting data FASB (2018), (IASB, 2008), and IFRS (2018). Financial data must have some fundamental qualities in order to be helpful, i.e., it must be current and accurately reflect what it purports to represent. Similar to this, information should have enhancing properties, such as being understandable, comparable, timely, and verifiable, to improve the decision usefulness of information to its consumers.

Regarding the qualitative features, or usefulness, that are provided in the financial reports by firms listed at the Nepal Stock Exchange, the purpose of this study is to determine the degree to which investors consider the information as being useful (NEPSE). Only when the usefulness is evaluated in terms of two essential features, namely relevance and faithful representation, and two enhancing characteristics, namely understandability and comparability, does it consider user perception.

1.2 Statement of the Problem

The information is considered as a communication means among all the efficient market companions. The receiver must be informed about the required communication process. Communication has no value; thus, no informational value is contained. The various accounting scandals have shaken and shocked the investors and financial markets' confidence thus further increasing the value of financial reports. Hence, consumers, employees, financial analysts, and other relevant stakeholders have all contributed to the creation of milestones in company reporting by demanding better ways of pursuing the real value of a company.

There are distinctive demands as well as where there are some flap information needs between different users which allows that these unique demands may be as a result of

different interests, financial skills and purposes of the users. The necessity of users and the role of company disclosure in decision making processes are debatable issues, as they are not known with any degree of certainty.

As a result, the necessity of an annual report remains an issue, despite the increased disclosure requirement and the expanded information contents contained in financial reports.

The role of financial information as a critical communication tool among market participants has gained increasing importance, especially in light of recent accounting scandals that have eroded trust in financial markets. These scandals have highlighted the necessity for transparent and reliable financial reports, as stakeholders—including consumers, employees, and financial analysts—demand clearer insights into the true value of companies. However, the varied information needs of different users, driven by their unique interests, financial skills, and purposes, pose challenges in meeting these demands uniformly. This discrepancy raises significant questions about the effectiveness of company disclosures and the extent to which financial reports fulfill their intended role in supporting decision-making processes. Therefore, this research seeks to address the central question –

- What factors influence the effectiveness of financial reports of listed companies in NEPSE?
- Do the financial reports of listed companies on NEPSE review the fundamental and improving quality factors with the implementation of IFRS in Nepal?
- What is the perception of stockholders on the usefulness of financial information contained in financial reports of listed companies?
- How do financial reports of companies listed on NEPSE meet financial reporting quality dimensions?

1.3 Objectives of the Study

The main objective of the study is to evaluate an investor's perception on the usefulness of information disclosed in the financial reports by companies in their investment decision, Further, this study has following specific objectives –

- To assess fundamental and enhancing quality aspects are more prevalent in the financial reports of the listed companies in NEPSE.

- To examine perceived usefulness of financial reports to make investment decisions, monitor portfolio, analyze future investment possibilities.
- To analyze the factors influencing the usefulness of financial reports of listed companies in NEPSE.
- To evaluate the overall extent to which financial reports of listed firms in NEPSE reflect financial reporting quality dimensions.

1.4 Research Hypotheses

The main objective of the study is to set the examination for the factors affecting perceived usefulness of information disclosed in financial reports. The number of hypotheses were tested to achieve the research objectives. Thusly some hypotheses are proposed as follows:

H1: There is a significant influence of relevance of information disclosed on perceived usefulness.

H2: There is a significant influence of faithful representation on perceived usefulness.

H3: There is a significant influence of understandability on perceived usefulness.

H4: There is a significant influence of comparability on perceived usefulness.

1.5 Significance of the Study

The fundamental purpose of a financial report is to furnish useful information to its users that may aid in making investment related decisions. The usefulness of financial reports to its users, especially to independent investors, has not been explored in the research area of Nepalese context. This study also helps by providing insights to other researchers to conduct similar studies. So, this study provides the understanding of perceived usefulness of financial reports to the listed companies in Nepal. It also helps to know how far the investor relies on the information of financial reports along with that it reveals if the investors consider the information disclosed as relevant, comparable, and understandable.

Similarly, to this, the study offers the listed company's information about the usefulness of the financial reports to their users and helps them make the required improvements so that they fully meet those needs. In the same vein, it helps future researchers understand how to undertake additional research in the same field while considering unexplored aspects.

1.6 Limitations of the Study

- The study only looks at how individual investors perceive things; therefore, the findings could not apply to all users.
- The gathered information was interpreted in accordance with the researcher's priorities, which may have somewhat distorted the truth.
- Interpretation and conclusion were drawn within the limitation of answers provided by the respondents.

CHAPTER II REVIEW OF LITERATURE

2.1 Literature Review

The perceived usefulness of information disclosed in financial reports plays a crucial role in investment decision-making. This perception is influenced by various qualitative characteristics of the financial information, as well as external factors related to the user's context and the overall reporting environment. The theoretical framework for understanding these factors can be grounded in the conceptual framework provided by the International Accounting Standards Board (IASB), which identifies key qualitative characteristics that enhance the utility of financial information.

i. Relevance:

Relevance is one of the fundamental qualitative characteristics that affect the perceived usefulness of financial information. According to the IASB, information is relevant if it is capable of making a difference in the decisions made by users. This means that relevant information should have predictive value, confirmatory value, or both. In the context of investment decision-making, relevant information allows investors to assess past performance and predict future outcomes, thereby influencing their investment choices.

ii. Faithful Representation:

Faithful representation, another fundamental characteristic, dictates that financial information must be complete, neutral, and free from error. For investors, faithful representation ensures that the financial reports reflect the true financial position and performance of the entity. When information is perceived as faithfully represented, it enhances investor confidence, which is crucial for making sound investment decisions.

iii. Understandability:

Understandability is an enhancing qualitative characteristic that affects how users perceive the usefulness of financial reports. Information should be presented clearly and concisely, enabling users with a reasonable level of financial knowledge to comprehend it. The complexity of financial reports can pose challenges for some investors, particularly

individual investors with varying levels of financial literacy. Therefore, understandability is essential for making financial reports accessible and useful to a broader audience.

iv. Comparability:

Comparability allows users to identify similarities and differences between two sets of economic phenomena. It enables investors to compare financial information across different periods and with other entities, which is crucial for evaluating investment opportunities. Comparability is enhanced when financial reports follow standardized accounting practices, facilitating better comparisons and thus influencing perceived usefulness in investment decision-making.

v. Timeliness:

Timeliness refers to the availability of information to decision-makers in time to influence their decisions. The faster and more current the information, the more valuable it becomes for investors who need up-to-date data to make timely decisions. Delays in the disclosure of financial reports can reduce their perceived usefulness, as outdated information may not accurately reflect the current financial health of a company.

vi. Verifiability:

Verifiability ensures that different knowledgeable and independent observers can reach a consensus that an event is faithfully represented. This characteristic boosts the credibility of financial information, as it assures investors that the information can be corroborated. High verifiability increases trust in the disclosed information, making it more useful for investment decisions.

2.2 Review of Empirical Studies

The perception of investors or various user groups of corporate annual reports has been examined in several studies. (For example, Naser, Nuseibeh and Al-Hussaini (2003); Joshi and Patel (2013); Abu-Nassar and Rutherford (1996); Al-Ajmi (2009); Alattar and Al-Khater (2007); Al-Shatnawi and Mahmoud (2017). Zairi and Letza (1994) discovered that the purpose of an annual report is to convey information which is useful to those who have an active interest in organizations, mainly shareholders but the existing methods of

reporting company performance are inadequate.

GASB (1987) outlined six basic characteristics that the state and governmental financial reports should possess which are understandability, reliability, relevance, timeliness, consistency, and comparability. Naser, Nuseibeh and Al-Hussaini (2003) refers to the idea of Buzby (1974) who held that corporate information could be useful, adequate and readable, if presented in an understandable and organized manner. To communicate corporate information to its various users, the company makes an effort to ensure a correct selection of information (Neimark,1992).

Beest, Braam and Boelens (2009) stated that financial reporting quality is a broader concept which is not only related to financial information, but also to disclosures, and other nonfinancial information that are useful for decision making. Both the Financial Accounting Standards Board (FASB) and International Financial Reporting Standards (IFRS) focus on a comprehensive assessment of financial reporting quality including all qualitative characteristics as defined in the Conceptual Framework for reporting.

Qualitative characteristics are the attributes that make financial information useful which can be distinguished as fundamental or enhancing characteristics, depending on how they affect the usefulness of the information (IASB, 2008). Qualitative characteristics are those factors which makes and provides the information useful to its users and provide the information of companies as per its financial position and performance (Rahmani & Jabari, 2015). The qualitative characteristics are either related with the content of information contained in financial statements or on how the information on financial reports is presented.

IFRS (2018) and FASB (2018) both has defined financial reporting quality in terms of fundamental and enhancing qualitative characteristics underlying decision usefulness. The first one is concerned with the content of information, whereas the second one is concerned with the representation of the information. The fundamental qualitative characteristics are relevance and faithful representation which are most important and determine the content of financial reporting information. Whereas understandability, comparability, verifiability and timeliness are enhancing qualitative characteristics that can improve decision usefulness when the fundamental qualitative characteristics are established.

Accounting Standards Board (ASB) develops the accounting standards in Nepal. Earlier ASB had issued Nepal Accounting Standard (NAS) in line with International Accounting Standards (IAS) and with the gradual replacement of IAS by updated IFRS, the board now has issued Nepal Financial Reporting Standards (NFRS) on basis of recent international standards i.e. IFRS. NFRS adopts the standards and interpretations implemented by ASB. Revision, amendments, and withdrawals made by IASB to the IAS, IFRS shall accordingly be treated as affected with immediate revision, amendments, and withdrawals in NFRS by ASB as well, up to the extent that does not conflict with existing national laws (ICAN, 2015). ICAN has announced and issued NFRS in compliance with IFRS which is applicable mandatorily for banks and listed companies from 16 July 2015.

Information in the annual report can be divided into two parts. The first part consists of chairman and directors' reports. The second part contains the main financial statements which includes balance sheet, profit and loss statement, cash flow statement, auditors report and notes to financial statements. Similarly, the corporate information must be available to decision makers before it loses its capacity to influence their decision so that it is confirmed to be relevant (Naser, Nuseibeh, & Al-Hussaini, 2003).

Alattar and Al-Khater (2007) found corporate annual reports to be important, useful and relevant for making investment decisions with balance sheet, auditors report and cash flow statement being the most important sources whereas, balance sheet, notes to account and income statement were found to be the most understandable sections. Similarly, the study conducted by Al-Razeen and Karbhari (2004) in Saudi Arabia also revealed that the corporate annual report was the most important source of information for various groups of investors. The study conducted by Naser, Nuseibeh and Al-Hussaini (2003) also found annual reports to be an important source of information where timeliness and credibility was considered the most important feature of corporate information. Contrary to these studies, Abu-Nassar and Rutherford (1996) found that users perceive all sections of annual reports easy to understand but lack credibility and reliability on these reports.

Joshi and Patel (2013) investigated the extent that potential users perceive financial information disclosed in the annual reports by companies listed at the National Stock exchange (NSE) as accessible, sufficient and useful to their investment decisions of Vadodara city. The study results identified that most of the respondent's perceived disclosed information as neither relevant nor sufficient for investment decision. The study

suggested that published information was not enough as listed companies did not fulfill the minimum disclosure requirement. The users were found to give high importance to profit and loss statements, balance sheet & cash flow statements while making investment decisions.

Abu-Nassar and Rutherford (1996) examined the way in which users of external financial reports view those reports in a less-developed country with a moderately well-structured capital market particularly of Jordan. The results revealed that among five groups of users, most users were moderately dependent on corporate annual reports for their decision making where individual investors were found to use relatively less than other groups. As of the study of Joshi and Patel (2013), income statements and balance sheets received the most attention but found the amount of information disclosed to be inadequate.

In the context of Bahrain, Al-Ajmi (2009) empirically investigated perceptions of individual investors (large and small) at the Bahrain stock exchange (BSE) regarding published corporate financial statements in their investment decisions are also found out what type of information investors consider as important for buying, holding and selling of stock. The study results showed financial statements as providing relevant and useful information for investment decisions where both groups of investors perceived annual reports followed by personal expectations as important sources of information whereas rumors from the market to be least important source of information for investment decisions. Increase in the company's profits and better future of the company were identified as major motives for buying shares whereas, bad future of the company and decline in the company's profits were major reasons for selling shares.

A study conducted by Magena, et al. (2007), determined the perception of financial analysts and fund managers about the importance of 113 items (divided into 6 categories) disclosed in interim reports of UK listed companies. It was found that the increased disclosure in different sections of the interim reports and the items disclosed there in as important and useful for their investment decisions where both groups perceived profit and loss account and cash flow statement sections as the most important section. Contrary to previous studies (e.g., Abu-Nassar and Rutherford (1996); Joshi and Patel (2013) balance sheet were rated as the fourth most important. The users were mostly interested in the items of profit or loss on ordinary activities before tax, profit or loss for the period in profit or loss, net cash inflow/outflow from operating and total figure for return on

investments and servicing finance.

Regarding the important source of information Mirshekary and Saudagaran (2005) found published annual reports to be an important source whereas advice from stockbrokers and acquaintances and tips and rumors were found to be the least important source in Iran. Income statement, the auditors' report, and the balance sheet were considered as the three most important sections of the annual report. But the main factors restricting the effective use of annual reports were found to be poor timeliness, lack of reliability and lack of adequate disclosure of information.

Mercer (2004) identified situational incentives at the time of disclosure, management's competence and trustworthiness, level of external and internal assurance and characteristics of disclosure as four factors that investors consider while assessing credibility of management disclosure. Further stated that few incentives to mislead investors and validation enhanced disclosure credibility. Listing of a company in a capital market, poor corporate governance, deviation from accounting principles, insufficient supervision and audits performed by concerned bodies, training of personnel, auditing firm, independence of board of directors' members are major factors that affect the quality of financial reports (Tasios & Bekiaris, 2012).

Regarding the alternative source of other than corporate annual reports, Alattar and Al Khater (2007) found government publication to be an important source of information where new and useful information and easy access were major reasons for employing other sources of information.

A study conducted among the General public by Soyinka, Fagbayimu, Adegoroye and Ogunmola (2017) found out that users of financial reports do not rely on it as the companies don't provide information as per the need of stakeholders. Relevance and faithful representation were found to be important factors for decision making while reliability, understandability, comparability, timeliness and verifiability weren't perceived as much useful for decision making. Thus, the information needs to be more reliable, understandable, comparable, timely and verifiable to be meaningful and beneficial to the users. Whereas Tasios and Bekiaris (2012) found that auditors considered faithful representation as the major factor of the financial reports and the study conducted by Al Shatnawi and Mahmoud (2017) found that users perceived both the primary and

enhancing factors as important aspects of financial reports for making investment decisions. Similarly, the users also wanted these reports to incur the quality that would help them in predicting economical events and Future plans.

According to Davern, et al. (2018) financial reports have been acknowledged as the primary source of information about the company's financial performance and position by investors and other external stakeholders. However, questions have been raised on the continuing usefulness of financial reports to investors. Some academic studies point to evidence indicating a decline in usefulness of financial reports to investors over time. Other reports seek to explain the decline in usefulness of financial reports due to the rise in alternative sources of information, lack of timeliness, increasing complexity and length, particularly in relation to note disclosures and inability to capture corporate values. Though the financial reports have been criticized for not meeting the needs of users; research conducted by Daven et al., (2018) provides evidence that these financial reports are still of relevance to investors. Rahmani and Jabari (2015) stated that relevant reports are preferred by users more than the reliable ones.

These literatures suggest that there are several characteristics that make a financial report to be useful and beneficial to the users, it should be understandable, reliable, relevant, timely, consistent, and comparable.

2.3 Methods of Measuring the Quality of Financial Reporting

There has been use of various measurement methods to measure the quality of financial reporting. Beast et al., (2009) recognized four broad categorizations of measurement tools which are accrual models, value relevance models, specific elements of financial reports and methods operationalizing the qualitative characteristics. Prior literature was found to have widely used these models to assess the quality of financial reporting.

Accrual Models

The accrual model follows earnings quality measurement. According to Schipper and Vincent (2003), earning management refers to the determination of earning some private gain through purposeful intervention in the external financial reporting process. Similarly, according to Chen (2010), the management which uses accounting techniques to meet the executives needs for earnings is known as earning management. Under this model company's earnings are considered the most important item on which a manager is

believed to have some level of control to manage it (Mbobo&Ekpo, 2016). Accrual models can be discretionary accrual and non-discretionary accruals, but the earlier one is the most widely used method (Chen, 2010). According to Healy and Wahlen (1999), data collection and measurement is quite easy while using discretionary accruals as well as it is possible to examine the effect of company characteristics on the extent of earnings management when using a regression model. At the same time, it is difficult to say which accrual model to use and only provides an indirect measure for measuring the quality of financial reporting.

Value Relevance Models

Value relevance model focuses on the relationship between earning figures and stock market reactions to measure the quality of financial reporting information (Barth et al., 2001). Under this model, the stock price is assumed to represent the market value of the firm, while accounting figures represent firm value based on accounting procedures. When both concepts are strongly correlated, (i.e. changes in accounting information correspond to changes in market value of the firm), it is assumed that earnings information provides relevant and reliable information Jonas and Blanchet (2000); Schipper and Vincent (2003). According to Schipper and Vincent (2003), this method is used to examine earnings persistence, predictive ability, and variability, as elements of earnings quality. Although the model provides insight into the economic value of earnings figures, it does not distinguish between relevance and reliability. In other words, it does not explicitly show whether tradeoffs have been made when constructing accounting figures. Above all, it provides only an indirect measure of financial reporting quality.

However, both the accrual models and value relevance model only focus on information disclosed in financial statements to assess the financial reporting quality which consider the financial information only Healy and Wahlen (1999); Barth et al., (2001).

Specific Elements of Financial Reports

This method of measuring the quality of financial reporting measures the quality of specific elements in annual financial reports as a benchmark for the overall financial reporting quality. This model considers both financial and non-financial information. It thus analyzes the effect of presenting specific information in the financial report on the decisions made by the users of such information. Although this model provides a direct measure of financial reporting quality, it has a partial focus, and does not provide a

comprehensive overview of total financial reporting quality (Beest et al., 2009).

Methods Operationalizing the Qualitative Characteristics

This is the latest model for measuring the quality of financial reporting that examines the level of decision usefulness of financial reporting information by operationalizing the qualitative characteristics of financial reports (Beest et al., 2009). This model focuses on assessing the qualities of different aspects and dimensions of financial and non-financial information of financial reports. In order to determine their usefulness. Jonas and Blanchet (2000) pioneered the use of this model in assessing the quality of financial reporting and developed the questions for all the qualitative characteristics of financial reporting as stipulated by the FASB and IASB. According to the literature of Mbobu and Ekpo (2016), the model was later found to be used by McDaniel, Martin and Maines (2002); Lee, Strong, Kahn and Wang (2002) and Beest et al., (2009) in their studies. However, McDaniel et al.,

(2002) and Lee et al., (2002) operationalized the qualitative characteristics based on FASB (1980) and IASB (1989), Beest et al., (2009) operationalization was based on the IASB Exposure Draft (ED) of 2008. Most of the research in this category has studied either one or more qualitative characteristics individually, with the exception of Beest et al., (2009) who combined all qualitative characteristics in one study, incorporating them in a financial reporting quality index (Tasios & Bekiaris, 2012). The major advantage of this model is that it provides a direct measure of financial reporting quality and covers all aspects of financial reports, including both financial and non-financial information.

Thus Beest et al., (2009) concludes that accrual models and value relevance literature only focus on information disclosed in financial statements to assess the financial reporting quality. Whereas the method of specific elements in the annual report include both financial and non-financial information, but are not able to assess financial reporting quality comprehensively. Lastly, the qualitative characteristics model comprehensively assesses the quality of financial and non-financial reporting information in the financial report considering all dimensions of decision usefulness.

Table 1
Meta Table

Author (s)	Country/ Year	Variables used	Methodology	Major Findings
Mbawuni	Ghana (2019)	Relevance, faithfulness, representability, comparability, timeliness	Purposive sampling technique, experienced professional chartered accountants who rated 20 financial reports, 5-point Likert scale, descriptive analysis, bivariate correlation	The financial reports reflected more offaithfulrepresentat ion and relevance whereas, comparability and timelines of the financial reports received poor ratings
Etim	Nigeria (2015)	Relevance, faithfulness, representability, comparability, timeliness	purposive sampling technique, 10 money deposit banks, descriptive research approach, regression	Relevance had highest impact on the accounting reports of the banks and financial reports were found complying with the reporting requirement
Mbobo & Ekpo	Nigeria (2016)	Relevance, faithfulness, representability, comparability, timeliness	120 professional accountants, survey research approach, four-point Likert scale, descriptive analysis	Faithful representation perceived important factor followed by relevance

Al-Shatnawi	Jordan (2017)	primary qualitative characteristics, enhancing qualitative characteristics, and quality of the interim financial reports	72 individuals, descriptive analysis, questionnaire methods sample t-test and simple linear regression analysis were employed to test the	Qualitative characteristics of both the primary and enhancing aspects affects quality of interim financial reports which were found to have impact on investment decision making
Soyinka et al.	Nigeria (2017)	Relevance, faithful representation, reliability, understandability, comparability, timeliness, verifiability,	57 students, Ordinary Least Square (OLS) regression	Only relevance and faithful representation were found to be useful in making investment decision
Al-Dmour, Abbod, & Qadi,	Jordan (2018)	Relevance, understandability, faithful representation, non-financial business performance	239 respondents, descriptive analysis, multiple regression analysis technique	Financial reporting qualities influence the non-financial business performance

Rahmani & Jabari	Iran (2015)	Faithful representation, neutrality, conservatism, completeness, relevance, reliability, comparability, understandability,	185 firms, quasi-experimental study, descriptive approach, structural equations model (SEM)	Except for understandability, all other qualitative characteristics had impact on usefulness where relevance had greater impact on usefulness than reliability in decision making process by users
Dastgir, Karimi, & Moradi	Iran (2009)	Reliability, Relevance	107 firms, Regression, factor analysis	Investors didn't find qualities of financial information decision-making

2.4 Research Gap

Very few studies have been conducted considering the conceptual framework of IASB and FASB that has defined financial reporting quality in terms of fundamental and enhancing qualitative characteristics underlying decision usefulness. El-Maude et al., (2015); Al-Shatnawi (2017) and Soyinka et al., (2017) studied decision usefulness and financial reporting considering both the fundamental and enhancing variables, whereas Al Dmour et al., (2018) included both the two fundamental variables and only one enhancing variable. However, research regarding the qualitative characteristics of financial reporting in Nepal is limited and no study has been conducted in Nepal that specifically assesses the extent to which the financial reports of listed companies reflect the fundamental and enhancing qualitative characteristics proposed by IASB and FASB for IFRS adopters. Thus, with the scopes of most of the existing studies covering limited geographical regions, particularly developed countries along with the raising criticism for not meeting the needs of users and questions on continuing usefulness of financial reports to investors, there arises the need to study the usefulness of the financial reports in the Nepalese context which has been contributed by the current study.

CHAPTER III RESEARCH METHODOLOGY

This chapter explains the research design of the study as well as the methods used to collect and analyze the data. Further it explains show the study was conducted and hypotheses were tested to meet the objectives of the study.

3.1 Research Design

The study utilizes observational research method which is a part of conclusive research design. The main idea behind using descriptive research is to better define the opinions and attitude by a group of people (Sekaran&Bougie,2010). The data are quantitative in nature which has been collected using primary source i.e. survey method. Structured close end questionnaire had been distributed among the investors.

3.2 Population and Sample Size and Sampling Technique

The population for the study is the people who are actively involved in the share market i.e. those who have traded in NEPSE or participated in any kind of stock investment activity. Since there is not any official list of investors in the Nepalese stock market, the exact population of the study is not known or undefined. Thus, the researcher has used the sample size formula developed by Godden.

Godden (2004) defined the sample size formula for infinite population when population is greater than 500,000 which is used to arrive at are presentative number of respondents when population is unknown.

$$n = \frac{Z^2 * p * (1-p)}{M^2}$$

Where,

n=sample size for infinite population

Z=Z value (e.g. 1.96for 95percentconfidencelevel)

p = Population proportion (expressed as decimal) (assumed to be 0.5 (50 percent))

M=Margin of error at 5 percent (0.05)

Thus, using the sample size determination formula for the unknown population, the sample size of 384 has been determined.

Sampling Technique

Nonprobability convenience sampling technique has been used to select the respondents where subjects are selected because of their convenient accessibility and proximity to the researcher. Altogether there are 92 licensed brokerage firms listed in NEPSE inside Kathmandu valley (NEPSE, 2024). First, a list of all broker firms was identified, out of which the researcher selected and visited the convenient locations during trading hours after getting approval from concerned authority. The questionnaires were distributed among the investors present in those broker houses after receiving the consent of investors. Researchers has visit 20 broker houses covering the offices of the location in Pulchowk, Teku, Putalisadak, Anamnagar, Dillibazar and Naxal.

3.3 Instrumentation

A structured questionnaire was designed to fulfil the research objectives that provide the primary data. This instrument has been used in prior studies to obtain insights on different user groups view of annual report disclosures and their usefulness in investment decision Abu-Nassar and Rutherford (1996); Mirshekary and Saudagaran (2005); Al-Razeen and Karbhari (2004); Joshi and Patel, (2013). It is considered a practical and efficient means of collecting data on perceived usefulness.

However the questionnaires' content i.e. constructs and measures of variables were mainly in corporate from IASB (2008) and FASB (2018) conceptual framework and operationalized by Beest et al., (2009) which had been applied in various studies: Jonasand Blanchet (2000); Al-Dmour (2018); Al-Shatnawi and Mahmoud (2017); Mbawuni(2019);Soyinka et al., (2017); El-Maudeetal., (2015).

A self-administered, structured closed-ended questionnaire with a five-point Likert scale (strongly agree, agree, neutral, disagree, and strongly disagree) was developed. The questionnaire was divided into two major sections. The first section contained the general sample description and demographics of the respondents. The second

section contained the factors affecting the usefulness of information disclosed in financial reports. Here the questions related to each qualitative characteristic of financial reporting information were incorporated as developed by Beestetal, (2009). Two fundamental qualitative characteristics: relevance and faithful representation which are most important and determines content of financial reporting information and two enhancing qualitative characteristics: understandability and comparability that can improve decision usefulness were taken. Similarly this section also covered the perceived usefulness of financial reports by the investors where three constructs have been adapted as per the study of Naser, Nuseibeh and Al-Hussaini (2003); Alattar and Al-Khater (2007) which are useful to make informed investment decision, monitor portfolio and analyze future investment possibilities.

3.4 Sources and Methods of Data Collection

The study is based on primary data. The primary data will be collected using the structured questionnaire that was distributed to individual investors. The data will be collected through direct visits to 20 broker houses in the valley. The questionnaire included close ended questions. Researchers will personally distribute the questionnaire to each investor and were collected after the respondents finished filling the questionnaire.

3.5 Data Management and Analysis

The data collected was analyzed using descriptive and inferential statistics to summarize the data in ways that are meaningful and useful. Statistical Package for the Social Sciences (SPSS) was used to analyze the data. The descriptive statistics includes mean, standard deviation, percentage, and rank. Percentage was used to get the information on the demographic profile of users, such as gender, age, qualification, experience. Mean, standard deviation and rank was used to identify the major factor affecting usefulness and perceived usefulness of information disclosed in financial reports. While for the inferential analysis correlation and simple regression analysis were used in testing the hypothesis at 0.05 percent level of confidence-1tailed test

Model Specifications

The model used by Soyinkaetal., (2017); El-Maudeetal., (2015); Beestetal., (2009); Al-Dmour(2018);Al-Shatnawi and Mahmoud(2017) have been modified and used as per the objective of the current study. The model for this paper has been specified as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where:

Y=Perceived Usefulness (Dependent variable)

β_0 = The value of Y perceived usefulness is equal to zero. This is also called the “Y Intercept”.

X=Independent variables

X1=Relevance

X2=Faithful representation

X3=Understandability

X4=Comparability

ϵ =Error term

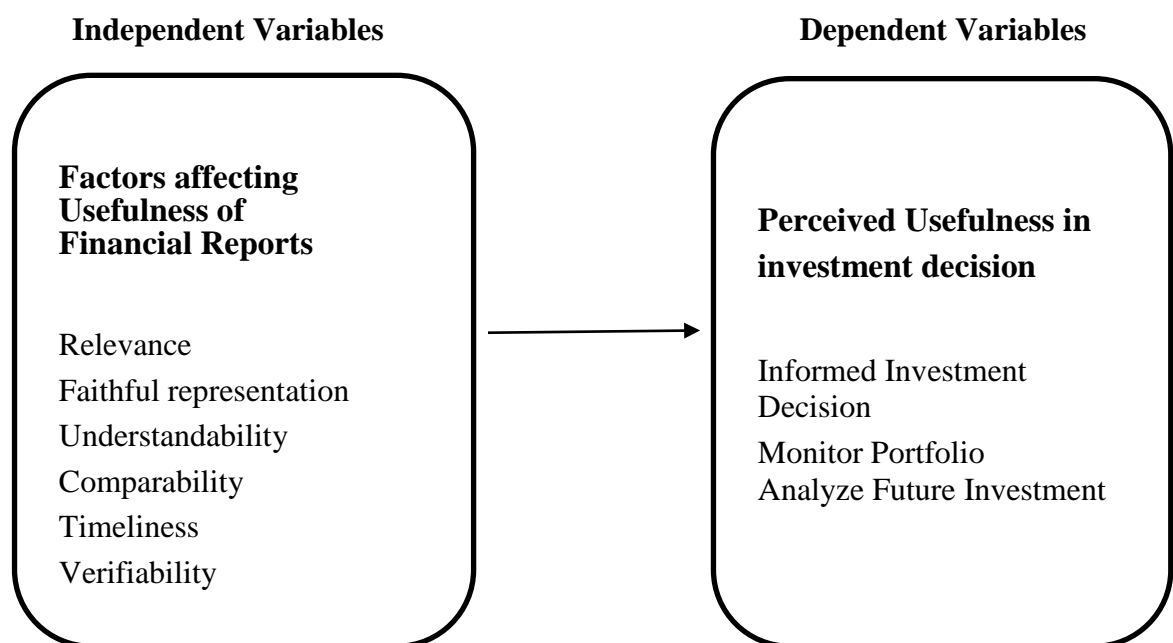
3.6 Ethical Consideration

The researcher has conducted the research by adhering to the norms that should be followed while conducting research. The study is conducted ethically. The researcher followed all the binding rules and regulations, and no unethical activities were performed throughout the survey as well as report writing as per the standard set by the university. The research was conducted ethically with the prior consent of the respondents by giving clear explanation of the objective of the data collection and how respondents would be helpful for this project. No respondents were forced to fill up the questionnaire and were assured that their information would be used for academic purposes only and kept confidential. Similarly, the researcher has cited and provided references to the ideas taken from other authors.

3.7 Conceptual Framework

On the basis of the literature reviewed, a theoretical framework for the study is presented below. It includes the dimensions as presented by the conceptual framework

of (IASB, 2008); FASB (2018) of financial reporting quality for all adopters of IFRS including Nepal and operationalized by Beest et al., (2009) which had been applied in various studies Soyinka et al., (2017); El-Maude et al., (2015); Al-Dmour (2018); Al-Shatnawi and Mahmoud (2017); Mbawuni (2019). The dependent variable is perceived usefulness of financial reports which were measured in terms of usefulness to make informed investment decisions, monitor portfolio or investment, and analyze future investment possibilities. The independent variables are the factors affecting usefulness of financial reports i.e. qualitative characteristics which include relevance, faithful representation, understandability and comparability.



Operationalization of Variables

Fundamental qualitative characteristics

The fundamental qualitative characteristics are relevance and faithful representation which are most important and determine the content of financial reporting information (IFRS, 2018). The financial information should be relevant and faithfully represented in order to be useful to the users.

Relevance

The information in financial reports are said to be relevant if it has the capability of making difference in the decisions made by the users by helping to form predictions about the outcomes of past, present, and future events or to confirm or correct prior

expectations(IASB, 2008). When the information related to an economic phenomenon has predictive value, confirmatory value or both, it has the capability to make the difference in decision making. Financial information has predictive value if it can be used as input to processes applied by users to form their own expectations about the future. Financial information has confirmatory value if it provides feedback in terms of confirmation about previous evaluations (FASB, 2018).

Predictive value is considered as the most important indicator of relevance in terms of decision usefulness which consists of three elements. The first element is concerned about the extent to which annual reports provide forward-looking statements. The forward-looking statement is basically related with the management's expectations regarding future growth of the company. Since the management has access to private information through which they produce a forecast which is not accessible to other stakeholders and that makes the information relevant to investors and other users of the financial report (Bartov & Mohanram, 2004).

The second element measures to what extent financial reports disclose information concerning business opportunities and risks. This kind of information can provide an apparent vision about future scenarios of the company (Tsoncheva, 2013).

The third element measures a company's use of fair value. Fair value represents the current value of assets instead of the purchase price which is why fair value accounting is supposed to be more relevant than historical price (Schipper & Vincent, 2003). In addition, both the FASB and IASB consider fair value accounting to increase the relevance of financial reporting information, since they consider fair value as one of most important methods to increase relevance.

Confirmatory value also contributes to the relevance of financial reporting information. Information has confirmatory value if it provides feedback information on how various market events and significant transactions affected the company (IASB, 2008). According to Jonas and Blanchet (2000) previous transactions and events help users to have their expectations confirmed or altered regarding the company.

According to Barth et al., (2001) relevance and reliability are different terms. The correlation between economic amounts and equity values is relevant. Whereas reliability is

the correlation between economic amounts and faithful representation. Further a distinction is made between value-relevance and decision relevance where timeliness of information is considered the major factor for the distinction. Financial information may be relevant in value but not relevant in decision making because it would lose its capacity to influence to make decision if not supplied on time.

Faithful Representation

In order to be useful, it not only needs to be relevant but also must faithfully represent the information that it contains. FASB (2018) defines faithful representation as “correspondence or agreement between a measure or description and the phenomenon that it purports to represent (sometimes called validity)”. A faithful representation is affected by the level of measurement uncertainty, however to represent the financial information faithfully, it must be complete, neutral and free from error (IFRS, 2018).

According to the literatures, it is found that faithful representation is measured in terms of five elements: lack of material errors, comprehensiveness, neutrality, verifiability and control Jonas and Blanchet (2000); Enyi et al., (2019); Tsoncheva (2013).

The first element for financial information to be useful to users is that it should be “free from bias”. Since financial phenomena presented in annual reports are frequently measured under conditions of uncertainty, thus financial reports can never be free from bias. It is necessary to look at the arguments provided on various evaluations and estimations that are made on the financial reports which helps to achieve a certain level of accuracy to be useful to make decisions (Tsoncheva, 2013). If the arguments made for the assumptions and estimates made are valid, they are likely to represent the financial or economic events without bias.

The second element is comprehensiveness or completeness. The representation of financial information is complete if the included information contains all the necessary information without any omission including all necessary description and explanations. The incomplete information or an omission may lead to misleading information which may not be useful to the users of financial reports (IASB, 2008). Free from error does not mean perfectly accurate in all respects; rather it means there are no errors or omissions in the description of the phenomenon, and the process used to produce the financial information (FASB, 2018). Verified and well-founded arguments of the accounting principles and the clear

information regarding the choice of the accounting principles increase the probability that the preparers fully understand the measurement method.

The third measure is neutrality which means the absence of bias intended to attain a predetermined result or to induce a particular behavior. When the information is neutral, it represents financial information without bias without coloring the real scenario. Whereas if the information is not neutral then it influences behavior of decision makers in a particular direction to achieve the predetermined outcome (IASB, 2008). Thus, to be neutral, there should not be any bias in the selection or presentation of financial information. This implies that financial information must not be manipulated in any way that financial information would be received favorably or unfavorably by users (Soyinka et al., 2017). Jonas and Blanchet (2000) says, neutrality is about objectivity and balance where financial reports should place balanced emphasis on both the positive and negative events while discussing the financial results.

The fourth element to measure faithful representation of financial information is verifiability of the information presented in the financial reports. It is concerned about how financial information is faithfully represented in the auditor's report. Verifiability is the ability of the information to claim or confirm that the information incorporated in the financial reports are valid without any bias and confirmed through consensus among measurers

(FASB, 2018). The auditors' report adds value to financial information by providing reasonable assurance about the degree to which the annual report represents economic phenomena faithfully (Gaeremynck & Willekens, 2003).

The last element to measure the faithfulness of the financial information in financial reports is the corporate governance statement. Corporate governance refers to the means which the business enterprise organizes and shares the responsibility of management and control. Poor governance and internal controls reduce the quality of financial reporting (Beestet al., 2009). Information related to corporate governance provides value to the users of financial reports as this information helps to surge the probability of faithfully represented information in financial reports (Sloan, 2001).

Soyinka et al., (2017) said that for financial information to be useful, it should be both relevant and faithfully represented. When information that is represented faithfully, but is

not relevant, or the other way around it is not considered to be useful. Thus, neither a faithful representation of an irrelevant phenomenon nor an unfaithful representation of a relevant phenomenon helps users make good decisions. Whereas, Rahmani and Jabari (2015) said that relevant information is the first need of the users which is then followed by reliable information in their decision-making process.

Enhancing Qualitative Characteristics

The information that is relevant and faithfully represented can be enhanced further by making the information more understandable, comparable, verifiable and timely which are the enhancing qualitative factors. These qualitative factors enhance the decision usefulness of information (FASB, 2018). Enhancing qualitative characteristics complements the fundamental qualitative characteristics. Enhancing qualitative characteristics helps to differentiate more useful information from less useful information (IASB, 2008). If the information is already non useful the enhancing qualitative characteristics cannot make that information useful (IFRS, 2018).

Understandability

Understandability is the quality of information that users of financial reports will perceive its significance in their decisions. When the information is classified, characterized and clearly presented it becomes understandable to users. (FASB, 2018). According to Jonas and Blanchet (2000), classified and characterized information refers to how well-organized it is easier to comprehend where to search for specific information. Understandability can be measured using five elements that emphasize transparency and clearness of the information presented in annual reports Jonas and Blanchet (2000); Tsoncheva (2013). Qualitative characteristic understandability will be present if all its four elements are available because all the four constituents are equally important.

First element is concerned with well and orderly organization and presentation of information in the financial reports that helps to search the information easily. A well organized and structured information helps to look for specific information (Tsoncheva, 2013).

The second element is concerned with how notes and balance sheets and income statements are clear. Furthermore, Beretta and Bozzolan (2004) said that disclosure information, and in particular the notes to balance sheet and income statement, may be valuable in terms of explaining and providing more insight into earnings figures.

The third element is concerned with the availability along with clear presentation of tables and graphs which can greatly increase understandability of the users. The presence of information in the form of tabular or graphic formats helps to improve understandability by clarifying relationships and ensuring conciseness (Jonas & Blanchet, 2000).

The fourth element is concerned with the clarification of specialized terminology by the means of additional notes and explanations. Preparations of the financial reports should use easily understandable words and sentences so that it will be easy for the users to understand the information better. In case if technical jargons are unavoidable, then additional explanation must be provided in a glossary or in footnotes, so to enhance the understandability of information. Especially narrative explanations help to increase the understandability of information (IASB, 2008).

Comparability

The quality of information that enables users to recognize similarities and differences between two sets of economic events is referred to as comparability. Consistency refers to the conformity from period to period with unchanging policies and procedures (FASB, 2018). Although consistency is related to comparability, these two terms are not the same. Comparability is the goal while consistency is a means to an end that helps in achieving that goal (IASB, 2008). On the basis of consistency, comparability can be measured with the help of four elements where consistency is measured in use of the same accounting policies and procedures from period to period within a company. Jonas and Blanchet (2000) define consistency as the quality of information to cope with change and uncertainty.

The first element of comparability is concerned with the consistency in the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities. Thus information in the financial reports are more useful to the users if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date (FASB, 2018).

New information, rules or regulations generally cause companies to change their estimates, judgements, and accounting policies and procedures where the companies should clarify the reason for the changes and how these changes affect previous results. In terms of

consistency, it is thus the second element that is concerned with the company's previous accounting period's figures which should be adjusted for the effect of the implementation of a change on accounting policy or revisions in accounting estimates. Important that these companies explain how these changes affect previous results (IASB, 2008).

The third element is related to using the same accounting procedures every year where the current year's figures should be comparable to previous years' figures. Comparability of the information in the financial reports can be improved by providing the outline on how the company compares the results of different periods, even when no changes occurred in the estimates, accounting policies and procedures, this will improve the comparability of financial reporting information (IASB, 2008). Comparability doesn't only mean a company using a consistent accounting procedure, it is also about the possibility to match and compare different business enterprises (Tsoncheva, 2013).

The fourth element is concerned with the financial reports presenting the financial ratios and indexes which can be compared with the successful performance of other companies. Tsoncheva (2013) said that for the ratios i.e. financial indicators and indexes to be useful, they should be comparable with the successful performance of other companies.

Verifiability

Verifiability is the ability of the information to claim or confirm that the information incorporated in the financial reports are faithfully represented valid without any bias and confirmed through consensus among measures (FASB, 2018).

Verifiability can be measured with the help of two elements.

The first element is that the information in the financial report represents the financial events that it purports to represent without material error or bias. It is also concerned with the usage of appropriate measures to validate the information by the measurers without any bias (IASB, 2008).

The second element of measurement of verifiability is concerned with the amount or other representation and inputs be verified directly or indirectly. Direct verification refers to verifying an amount or other representation through direct observation of the representation itself FASB (2018); (IASB, 2008). For instance, observing marketable securities and their quoted prices. Whereas indirect verification refers to checking the inputs by recalculating output using same method for the amount or other representation.

Timeliness

Information should be available to its users before it loses its capacity to influence decision making. Thus, the availability of information to the decision makers should be on time so that it can influence decisions is referred to as timeliness. As per FASB (2018), the outdated information is less useful to the decision makers, as there will be frequent changes in the market which makes the old information less useful to the decision makers.

While some information may be useful for the longer period, such information may be useful to some users and might be considered in their decision making (IASB, 2008). Thus, if the information is made available on time, then it can prove very useful to users. Whereas a delay in information may cause the information to lose its potential usefulness.

CHAPTER IV RESULT AND DISCUSSION

This chapter presents the analysis of the data collected from the survey in the form of tables. The hypotheses formulated for the study were tested through the analysis and hence, the chapter aims to fulfill the objectives of the study.

4.1 Demographic Profile of the Respondents

Table 2 Demographic Profiles of the Respondents

		Frequency	Percent
Gender	Male	219	85.2
	Female	38	14.8
Age group	Up to 30 years	53	20.6
	31 - 40 years	66	25.7
	41 - 50 years	112	43.6
	51 - 60 years	8	3.1
	61 - 70 years	17	6.6
	Above 70 years	1	0.4
Education	PHD	1	0.4
	Master's Degree	54	21.0
	Bachelor's Degree	137	53.3
	High School	52	20.2
	SLC	9	3.5
	Literate	4	1.6
Years of experience in Capital market	Less than 1 year	80	31.1
	1 - 5 years	124	48.2
	6 - 10 years	44	17.1
	10 years and above	9	3.5
Shares owned	Fewer than 500	84	32.7
	501 - 1000	40	15.6
	1001 - 2000	66	25.7
	2001 - 5000	41	16.0
	5001 - 10000	18	7.0
	Above 10000	8	3.1
Invest amount	Less than 30,000	61	23.7
	30,000 - 100,000	44	17.1
	100,001 - 200,000	40	15.6
	200,001 - 500,000	43	16.7
	500,001 - 10,00,000	36	14.0
	10,00,001 - 15,00,000	18	7.0
	15,00,001 - 25,00,000	8	3.1
	25,00,001 and above	7	2.7

Table 2 presents the demographic profile of the respondents involved in the study who have been grouped in different demographic indications that include gender, age, education, years of experience in capital market, shares owned and investment amount.

The study includes altogether 257 respondents, out of which maximum number of respondents were male with 85.2 percent while only 14.8 percent were female. The study includes maximum number of male because there were very few presences of female in every broker house the researcher visited. While looking at the age, majority of the respondents belong to age group of 41-50 years. Out of 257 respondents, 43.6 percent i.e.112 respondents were under 41-50 age group. Similarly, respondents from 31–40 years age group represent the second highest sample in the study with 25.7 percent followed by age group of up to 30 years with 20.6 percent. Likewise, age group of 31–40 years represent 25.7 percent of the sample size and 6.6 percent represent age group of 61 – 70 years. The figure shows that people of 41 – 50 years are mostly involved in capital market followed by 31 – 40 years age group.

Out of 257 respondents, only 1 with respondent with 0.4 percent was found to have completed PhD, 21.0 percent completed Master's degree, 53.3 percent completed Bachelors, 20.2 percent completed high school education, 3.5 percent completed SLC and 1.6 percent were found literate. The figure shows that all of the respondents were literate.

Looking at the years of experience of respondents in the capital market it was found that most of the respondents i.e.,124 had experience of 1-5 years in the capital market or the share market which contribute 48.2 percent of the total sample. 44 respondents were found to be involved in the capital market for 6-10 years covering 17.1 percent and representing the second highest proportion of the total sample. Similarly, 9 respondents had experience of above 10 years in the capital market with 3.5 percent, while only 80 respondents had experience of less than 1 year in the capital market with 31.1 percent. It can be inferred from the figure the respondents had experience of 1-10 years in the capital market.

Similarly, while looking at the shares owned by the respondents, 32.7 percent own less than 500 shares, 15.6 percent own 501-1000 shares, 25.7 percent own 1001-2000 shares,

16.0 percent own 2001-5000 shares, 7.0 percent own 5001-10000 shares and 3.1 percent own above 10000 shares. Thus, the figure reveals that maximum number of respondents were found to have own share fewer than 500 shares.

In the same way, looking at the investment amount of the respondents in the capital market 61 respondents which is the majority of the sample were found to have invested on less than 30,000 with 23.7 percent. Similarly, 17.1 percent of people which represents second majority were found to have invested Rs. 30,000 – 100,000. Likewise, 16.7 percent were found to have the total investment of Rs. 2,00,001 – 5,00,000. 15.6 percent were found to have the total investment of Rs. 1,00,001 – 2,00,000 in the capital market followed by 14.0 percent with investment amount of Rs.500,001–10,00,000. While only 3.1 percent and 2.7 percent of the respondents were found to have investment amount of Rs. 15,00,001–25,00,000 and Rs.25,00,001–above respectively. It can be inferred from the figure that most of the Nepalese investors are involved and in the capital market.

4.2 Descriptive Analysis

Descriptive analysis provides a detailed presentation of the responses of the sample respondents to every questionnaire item with the descriptive measures as arithmetic mean, standard deviation, and rank. The following tables 4.2 represent the descriptive analysis of all Likert scale questions used for measuring the variables.

Table 3 Descriptive Statistics of Relevance

Relevance	Mean	Std. Deviation	Rank
The financial report provides visionary statements or forward-looking information	3.65	.826	3
The financial report discloses information in terms of business opportunities and risk	3.75	.820	2
The financial report provides feedback information on how various market events and significant transactions affected the company	3.82	.798	1

Table 3 is related to effect of first primary qualitative characteristics of financial reports in perceived usefulness and shows the mean score and standard deviation representing the

variation in responses given by the respondents to each of the 5 points Likert scale questions regarding the relevance of the financial reports of the listed companies. Looking at the mean score of all statements, it is greater than 3 which implies that the investors are inclined to agree regarding all of the statements.

The mean score for the question 'The financial report provides visionary statements or forward-looking information' is 3.65, which means on average the respondents agree that financial reports provide some sort of information about the future to its users. The mean score for the question 'The financial report discloses information in terms of business opportunities and risks' is 3.75, which means on average the respondents agree that companies provide information in terms of both opportunity and risk to its users. The mean score for the question 'The financial report provides feedback information on how various market events and significant transactions affected company is 3.82, which means on average the respondents agree that companies include information about the various market events and transactions on their financial reports.

On the other hand, most of the respondents agree with the second item or statement which states that the financial report discloses information in terms of business opportunities and risks that makes it useful to users in decision making as it has the highest rank with the highest mean score of 3.82.

Table 4 *Descriptive Statistics of Faithful Representation*

Faithful Representation	Mean	Std. Deviation	Rank
The financial report clearly explains the assumptions and estimation made	3.68	.909	5
The financial report clearly explains the choice of accounting principles	3.89	.825	1
The financial report places balance d emphasis on the positive and negative events when the financial results are discussed	3.86	.814	2
The financial report includes qualified auditors report	3.86	.853	3
The financial report extensively discloses information on corporate governance issues.	3.80	.854	4

Table 4 pertains to the effect of the second primary qualitative characteristic of financial reports in perceived usefulness and shows the mean score and standard deviation representing the variation in responses given by the respondents to each of the 5 points Likert scale questions regarding the faithful representation of the financial reports of the listed companies. Looking at the mean score of all five statements, it is greater than 3.00 which implies that the responses are inclined to agreement regarding all of the statements. The mean score for the question 'The financial report clearly explains the assumptions and estimations made 'is 3.68, which means on average the respondents agree that companies provide clear assumptions and estimations in its financial reports. The mean score for the question 'The financial report clearly explains the choice of accounting principles' is 3.89, which means on average the respondents agree that the choice of accounting principles made by companies is clear to users of financial reports. The mean score for the question 'The financial report places balanced emphasis on the positive and negative events when the financial results are discussed' is 3.89, which means on average the respondents agree that both the positive and negative events are given equal importance by companies while preparing financial reports. The mean score for the question 'The financial report includes a qualified auditor's report' is 3.86, which means on average the respondents agree that companies include qualified auditor's report in their financial reports. The mean score for the question 'The financial report extensively discloses information on corporate governance issues' is 3.80, which means on average the respondents agree that financial reports include information relayed to corporate governance issues.

Most respondents agree with the second item which states that the financial report clearly explains the choice of accounting principles made by the company that makes it useful to users in decision making as it has the highest rank with the highest mean score of 3.86.

Table 5 Descriptive Statistics of Understandability

Understandability	Mean	Std. Deviation	Rank
The information on financial reports is well and orderly organized	3.81	0.844	4
Notes to balance sheet and income statement are clear	3.89	0.75	3
Graphs and tables clarify the information presented	3.96	0.749	1
The specialized terminology in the financial report made clear and understandable by the means of additional notes and explanation.	3.9	0.754	2

Table 5 describes the effect of first enhancing qualitative characteristics of financial reports in perceived usefulness and shows the mean score and standard deviation representing the variation in responses given by the respondents to each of the 5-point Likert scale questions regarding understandability of the financial reports of the listed companies. Looking at the mean score of all four statements, it is greater than 3.00 which infers that the responses are inclined to agreement regarding all the statements.

The mean score for the question ‘The information in financial reports are well and orderly organized’ is 3.81, which means on an average the respondents agree that companies present information in an organized way in financial report. The mean score for the question ‘Notes to the balance sheet and income statement are clear’ is 3.89, which means on an average, the respondents agree that financial report provide clear information related to notes to the balance sheet and income statement to its users. The mean score for the question ‘Graphs and tables clarify the information presented’ is 3.96, which means on an average the respondents agree that graphs and tables in financial report are clear and understandable. The mean score for the question ‘The specialized terminology in the financial report are made clear and understandable by the means of additional notes and explanations’ is 3.90, which means on an average the respondents agree that companies make jargons understandable by the means of additional explanation.

Among the four items, the third item which states that graphs and tables clarify the information presented had the highest agreement rank since its mean score is 3.96.

Table 6 *Descriptive Statistics of Comparability*

Comparability	Mean	Std. Deviation	Rank
There is the use of same accounting policy and accounting procedures, through the accounting period within the business entity	3.74	.796	4
The company's previous accounting periods figures are adjusted for the effect of implementing of change and accounting policy or revisions in accounting estimates	3.89	.745	1
Company usages of accounting procedures can be matched and compared with different business enterprise	3.85	.773	3
The financial report presents financial ratios and indexes which can be compared with successful performance of other companies	3.87	.774	2

Table 6 relates to effect of second enhancing qualitative characteristics of financial reports in perceived usefulness. Table presents the mean score given by the respondents to each of the 5 points Likert scale questions and the variation in responses, as represented by standard deviation, regarding comparability of the financial reports of the listed companies. The mean score for all items is greater than 3.00 which indicates that the responses are inclined to agree regarding all of the statements.

The mean score for the question ‘There is use of the same accounting policy and accounting procedures, throughout the accounting period within the business entity’ is 3.74, which means on an average the respondents agree that accounting policy and accounting procedures, throughout the accounting period of the companies are same. The mean score for the question ‘The company’s previous accounting period’s figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates’ is 3.89, which means on an average the respondents agree that previous

accounting period’s figures are adjusted and revised. The mean score for the question ‘Company’s’ usage of accounting procedures can be matched and compared with different business enterprise’ is 3.85, which means on an average the respondents agree that companies accounting procedures are comparable with other companies as well. The mean score for the question ‘The financial report presents financial ratios and indexes

which can be compared with successful performance of other companies' is 3.87, which means on an average the respondents agree that financial ratios and indexes of companies are comparable.

Among the four items, majority of the respondents agree that the second item which states that the company's previous accounting periods figures are adjusted for the effect of implementing of change and accounting policy or revisions in accounting estimates as it has the highest agreement rank as it has highest mean agreement score of 3.89.

Table 7 Descriptive Statistics of Perceived Usefulness

Usefulness of Financial Reports	Mean	Std. Deviation	Rank
The financial reports provide primary information that helps to make informed investment decisions	3.83	.708	3
The financial reports help to monitor the investment portfolio	3.95	.740	1
The financial reports help to analyze future investment possibilities of the company	3.91	.798	2

Table 7 depicts the perceived usefulness of financial reports by its users. Table presents the mean score given by the respondents to each of the 5 points Likert scale questions and the variation in responses, as represented by standard deviation, regarding perceived usefulness of the financial reports of the listed companies. The mean score for all three items is greater than 3.00 which specifies that the responses are inclined to agreement regarding all the statements.

The mean score for the question 'The financial reports provide primary information that helps to make informed investment decision' is 3.83, which means on an average the respondents agree that financial reports are useful to make informed investment decision.

The mean score for the question 'The financial report helps to monitor the investment portfolio' is 3.95, which means on an average the respondents agree that information disclosed in financial reports are useful in monitoring their investment portfolio. The mean score for the question 'The financial reports help to analyze future investment possibilities of the company' is 3.91, which means on an average the respondents agree that financial report is useful to analyze future investment possibilities about the company.

On the other hand, most of respondents agree with the second item which states that the financial reports help to monitor the investment portfolio as it has the highest rank with highest mean agreement score of 3.95.

Table 8 *Summary of Descriptive Analysis of Variables*

Variables	N	Mean	Std. Deviation
Relevance	257	11.22	2.02
Faithful representation	257	19.10	3.16
Understandability	257	15.56	2.37
Comparability	257	15.35	2.30
Financial reports	257	11.69	1.86

All the 19 items,16 items for independent variable and 3 items for dependent variable were tested for their means and standard deviation. The mean score given by the respondents to each of the 5 points Likert scale questions and the variation in their responses, as represented by standard deviation, regarding relevance, faithful representation, understandability, comparability and perceived usefulness are shown in the table.

It is seen that on average 11.22 of the respondents agree that information disclosed in financial reports are relevant, 19.10 of the respondents agree that the information in financial reports are represented faithfully, 15.56 of the respondents agree that information in financial reports are understandable, 15.35 of the respondents agree that information in financial report are comparable and 11.69 of the respondents agree that information in financial report are useful in decision making related to investment activities. Looking at the standard deviation, the values are ranged from 1.86-3.16 indicating an arrow spread around the mean.

Similarly, faithful representation was found to be one of the major factors to be possessed by the information disclosed in financial report as it has highest mean score of 19.10 followed by the second highest mean score of 15.56 shown by understandability which indicates that the information disclosed in financial report are found understandable by the users.

4.3 Correlation Analysis

The correlation between the variables has been measured using the Pearson's Correlation Matrix, which is shown as follows:

Table 9 *Correlation Matrix*

Variables	Relevance	Faithful representation	Understandability	Comparability	Financial reports
Relevance	1				
Faithful representation	.591**	1			
Understandability	.520**	.562**	1		
Comparability	.377**	.558**	.599*	1	
Financial reports	.355**	.408**	.532**	.461**	1

**Correlation is significant at the 0.01 level (2-tailed).
where,

R = Relevance

FR = Faithful Representation

U=Understandability

C=Comparability

PU=Perceived Usefulness

Table 9 shows Pearson's correlation that has been used to show the mutual relationship between the variables of data sets. The correlation of dependent variable PU and independent variables R, FR, U, C has been shown by the table. The correlation values between these variable are all statistically significant at the 0.001 Level ($P < 0.001$), which provides strong evidence that these variables are statistically significant. Also, those correlation values which are flagged with a ** indicates that are highly significant at 1 percent level of significance.

The Pearson correlation of 0.591 between the variables R and FR shows that there is moderate and positive association, meaning that as the R increase, FR tends to increase. The correlation of 0.520 between R and U indicates moderate, positive association,

suggesting that more relevant information is likely to be more understandable. Similarly, the correlation of 0.562 between U and FR denotes that there is moderate positive association, showing that the better U is linked to greater FR. Correlation of 0.377 denotes moderate level of relationship between C and R , this means higher C is somewhat associated with R. Additionally, correlation of 0.558 and 0.599 denotes strong correlation of C with FR and U respectively, indicating that greater comparability is likely to improve both FR and U. Likewise, a moderate positive correlation is found between the dependent variable PU and independent variables R, FR, U, C of 0.355, 0.408, 0.532 and 0.461 respectively, suggesting that more R, FR, U and C information is associated with higher quality financial reports. Thus, these variables exhibits positive linear association with each other.

4.4 Regression Analysis

Simple linear regression analysis has been conducted to test the influence of relevance, faithful representation, understandability, and comparability with the perceived usefulness of financial reports.

Table 10 *ANOVA of Regression Analysis*

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	286.207	4	71.552	30.007	.000 ^b
Residual	600.890	252	2.384		
Total	887.097	256			

a. Dependent Variable: Financial reports

b. Predictors: (Constant), Comparability, Relevance, Understandability, Faithful representation

The ANOVA table shows that regression model fitted is useful in predicting the values of the dependent variable for the given values of independent variables within the range of the values of the independent variables in the sample data. The F-statistics of 30.007, along with p-value of 0.000, indicates that the model is highly significant. This means that the independent variables have strong significant impact on financial reports, confirming their relevance in predicting the quality of financial reporting.

Table 11 *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.568 ^a	0.323	0.312	1.54418

Predictors: (Constant), Comparability, Relevance, Understandability, Faithful representation

Table 11 summarizes the results of linear regression analysis between dependent variable perceived usefulness and independent variable Comparability, Relevance, Understandability, Faithful representation. Here, the R square of 0.323 states that 32.3 percent of variation in the dependent variable is explained by the independent variable i.e. relevance explains 32.3 percent of variance in perceived usefulness of financial report.

Table 12 *Coefficients of Comparability, Relevance, Understandability, Faithful representation*

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.652	.757		4.822	.000
	Relevance	.057	.062	.062	.924	.356
	Faithful representation	.042	.043	.071	.970	.333
	Understandability	.271	.056	.345	4.804	.000
	Comparability	.155	.056	.192	2.790	.006

a. Dependent Variable: Financial reports

Looking at coefficient value and the P value of relevance (b = 0.057, S.E. = 0.062, P =0.356), the slope is positive and P value is greater than the level of significance of 0.05, which indicates that there is no significant influence of relevance on perceived usefulness. Although, 1 unit increase in relevance increases perceived usefulness by 0.057 times.

As shown in table 12, coefficient value and the P value of Faithful representation (b = 0.042, S.E. = .043, P =0.333), the slope is also positive and P value is greater than the level of significance of 0.05, which indicates that there is no significant influence of faithful representation on perceived usefulness. Similarly, 1 unit increase in faithful

representation can increase perceived usefulness by 0.042 times, but this influence is not statistically significant.

In contrast, coefficient value and the P value of understandability (b = 0.271, S.E. = 0.056, P = 0.000), the slope is positive and statistically significant, as the P value is less than the level of significance of 0.05. This indicates that 1 unit increase in understandability increases perceived usefulness by 0.271 times, demonstrating a meaningful and significant impact in this model.

As shown in above table, coefficient value and the P value of comparability (b = 0.155, S.E. = 0.056, P = 0.006), the slope is positive and P value is less than the level of significance of 0.05, which indicates that there is a significant and positive influence of relevance on perceived usefulness. Similarly, 1 unit increase in comparability results 0.155 times increase in perceived usefulness indicating statistically significant contribution in the model.

In Summary, both understandability and comparability have significant positive influence in perceived usefulness, whereas relevance and faithful representation do not have significant effects.

4.5 Hypothesis Testing – Result

The results of the hypothesis as tested using the regression model are presented below:

Hypothesis	Statements	P Value	Results
H1	There is a significant influence of relevance of information disclosed on perceived usefulness.	0.356	Rejected
H2	There is a significant influence of faithful representation on perceived usefulness.	0.333	Rejected
H3	There is a significant influence of understandability on perceived usefulness.	0.000	Accepted
H4	There is a significant influence of comparability on perceived usefulness.	0.006	Accepted

Table 13 *Hypothesis Results*

The summary of hypothesis testing reveals that out of four hypothesis examined, H1 - “There is a significant influence of relevance of information disclosed on perceived usefulness” and H2 - “There is a significant influence of faithful representation on perceived usefulness” were rejected with P value 0.356 and 0.333 respectively. This indicates that these variables do not have a statistically significant effect on perceived usefulness of financial reports. The other two variable H3 - “There is a significant influence of understandability on perceived usefulness” and H4 – “There is a significant influence of comparability on perceived usefulness” were accepted with P value 0.000 and 0.006 respectively. Hence there is significant influence of understandability and comparability on the perceived usefulness of financial reports.

4.6 Major Findings

- Users were above the average mean of 3 where majority of them agreed that financial report provides feedback information on how various market events and significant transactions affected the company.
- Similarly, users perceived information disclosed in financial reports as faithfully represented, since all the constructs mean score was found to be above average mean of 3 where most of them agreed that financial report clearly explains the choice of accounting principles made by the company that makes it useful to user for taking decision related to investment activities.
- Likewise, financial reports were perceived as understandable by the users as its mean scores were found to be above average mean of 3 where graphs and figures presented in the financial reports were found to be understandable the most by the users.
- In the same way, users also perceived the financial reports of the listed companies as comparable since its mean scores were above average of 3 where most of the users agreed that the company's previous accounting periods figure are adjusted for the effect of implementing of change and accounting policy or revisions in accounting estimates.
- In terms of perceived usefulness users found financial report to be useful to monitor the investment portfolio.
- Both the primary and enhancing characteristics and perceived usefulness of financial reports were found to be linearly and positively correlated with each other.

- The influence of relevance on perceived usefulness of financial reports was found to be positive but not statistically significant. Although relevant information is expected to amplify the utility of financial reporting the result indicate that users don't perceive relevance as the major factor influencing the usefulness of financial reports.
- Likewise, the influence of faithful representation on perceived usefulness of financial reports was found to be positive but not significant. While faithful represented information is important for accurate decision making, users don't see it as the key determinant of financial report usefulness here in this study.
- The influence of understandability on perceived usefulness of financial reports was also found to be positive and significant. This shows that users perceive understandability as a crucial factor that makes it useful for making decision regarding investment activities.
- Similarly, the influence of comparability on perceived usefulness of financial reports was found to be positive and significant which shows that the information disclosed in financial reports of listed companies were perceived as comparable and thus perceived useful indecision making by the users.
- Overall, the regression analysis demonstrates that the model significantly explains the perceived usefulness of financial reports, with the independent variables collectively having a strong impact. Understandability and comparability were identified as the most influencing factors, significantly strengthening the usefulness of financial reporting.
- Moreover, understandability factor has the greater influence on perceived usefulness as it has the highest correlation followed by comparability faithful representation. Whereas relevance has the less influence on relevance as compared to other factors.

4.7 Discussion

The main theme of the study was to assess individual users' perception of the usefulness of information disclosed in the financial reports by companies listed in NEPSE in terms of investment decision-making, monitoring portfolios, and analyzing future investment opportunities. Financial reports should contain certain qualitative characteristics so that it become useful for its users which are categorized into fundamental and enhancing characteristics by IASB in its conceptual framework. Fundamental characteristics consist of relevance and faithful representation. Enhancing characteristics comprise of understandability, comparability, and perceived usefulness of financial reports. The current study uses a method that operationalizes the qualitative characteristics that assess the qualities of different aspects and dimensions of financial and non-financial information of the financial reports to determine their usefulness.

Al-Shatnawi's (2017) findings suggest that there is a statistically significant effect of both the primary and enhancing qualities of financial reports on investment decision making which has been supported by the current study as well. The current study found out that both the primary and enhancing factors of financial reports has a positive and significant influence on perceived usefulness in terms of decision-making. However, the findings are contrary to the study of El-Maude et al., (2015) which revealed that investors did not find financial reports to be useful in making decisions. Whereas the results shown by the study of Rahmani and Jabari (2015) reveal that except for understandability, all other qualitative characteristics had an impact on usefulness.

The results of Soyinka et al., (2017); and Rahmani and Jabari (2015) showed that relevance and faithful representation were found to be positive and statically significant for decision making by the General public which has been supported by this study as well. On the contrary understandability and comparability of financial reports were found to be insignificant for decision making by the General public which has been found significant by the current study.

The current study result shows that financial reports reflected more of understandability i.e., it had the highest influence on perceived usefulness which is contrary to the result showed

by the studies of Ogunmola (2017) and Mbawuni (2019). Similarly, faithful comparability also had greater influence on perceived usefulness which are similar the study conducted by Mbobo and Ekpo (2016) and Tasios and Bekiaris (2012). Whereas as Etim (2015) and Rahmani and Jabari (2015) found relevance had highest impact on the financial reports whereas the current study found relevance to have least impact as compared to other factors of financial report.

The findings thus suggest that all four factors influence in the perceived usefulness of financial report where understandability and comparability were found to have greater influence on making an investment decision.

CHAPTER V

SUMMARY, CONCLUSIONS AND IMPLICATIONS

5.1 Summary

The objective of the financial report is to provide financial information about the reporting entity that is useful to its users in making the investment decision. Qualitative characteristics are the factors that make the financial information useful for decision making which can be distinguished as fundamental or enhancing characteristics. This study aims to examine the influence of qualitative characteristics on the perceived usefulness of information where it investigates the individual investors' perception based on the conceptual framework as defined by IASB. The study covers two fundamental characteristics as relevance and faithful representation and two enhancing characteristics as Understandability and comparability.

This study follows descriptive research design which is based on primary data collected through self-administered structured questionnaire. A convenient sampling method with 257 samples altogether have been taken for the study. Statistical Package for Social Science (SPSS) and MS Excel software have been used to analyze the data. Descriptive statistical tools like mean, standard deviation and rank, correlation and regression analysis have been used to analyze the data.

The findings of the study suggest that all four qualitative characteristics or variables are instrumental in determining the perceived usefulness of financial reports. All the four factors were found to have positive and significant influence on perceived usefulness in terms of investment decision making, monitoring portfolio and analyzing future opportunities of an entity. Comparability and understandability were found to have greater influence on perceived usefulness. Whereas, relevance was found to have least influence in the usefulness as compared to other factors. It can be concluded that the users of financial reports are looking for comparable and credible information in their Decision-making process.

5.2 Conclusions

The study was based on the conceptual framework of IASB where the qualitative factors of the financial reports were examined to find whether not those factors prove to be useful in making informed decision, monitor investment portfolio, and analyze future investment opportunities. There had been prior researches regarding the investors perception of information disclosed in financial reports where some researchers had considered all the six variables of qualitative characteristics while some had considered only one or few of them. The current study considers both the primary qualitative factors and only two of the enhancing factors of financial reporting and examined its usefulness.

The study findings reveal that both the primary qualitative factor had positive and significant influence on perceived usefulness where understandability representation was found to have greater influence than relevance in making informed decision, monitor investment portfolio, and analyze future investment opportunities. Findings suggest that users did not find companies including forward looking information to that extent as they have been disclosing information in terms of business risk and opportunities. Furthermore, users did

Not find companies disclosing the information about corporate governance to the extent as it clearly provides the information about the choice of accounting principles.

Similarly, the findings also suggest that both the enhancing factors of financial reporting had positive and significant influence on perceived usefulness where understandability was found to have greater influence than comparability in making informed decision, monitor investment portfolio, and analyze future investment opportunities. It was found that information in financial reports were not as well and orderly organized as the graphs and tables were which are easily understandable to its users. In the same way, users did not find company's previous accounting period's figures adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimate as companies presenting financial ratios and indexes which could be compared with successful performance of other companies.

Investors were found to be using the financial reports to analyze future investment possibilities of the company to a greater extent and then to make informed investment

decision. Finally, findings indicate that investors perceive both qualitative characteristics as important factors of financial reports. While looking at the overall influence of qualitative factors of financial reports understandability comparability was found to have greater influence on perceived usefulness followed by comparability, faithful representation and ability and relevance. Thus, it can be concluded that the users of financial statements are looking for more comparable, trust worthy and incredible information in their investment decision-making process.

5.3 Implications

The information in financial report is considered useful if only it possesses qualitative characteristics that make the information useful for the investors in making decision. In this regard, it is very important to examine the relationship between qualitative characteristics and usefulness of information. Thus, the current study suggests that all the four qualitative factors influence perceived usefulness in terms of investing related decision.

Furthermore, the study results are beneficial for the listed companies to know how useful the financial reports are which are prepared by them. Further the study provides insights to the companies whether the reports prepared by them are useful to the investors or not and provide ideas what factor have hindered the financial reports to be completely useful to the investors. Thus, it aids companies to make the necessary adjustment in the reports to meet the information need of investors to make good use of the reports which will eventually aid in bringing improvement in the capital market of the nation. The study can also prove to be useful to refine policies regarding the disclosure requirements of the listed companies in Nepal.

This study provides insights to other researchers to conduct similar study. In addition, this research only focused on only two of the enhancing qualitative characteristics. Thus, further research can be conducted considering all the factors of financial reporting.

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APPENDICES

Appendix 1

I am Somyan Maharjan, a student of MBS at Shankardev Campus, Tribhuvan University. I am conducting my final Graduate Research Project (GRP) entitled “FACTORS AFFECTING PERCEIVED USEFULNESS OF INFORMATION DISCLOSED IN FINANCIAL REPORTS IN INVESTMENT DECISION” as a partial fulfillment of my Masters in Business Studies (MBS) degree. I request you to assist me by filling up the following questionnaire. The information collected from this questionnaire will be purely used for academic purpose only and will be kept confidential. The questionnaire will take 5-7 minutes of your time to be filled up.

Thank you for your valuable time and response!

Please respond to the following questions by placing a tick mark (√) in the answer box.

1. Gender

a) Male [] b) Female []

2. Age

a) Up to 30 years [] b) 31 – 40 years []

c) 41 – 50 years [] d) 51 – 60 years []

e) 61 – 70 years [] f) Above 70 years []

3. Qualification

a) PhD [] b) Masters []

c) Bachelors [] d) High School []

e) SLC [] f) Literate []

4. Years of experience in capital market

a) Less than 1 year [] b) 1 – 5 years []

c) 6 – 10 years [] d) Above 10 years []

5. Number of shares owned

- a) Fewer than 500 [] c) 1,001 – 2,000 []
 b) 501 – 1,000 [] d) 2,001 – 5,000 []
 e) 5,001 – 10,000. [] f) Above 10,000 []

6. What is the total amount of money (NPR) invested in capital market?

- a) Less than 30,000 []
 b) 30,001 – 100,000 []
 c) 100,001 – 200,000 []
 d) 200,001 – 500,000 []
 e) 500,001 – 10,00,000 []
 f) 10,00,001 – 15,00,000 []
 g) 15,00,001 – 25,00,000 []
 h) More than 25,00,001 []

7. Please give your level of agreement or disagreement to the statements below regarding the usefulness of the financial reports in terms of relevance.

(1-strongly disagree, 2-disagree, 3-neutral, 4-agree and 5-strongly agree)

Relevance	1	2	3	4	5
The financial report provides visionary statements or forward-looking information					
The financial report discloses information in terms of business opportunities and risks					
The financial report provides feedback information on how various market events and significant transactions					

affected the company					
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7. Please give your level of agreement or disagreement to the statements below regarding the usefulness of the financial reports in terms of faithful representation.

Faithful Representation	1	2	3	4	5
The financial report clearly explains the assumptions and estimations made					
The financial report clearly explains the choice of accounting principles					
The financial report places balanced emphasis on the positive and negative events when the financial results are discussed					
The financial report includes a qualified auditor's report					
The financial report extensively discloses information on corporate governance issues					

8. Please give your level of agreement or disagreement to the statements below regarding the usefulness of the financial reports in terms of understandability.

Understandability	1	2	3	4	5
The information in financial reports are well and orderly organized					
Notes to the balance sheet and income statement are clear					

Graphs and tables clarify the information presented					
The specialized terminology in the financial report are made clear and understandable by the means of additional notes and explanations					

9. Please give your level of agreement or disagreement to the statements below regarding the usefulness of the financial reports in terms of comparability.

Comparability	1	2	3	4	5
There is use of the same accounting policy and accounting procedures, throughout the accounting period within the business entity					
The company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates					
Company's usage of accounting procedures can be matched and compared with different business enterprises					
The financial report presents financial ratios and indexes which can be compared with successful performance of other companies					

10. Please give your level of agreement or disagreement to the statements below regarding the perceived usefulness of the financial reports.

Usefulness of Financial Reports	1	2	3	4	5
The financial reports provide primary information that helps to make informed investment decision					

The financial reports help to monitor the investment portfolio					
The financial reports help to analyze future investment possibilities of the company					

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ABSTRACT This study investigates the influence of qualitative characteristics of financial reports on their perceived usefulness for individual investors, based on

the conceptual framework defined **by the International Accounting Standards Board** (IASB). It

focuses on two fundamental characteristics—relevance and faithful representation—and two enhancing characteristics—understandability and comparability. The research employs a descriptive design, utilizing primary data collected through a self-administered structured questionnaire, with a sample size of 257 participants. Data analysis was conducted using SPSS