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Disclosure of Accounting Information (AI) for Investors in Stock Exchange

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Abstract

The target of this study is to examine the role of Disclosure of Accounting Information(AI) in the rationalisation of investment decisions by providing communication needs to decision-makers in the economic units and beneficiary groups of the financial statements whether internal or external groups.

To achieve this aim, the researcher came with four sets of hypotheses. Were as follows:

- **H1**-The investor in stock market does not realise the value of accounting information in the adoption of investment decision
- **H2**- The appropriate and adequacy of accounting information in the decision-making process.
- **H3**- No additional information dose not comprised in the financial reports inspire the investment decision.
- **H4**-There are restrictions limiting the use of accounting information in the process of building the investment decision in stock market.

The study findings were as follows:-

- The disclosure of Accounting information; achieved high quality in performance as well as the provision of risk arising from the investment.
- The provision of accounting information play the significant roll to improve the capacity; and skills; of decision makers to obtain the required purpose of sound investments.
- Founders of consolidated information systems and harness them to directive the decision-making processes.
- Equipping a series of control procedures to guarantee the integrity of the decisions taken and expose the errors in the event of their appearance.

Introduction

Accounting is the language of business, the system of summarising, recording, organized and analysing the financial transactions of the companies. The key of the success of any business is communicating this information each other. There are two users base on accounting information represented in. Internal users, such as a firms, workers, labor and managers. External users, represented in governmental agencies, investors, financial associations, and financial analysis the users above count on data provided by accountant to be noted Whether there is enough cash to meet payroll need, the level of company profit, The stage of debts, The company's net income; The companies paid cash dividends and The company's expansion plans. Accountants should submit financial information in

clear and abridged reports which are helping to produce questions easy to answer financial statements are. The most collective accounting reports. Accountancy is the scientific sciences deals with an information it attempt to menstruation the consequence of the company's activity and define their financial positions on a particular time for the subordination of financial reports to achieve the requirement of the users and the recipients of the information whether they were internals or externals users for use in produce diverse of investment decisions. Therefore, research problem is to test the whether accounting information is useful to the investors, and the creditability and sufficiency of accounting information to guide for right decision in sound filed.

Importance of the Study

- Identifying the necessary information required by the investor, and analysing input to produce convenient exploitation resolution.
- Testing the grade of accounting information helping in investment .

Objectives of the Study

The objectives of this research are:

- To Measure an information availability for the investors in the stock Exchange.
- To Study how accounting information helps in taking decisions while trading in stock market.
- To know the sufficiency of the information includes in the financial preparatory of listed firms.
- To know trammels faced by the users in the stock market, which restrict the utilise of accounting information.

The Meaning of Accounting Disclosure and Data

The *disclosure principle* states that you have to implicate in the financial reports information in order to impact a beneficiaries of those reports. Your version of this precept is extremely reasonable since the quantity of information that could be supplied is prospective enormous. To minimize the magnitude of exposure it is accustomed to disclose information about only calamites that are probable to have a substance influence on the entity's financial position. {GAAP/ 2012}

The disclosure might implicate clauses that can not so far be punctually quantify like the existence of a controversy with a government structure through tax rules. entire disclosure likewise denote that you should constantly determine present accounting policies, then each modifications in accounting policies like alteration an asset valuation procedure.

There are several definitions of disclosure which mostly have focused on present and provide information to users, actually that shows the financial position of the company and we try to address some of them:

- Disclosure indicates the emission, convey, transmit, thriftiness, oncoming to, or detection in any other technique of inputs outside the existence occupancy the information. {ED JONES / 2011}
- The surrender of data and specifics in connection with a condition or business practicability. In general, security exchanges and the SEC require firms to disclose to the investment community the facts concerning issues that will affect the firms' stock prices. Disclosure is also required when firms file for public offerings (Scott, 2003).

Therefore we can say that the data is all the alternatives that reflect the reality of facts and events and numbers rawly is not meaningful or significant in itself, and the advantage of being objective in nature reflect the fact that the events of certain financial messy inside the system or as a result of handling the system with other parties outside the system (environment) and is not intended for use, and you need to manufacture (process) in order to turn him into a final product ,and the use of meaningful and useful to satisfy the need for a list of decision makers and this product is called information.

Information Data are processed and have a sense of the receiver or user of and have values or unexpected fact in the ongoing process of receiving or making decisions, and should add to what we know about an event or place, and explain something to the receiver does not know or unpredictable. (Fayoumi, 1992).

The Importance of Accounting Disclosure

The disclosure is an effective tool for improving investor protection. Without good disclosure, it is easy to take advantage of minority investors. Of course, with any disclosure regime, some of the responsibility for protecting the investor is shifted to the investor himself. However, informed self-interest has proven to be quite effective. With good information, the perception of risk in the markets is reduced, as is the cost of capital.

Even very small changes in interest rates and the cost of capital can have a large impact on the economy as a whole. It also encourages better management of enterprises. Disclosure regimes do not appear to be designed for this purpose but better markets and better disclosure seem to make for better companies. The common wisdom is that “you manage what you measure”. The corollary is, of course, “out of sight, out of mind”. Better run companies, in turn, contribute to greater economic efficiency and a greater capacity to generate wealth. This is important since it is not only the investor that benefits. The whole society has something to gain. In short, the good information allows for more informed, more rigorous economic decision making (Frederick, 2012).

Accounting Information System (AIS)

Is a system of collecting, storing and processing financial and accounting data that is used by decision makers. An accounting information system is generally a computer-based method for tracking accounting activity in conjunction with information technology resources. The resulting statistical reports can be used internally by management or externally by other interested parties including investors, creditors and tax authorities.

The Concept of the Investment

The word "investment" can be defined in many ways according to different theories and principles. It is a term that can be used in a number of contexts. However, the different meanings of "investment" are more alike than dissimilar. Generally, investment is the application of money for earning more money. Investment also means savings or savings made through delayed consumption. According to economics, investment is the utilization of resources in order to increase income or production output in the future.

Objectives of the Investment Decision

Any investment decision will be influenced by three objectives – security, liquidity, and yield. The best investment decision will be one, which has the best possible compromise between these three objectives.

Individually these objectives are very powerful in influencing the investors. Collectively they work against each other forcefully. Hence the acclaim – the best investment decision will be one, which has the best possible compromise between these three objectives.

Types of Accounting Information for Investment Decision

Investors pore over companies' accounting statements to find the next economic gems, that is, businesses with promising products that will deliver blockbuster returns. In reviewing corporate performance summaries, financial-market participants focus on various reports, including balance sheets and statements of profit and loss. Investors also keep a close eye on corporate operating ratios, also known as performance metrics.

Research Methodology

Statement of the Problem

Investors in stock market are unable to make a proper investment decision, either as a result of lack of investors understanding to the accounting information contained in the F.S of listed companies in the Stock Exchange, which make the investors depend on their personal experiences or on external sources to guide their investment decisions, therefore, those decisions will not be built on the basis of sound science, which sometimes affects negatively on the investment decisions.

Research Hypotheses

- **H1**-The investor in stock market does not realise the value of accounting information in the adoption of investment decision.
- **H2**- The appropriate and adequacy of accounting information in the decision-making process.
- **H3**- No additional information dose not comprised in the financial reports inspire the investment decision.
- **H4**-There are restrictions limiting the use of accounting information in the process of building the investment decision in stock market.

Society and the Research Sample

The research community is made up of groups of investors in the stock market, and will include sample items from all categories of investors in the market. Distributed 28 questionnaires on a sample of different categories.

Research Tool

A collection of data on two main types, first books, and periodicals while the second is a questionnaire, after viewing the studies, it was designed the questionnaire in the light of the objectives of the research and to answer the questions posed in the problem and research hypotheses as appropriate and required.

Statistical methods used The researchers did enter questionnaire's data through SPSS and Statistical tests were used as follows:

- Sign test (Z) .
- Person Correlation Coefficient (r) .
- Median, percentages and mean .

Data Analysis and Interpretation

Finding the Person Correlation Coefficient amidst each question about our questionnaire and the aggregate outcome for the scope wich belongs to this question, considerable it has been positive effect, where the correlation coefficients specified that there are diverse internal, uniformity of the questions with region that belong to it and follow the different correlation coefficient of any question with the field to which it belong:

Schedule 1: Pearson correlation coefficients of the first hypotheses (7 questions)

No	The importance of Info :-	(Sig)	R
1	Utilize accounting information in making investment decisions to lessen the risk.	0.	0.781
2	The use of accounting information to attain a highest degree of consolidation and mutual relation among investment decisions.	0.	0.750
3	Provision of accounting information when making investment decisions are to make incorporated information systems applied to organize decision-making processes.	0.	0.760
4	The availability of accounting information (AI) when making investment decisions is Fundamental.	0.	0.691
5	With swift evolution and the availability of duplicated alternate, the provision of accounting information to support in making investment decisions is unavoidable.	0.	0.617

No	The importance of Info :-	(Sig)	R
6	The employ of accounting information to rationalize investment decisions influence the quality and kind of the stock investor.	0.	0.633
7	Characteristic of accounting information supplied when making investment decisions to raise the ability and proficiency of makers.	0.	0.761

Schedule 2: Pearson correlation coefficients of the second hypotheses (6 questions)

No	Insufficient of Info :-	(sig)	R
1	Firm provide information about the gain and loss in all cases.	0.	0.750
2	Firm furnish information on the p. value of assets and liabilities	0.	0.740
3	Firm supply shareholders the earning of the share	0.	0.730
4	Corporation provide information about the movement of capital.	0.	0.795
5	Corporation furnish information about the percentage of planned distributions to stockholders owner.	0.	0.833
6	firm supply information about retained profits.	0.	0.838

Schedule 3: Pearson correlation coefficients of the third hypotheses (5 questions)

No	Others info	(sig)	R
1	Counsel, intermediates advise, advisers.	0.	0.620
2	Market publications.	0.	0.590
3	Government agency.	0.	0.440
4	Hearsay, advertisements, others	0.	0.603
5	Others	0.	0.396

Schedule 4: Pearson correlation coefficients of the fourth hypotheses (5 questions)

No	Constraint of Info :-	(sig)	R
1	High Costs	0.	0.652
2	Accuracies and speed.	0.	0.660
3	Confidence, dependability, trust	0.	0.649
4	Prophecy, predict future, forecasting .	0.	0.490
5	Others	0.	0.630

Schedule 5: Pearson correlation coefficients of all hypotheses (4 area)

No	ITEMS	(sig)	R
1	Importance of (Info)	0.	0.720
2	Insufficient of (Info)	0.	0.790
3	Others (Info)	0.	0.703
4	Constraint (Info)	0.	0.678

Analysis

we denoted that the persons correlation coefficients of all the above areas the scores of respondents in each area of the questionnaire linked statistically indicative of their grades in overall and this grades in overall and this questionnaire refers to the sincerity of the internal consistency check to identify research and strong. So we can say that the questionnaire of the five statistically **highly significant at the level of significant 0.05.**

Measure of the Questionnaire

The measurement used in the study as follows;

extremely	frequently	Mediocre	middling	weakly
5	4	3	2	1

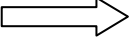
Test Hypotheses

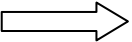
- **H0-1**-The investor in stock market does not realise the value of accounting information in the adoption of investment decision.

Setting Hypotheses

H1 > 3 H0 ≤ 3

Whereas:-

H0  does not relies the importance of information.

H1  relies the importance of information. (**alternative hypotheses**)

Schedule 6: Conclusion of H1 by the first area schedule (Sign Test)

ITEMS	positive indicative	negative indicative	(o)	gross	Z	(Sig)	G-median
<u>H1</u>	3	112	17	132	10.403-	0.	4.00

Analyses

From the above schedule we denoted that Z is **statistically significant** at the level of α -- 0.05. Thus the median of the each answers were more or bigger than the median of a measurement and also G-median is (4) so its **significant** compare with questionnaire measures. "**we reject null hypotheses (H0) and we fail to reject alternative hypotheses (H1)**".

Conclusion

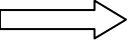
The investor in stock market realise the value of accounting information in the adoption of investment decision

- **H0-2**- The appropriate and adequacy of accounting information in the decision-making process is insufficient

Setting hypotheses:-

H1 > 3 H0 ≤ 3

Whereas:-

H0  Insufficient.

H1  sufficient. (alternative hypotheses)

Schedule 7: Conclusion of H2 by the second area schedule(Sign Test)

ITEMS	positive indicative	negative indicative	(o)	gross	Z	(Sig)	G-median
<u>H2</u>	10	69	53	132	6.080-	0.	4.00

Analysis

From the above schedule we denoted that Z is **statistically significant** at the level of α -- 0.05. Thus the median of the each answers were more or bigger than the median of a measurement and also G-median is (4) so its **significant** compare with questionnaire measures. "**we reject null hypotheses (H0) and we fail to reject alternative hypotheses (H1)**".

Conclusion

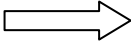
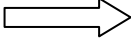
The appropriate and adequacy of accounting information in the decision-making process is sufficient.

- **H0-3**- No additional information dose not comprised in the financial reports affect the investment decision.

Setting hypotheses:

H1 > 3 H0 ≤ 3

Whereas:-

H0  affect
H1  not affect (alternative hypotheses)

Schedule 8: Conclusion of H3 by the third area schedule (Sign Test)

ITEMS	positive indicative	negative indicative	(o)	gross	Z	(Sig)	G-median
H3	10	69	54	132	6.001-	0	3.30

Analyses

From the above schedule we denoted that Z is **statistically significant** at the level of $\alpha -- 0.05$. Thus the median of the each answers were more or bigger than the median of a measurement and also G-median is (4) so its **significant** compare with questionnaire measures. **"we reject null hypotheses (H0) and we fail to reject alternative hypotheses (H1)"**.

Conclusion

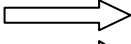
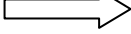
Additional information dose not comprised in the financial reports affect the investment decision.

- **H0-4**-There are restrictions limiting the use of accounting information in the process of building the investment decision in stock market.

Setting hypotheses

H1 > 3 H0 ≤ 3

Whereas:-

H0  no obstacles
H1  obstacles (alternative hypotheses)

Schedule 9: Conclusion of H4 by the fourth area schedule (Sign Test)

ITEMS	positive indicative	negative indicative	(o)	gross	Z	(Sig)	G-median
H4	13	65	54	132	6.304-	0	4.00

Analyses

From the above schedule we denoted that Z is **statistically significant** at the level of $\alpha -- 0.05$. Thus the median of the each answers were more or bigger than the median of a measurement and also G-median is (4) so its **significant** compare with questionnaire measures. **"we reject null hypotheses (H0) and we fail to reject alternative hypotheses (H1)"**.

Conclusion

There are restrictions limiting the use of accounting information in the process of building the investment decision in stock market.

Findings

Based on the analysis of the study

- The disclosure of Accounting information; achieved high quality in performance as well as the provision of risk arising from the investment.
- The provision of accounting information play the significant roll to improve the capacity; and skills; of decision makers to obtain the required purpose of sound investments.
- Founders of consolidated information systems and harness them to directive the decision-making processes.
- Equipping a series of control procedures to guarantee the integrity of the decisions taken and expose the errors in the event of their appearance.

Recomedations

- The companies should be provided in the financial publications the information on the accumulative affect on the alteration of accounting package.
- The investor should be using any other statements affecting the decision to invest in stock market.
- The financial statement should be provide other information.
- The financial reports should be include adequate and sufficient information.
- Diversity in the provision of information is very important.

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