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## Perceptions and characteristics of financial statement providers in developing countries:

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# **Perceptions and Characteristics of Financial Statement Providers in Developing Countries: The Case of Iran**

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**Key Words:** Financial reporting, Preparers' perceptions, Corporate disclosure, Application of information, Developing economies, Iran.

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## **Abstract**

This study reports an empirical investigation of the characteristics, attitudes, and beliefs of preparers of external financial reports in a less developed country. The basic research instrument consisted of a questionnaire in two parts, the first addressing ethical behaviour and attitudes of professional accountants toward annual financial reports generally and, the second, more specifically addressing specified categorized information items.

In respect of the qualifications and experience of respondents it was found that they generally held senior positions within their company and were well qualified with substantial relevant experience. The primary users of published financial reports were found to be company shareholders who regard the independent auditors as the most influential group in aiding their decision-making processes: they regard the auditor's report and the regulatory framework as major influences on financial reporting practices. Among the restricting factors on the disclosure level of the annual reports, a lack of knowledge of external users' needs and lack of reporting standards and accepted accounting principles were ranked as the most important factors by preparers in this study. The results of the sectional examination show that the most important sections of the annual reports are the balance sheet, statement of accounting policies, and profit and loss or income statement.

## **Introduction**

Knowledge of the overall extent of corporate annual financial report disclosure is necessary to pursue national accounting development. This is especially true for developing countries that are attempting to be self-reliant rather than merely importing accounting systems from developed countries. The purpose of this study was to assess the professional codes of ethics which professional accountants can act on and the nature and extent of information that should be made available by management to users of corporate annual financial reports.

There have many research studies that have been undertaken to assess the importance of annual financial reports from a wide range of perspectives. The aim of this study was to identify a typical professional code of conduct of accounting profession in Iran. It considers preparers' preferences for items of information that should or could be disclosed in corporate financial reports in Iran. Based on Standards of Ethical Conduct for Management Accountants, management accountants have a responsibility to perform their professional duties in accordance with relevant laws, regulations and technical standards. To date, no attempt has been made to assess attitudes and perceptions of preparers of corporate financial statements and compare them to the information needs of various user groups in Iran. This study investigates the characteristics, attitudes, and beliefs of preparers of external financial reports to selected information items based on a questionnaire, the subjects being those associated with a number of companies listed under the Mining & Industry Ministry of Iran.

The literature on the attitudes and perceptions of preparers of corporate financial statements is sparse and to date has focused largely on developed countries (for example, Chandra, 1974; Chandra and Greenball, 1977; Firth, 1978). The research

reported in the literature on preparers' perception covers empirical studies which examine preparers' attitudes to the information items of financial statements and evaluates consensus about the value of information items in corporate annual reports among preparers and users of information. The most recent studies (e.g. Streuly, 1994; Anderson, 1981; Firer and Meth, 1986) have concentrated on users' information requirements and attempted to find the extent to which the annual reports provide information for users. Those studies have concentrated on a variety of issues concerning disclosure and consensus between the users and preparers of accounting information.

The literature on users' perceptions of financial reports has evolved over the last thirty or so years whilst the literature on preparers' attitudes to financial reports is more recent but sparse, specifically in terms of developing countries. Although the recent studies have touched upon a variety of issues concerning users' information needs and the consensus between the users and preparers of accounting information, only one (Abu-Nassar and Rutherford, 1995) has attempted to examine the preparers' perceptions of financial reports in developing countries. Abu-Nassar and Rutherford (1995) investigated the perceptions of preparers of corporate financial statements in Jordan where a moderately sophisticated capital market operates. Their research was conducted by means of a survey questionnaire of preparers of all the 112 companies listed on the Amman Financial Market.

Previous studies have investigated the perception of users and preparers in developed countries. This study reports results obtained in an emerging equity market in a Middle Eastern country. Iran has a new active market that was set up in 1966. Perhaps corporations in Iran are reluctant to disclose more information, because as mentioned in Morady's study (1993) the majority of investors are not experienced in

using annual reports for decision making. There is a possibility that the perceptions of preparers are different from those using that information. There is only one study on perceptions of preparers in developing countries. With regard to discussion on the expectation gap literature and the common results, there is no consensus between the perceptions of preparers of accounts and those of users of accounts and with regard to the characteristics of emerging equity markets. An aim of this study is to find the perceptions of preparers of financial statements in Iran. It provides empirical evidence relating to the importance of disclosure in corporate annual reports to preparers of accounts in Iran.

This study uses the terms ‘annual reports’ and ‘annual financial reports’ to include directors’ reports, financial reports including balance sheet, the profit and loss statement, cash flow statement, notes to the financial statements, directors’ declaration, and the auditor’s report. For purposes of this study the desirability (perceived importance) of selected information items was measured by means of a common questionnaire which instructed respondents to indicate the relative importance of each item on a five-point scale. The questionnaire contained 81 items which were mostly drawn from disclosure indices through a review of the relevant literature in developing countries and partly based on the socioeconomic and environmental disclosure items suited to the Iranian context. This study assumes accountants include boards of directors, finance directors, chairmen, chief accountants, and company accountants, as preparers of accounts.

### **The Financial Reporting Environment of Iran**

Accounting professional societies have contributed little to the world of accounting in Iran. For several years, the Ministry of Finance has designated and licensed Official

Accountants whose services have been mostly used for income tax purposes. In 1983, the Iranian Parliament, enacted legislation that entrusted the responsibility for a public accounting profession and also the setting of accounting regulation to the Audit Organisation. This was later reinforced by the Property and Economic Affairs Ministry (Ministry of Finance) in 1987. The Audit Organisation has been the only “professional body” involved in the compilation of national accounting and auditing standards but it has not been organised as a true professional accounting body. The research centre of the auditing and accounting profession in the Audit Organisation started the translation and publication in the Persian (Farsi) language of the vast majority of International Accounting Standards, a few of International Auditing Guidance, and several of the American Accounting Standards.

However, the legal, regulatory, and fiscal framework for financial reporting in Iran is very limited in scope and is expressed only in very general terms. The commercial code is limited to minimal corporate disclosure, evaluation methods, measurement approaches, depreciation, and bookkeeping. The Act has not provided strict guidelines for its own enforcement and there are no penalties imposed against companies for violating the provisions of the Companies Act.

Tax Law defines legal books as journals and ledgers according to Commerce Law and obliges individual businesses and corporations to keep legal books or income and expense books (jobs books) provided by the Ministry of Economic and Property Affairs. Tax Law defines tax acceptable expenditures and accepted principles of depreciation of assets, preliminary expenses, and capital expenses and states methods of calculation of depreciation, and provides a depreciation schedule on the basis of accepted principle of the Ministry of Economic and Property Affairs. No other deductions or reporting principles are defined by the law.

The Stock Exchange Law imposes the following conditions on companies listed on the TSE (Tehran Stock Exchange): first, they must have operated for three years, secondly, the third year of their production must have been profitable, and thirdly, their continuous activity is anticipated. The Tehran Stock Exchange has so far issued no requirements relating to the content of company annual reports.

Commercial Code' provisions include those relating to business transactions, accounting, and bookkeeping. Although there are about 300 sections of the Companies Act relating to joint stock companies, the Act does not seem capable of serving the needs of the companies themselves or the users of corporate reports.

### **Research Design and Data**

In this study the basic research instrument consisted of a questionnaire that was distributed in 1997 to 250 companies randomly selected from the list of corporations under the Mining & Industry Ministry on a stratified basis. With regard to the above discussion on the disclosure environment in Iran, the idea of developing a list of information items was designed. The questionnaire contained a representative list of items selected on the basis of general significance, frequency of use, availability, and recommendations from the users in accordance with relevant laws, regulations, and technical standards. A total of 54 replies were received. Of these, two were eliminated because many questions had been left blank. Useable responses thus amounted to 52, representing a response rate of 20.8 percent. The response rate was low but roughly consistent to those of previous studies [Firth (1978) 36% for finance directors, Firer and Meth (1986) 24% for financial directors, Schneider et. al (1994) 14%] dealing with preparers' views and using the mailing method. The response rate (20.8%) is

consistent with those obtained in nationwide mail surveys of business and financial professionals (see, for example, Wilson, 1987).

The questionnaire consisted of two parts, the first addressing ethical behaviour of professional accountants and, the second, more specifically addressing specified categorized information items. Part two contained specified information items under five categories, viz, balance sheet; income statement; other statement; accounting policy; and historical information. It comprised a list of 81 selected information items that are, or could be, disclosed in a firm's annual report in accordance with relevant regulations and standards. The selection arose from a review of the relevant literature, a review of some recent financial reports, interviews with relevant experts and a review of statutory-required disclosures. The respondents were requested to rate each information item on a five-point scale<sup>[1]</sup> depending on their view of the importance of the items. Respondents were instructed clearly to evaluate information items as preparers perceiving the user's information requirements.

The questionnaire was used to gain information on preparers' perceptions of the information items in corporate annual reports. In addition to gathering data on respondents' perceived importance of the information items in company annual reports, the questionnaire also collected information on the disclosure framework under which financial information is produced.

The ethical issues addressed in the first part of the questionnaire are information on ethical responsibility to maintain an appropriate level of professional competence by ongoing development of the knowledge and skills, responsibility to communicate information fairly and objectively and disclose all relevant information which could

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<sup>1</sup> The five point scale in this study was defined as 1 = Irrelevant; 2 = Unimportant; 3 = Useful; 4 = Very important; 5 = Absolutely necessary.

reasonably be expected to influence an intended user's understanding of the reports, and responsibility to perform their professional duties in accordance with relevant laws, regulations, and technical standards (Vanasco, 1994).

The areas to be addressed the above ethical issues are personal qualifications and experience of respondents, target audience for financial statements, the extent of the participants' influence in the decision-making process, the extent of the laws and regulations influencing accounting policy and disclosure decisions, and the preparers' opinion about the problems that restrict the disclosure level of annual reports.

The questions to be covered in part I of the questionnaire are:

- (I) Preparers' accounting qualifications and accounting experience to cover professional competence;
- (II) Target audience for financial statements to cover responsibility to communicate information fairly and objectively;
- (III) Perceived importance of the extent of the influence of potential participants in the decision-making process to cover ethical issue that the contents of financial statements to be expected to influence an intended user's understanding of the reports, comments and recommendations presented;
- (IV) Perceived importance of the extent of the influence of laws and regulations in accounting policy and disclosure decisions to cover ethical issue as responsibility to perform their professional duties in accordance with relevant laws, regulations, and technical standards;
- (V) Preparers' opinions about the restricted factors on the disclosure level of the annual reports to cover ethical issue as financial statements should included all relevant, reliable and on time information which could be reasonable;

## **Results of the qualifications and experiences of Respondents**

The first three questions of part I of the questionnaire sought information on the personal characteristics of respondents including their job position, accounting qualifications, and their experience in accounting and finance. The large majority were administrative and finance managers, finance directors, and chief accountants (89.8 percent) and most (78.8 percent) had had more than 10 years' experience in accounting and finance and 75 percent held an accounting or relevant degree from a university. A significant number (69.2 percent) had acquired skills through work experience as well. In general, respondents appeared to be in a good position to provide the information sought and had authority to answer questions as they were the preparers.

## **Target Audience for Financial Statements**

Financial statements may be used for a variety of reasons for example for decision making to buy, sell, or hold shares, academic interest, company loan approvals, to advice clients, and to evaluate company performances by different user groups (User groups are Bank Loan Officers, Academics, Stockbrokers, Bank Investment Officers, Investors, Auditors, and Tax Officers). Respondents were presented with a list of 12 groups of potential users of corporate annual reports and asked to rank them in order of importance. Tables 1(a) and 1(b) show target audiences for financial statements from the point of view of preparers in two different ways.

The most important user group was company shareholders. Of the 52 respondents, 74 percent ranked this group as the most important target user group. The other users given a high priority were management and boards of directors, independent auditors, the stock exchange committee, and income tax officers (73.1%, 62.7%, 50.0%, and

36.5% respectively). Employees of banks credit sections, stockbrokers and financial analysts, and government institutions and organisations were considered of only moderate importance and several groups were widely considered to be of no importance: corporate employees and clients, newspapers and publications, corporate raw materials providers, and academic staff, researchers and students were considered to be of least importance by more than 50 percent of the respondents.

### **The Influence of Potential Participants in the Decision-Making Process**

The management of companies provides information available to others because of regulatory requirements and economic incentives. Clearly the directors are responsible for the contents of the financial statements, but in practice, there are other participants who may influence decisions as to accounting policies and formats and the level of disclosure. Respondents were asked to evaluate the extent of the influence of potential participants in the decision-making process. As in developed countries (e.g. Firth, 1979), the independent auditors were the most influential group. Abu-Nassar and Rutherford (1995) have indicated that the directors have only a moderate influence on the content of financial reports because they have little knowledge of accounting. The results of this research show that the managing directors and boards of directors of companies have a moderate influence on the content of financial reports.

As Table 2 shows, the most important group of participants who influence the preparation of financial reports is financial managers with a mean of 4.2424 by more than 60% of respondents. The least important effective groups influencing financial reports are accounting chairmen and corporate accountants with means of 2.7879 and

2.1667 by more than 18% of respondents. Also considered important participant groups who influence financial reports by their decision making are corporate independent auditors, managing directors, directors board, and tax officers, ranked as the second, third, fourth, and fifth respectively.

### **The Influence of laws and regulations in Accounting Policy and Disclosure**

Previous discussion of the financial environment in Iran shows that there are different Acts, Rules, Orders, Ordinances, and Laws in Iran, but those requirements are very limited and inadequate. In this study, six major factors that were expected to influence financial reporting practices were presented in the questionnaire and respondents were asked to rate them according to the perceived importance of those factors on a five-point scale. As Table 3 shows, auditor reports and the regulatory dimension in the form of the Corporate Law, Income Tax Law, and stock exchange regulations were found to have substantial influence.

As Table 3 shows, the most important factor influencing accounting policy and disclosure is the auditors report with a mean of 4.5000 by 72% of respondents. Although Iranian accounting is highly influenced by Tax Law, the tax authorities emphasise mechanics and form rather than concepts. Due to this fact, the importance of the auditors' opinion on financial reporting and disclosure goes back to a number of regulatory rulings in Iran that require companies to have their accounts audited by an audit entity.

With the exception of the import and export regulations and corporate competitors which were ranked as the least important factors influencing accounting policy and

disclosure by more than 46% of respondents, the remaining four factors were ranked as the most important factors by more than 30% of respondents.

### **Factors restricting the Disclosure Level of the Annual Reports**

In studies of user's requirements (eg. Singhvi and Desai, 1971; Buzby, 1974; Firth, 1979, 1980; Anderson, 1981; McNally et al., 1982; Firer and Meth, 1986; Cooke, 1989; Wallace, 1988; Streuly, 1994), it has been said that a lack of access to information, delays in published annual reports, a lack of trust in information, and a lack of adequate information were restrictive factors influencing disclosure. Preparers should provide financial reports that are relevant, reliable, timely, and contain all material information to enable the users to make informed decisions. The more disclosure a company makes, the more informed and better decisions the users can make (other things being equal). In the long run, this would help create a more efficient economy, better informed securities markets, and healthier corporations.

With the above conditions, in regard to the lack of adequate information, the present study identified some factors that have caused the provision of inadequate information. Six factors were presented that restrict the disclosure level of financial reports. Respondents were asked to indicate what factor(s), in their opinion, restricted the disclosure level of annual reports.

Table 4 shows the proportion of responses to separate proposed problems. A high proportion (38.5%) indicated a lack of knowledge of external users' needs and a lack of reporting standards and accepted accounting principles. The reason why a lack of knowledge of external users' needs is ranked highly is that accountants as preparers of financial reports are unfamiliar with users' needs. This might be due to the fact that,

there are no studies (or at least no comprehensive studies) on financial reporting problems and users' needs as general purpose financial reports in Iran. Preparers are not given any recommendations or requirements by research studies of what they should disclose.

### **The Importance of Information Items**

The purpose of the present study was to determine perceptions of the preparers regarding the extent to which qualitative characteristics are present in annual reports. In order to accomplish this objective, it was necessary to determine the importance of all possible information items rated by the preparers group on a five-point scale signifying 1 for irrelevant, 2 for unimportant, 3 for useful, 4 for important, and 5 for absolutely necessary. Preparers' perceptions of disclosing 81 information items were examined. The items were selected on the basis of evidence from earlier studies (Firth, 1979, 1980; Singhvi and Desai, 1971; Buzby, 1974; Firer and Meth, 1986; McNally et al., 1982; Wallace, 1988, Cooke, 1989) that an item is regarded as important by preparers of corporate annual reports.

An item-by-item procedure was carried out to calculate mean scores of 81 information items. This examination (item-by-item) measured the average preferences of the information item to preparers group.

The results determined that 36 items of information (with a mean of 4.0196-4.8654) are considered to be of great importance, 36 items of moderate importance (with a mean of 3.0000-3.9608), 7 items of slight importance (with a mean of 2.0682-2.9216), and 2 items (with a mean of 1.8837-1.9545) are considered to be unimportant.

Comparative balance sheet and cash flow statements for 10 years are considered as unimportant item (means 1.9545 and 1.8837) by the preparers group.

An item-by-item examination of the individual information items included in the questionnaire would give the interested decision making parties, such as professional bodies and a standard setting board, a better insight into desirability which may exist between preparers of information items. The results of an item-by-item examination (mean score of each item) indicate that the first three top ranks are categorised as balance sheet, other statements (auditors' reports) and profit and income statement items.

The sectional examination (mean score of different sections of annual reports) indicates a set of information items which were categorised in the questionnaire under different sections of the annual report. Part II of the questionnaire was divided into the five sections of annual reports and under each section, there were different information items (for example balance sheet; 14 questions, profit and income statement; 16 questions, accounting policy; 9 questions, other statements; 14 questions, and historical information; 28 questions) with preparers asked to rank them on a five point scale. Therefore, to obtain a sectional analysis of annual reports, one column was allocated to each section of the annual reports and the mean score of those sections were calculated by computer for each preparer separately. As the results show, the most important section of the annual report is the balance sheet followed by accounting policies, profit and income statement, other statements, and summary and historical information categorized as the least important section.

## **Summary and Conclusion**

Respondents to the survey reported here generally held senior positions within their company and were well qualified with substantial relevant experience. This suggests that their responses provide a reasonably reliable indication of preparers' attitudes and perceptions in Iran. The primary users of published financial reports are company shareholders. The results appear to be different to those of other developing countries. The situation in Iran appears to be in contrast to that found in the study by Abu-Nassar and Rutherford (1995) which indicated the primary users of financial reports are management itself. Further, preparers regard the financial managers group as the second most important group of participants who influence the preparation of financial reports in Iran. Not surprisingly, given the results reported earlier, the auditor's report (proposals by auditors) was found to be a major influence on reporting practices while corporate competitors were the sixth most important influence on financial reports. The regulatory framework was found to have a considerable influence on financial reporting practices by Abu-Nassar and Rutherford (1995).

In evaluating factors that restrict the disclosure level of financial reports, preparers in Iran attributed a high proportion to lack of knowledge of external users' needs and lack of reporting standards and accepted accounting principles. Finally, the study examined the importance of several information items rated by the preparers' group. The mean value of the preparers' ratings according to an item-by-item examination shows the balance sheet, other statements (auditors' reports) and profit and income statement as the first, second, and third most important. The mean value of groups of items under fifth sections of annual reports shows the balance sheet, accounting

policy, and profit and income statements as the first, second, and third most important sections.

This study has contributed evidence on disclosure practices in a developing country that has not been extensively examined. Therefore, it is of great importance to accounting standard setting bodies and to other relevant law setting bodies, in evaluating the preparers' perceptions of standard setting requirements or corporate disclosures currently imposed. It can be used as a basis for evaluating the corporate disclosure desires of preparers.

The regulatory framework of accounting information appears to be inadequate in Iran. There are different areas of weakness such as disclosure regularities, company law, tax law, accounting professional society, and Tehran Stock Exchange. There is no evidence of any action being taken against any company by the TSE for not publishing annual reports. The Company Law, Tax Law, and Stock Exchange Law need to be updated and revised in respect of accounting and the auditing standards that would be created by the standard setters or regulatory agencies.

Accounting professional bodies do not exist in Iran except as an advisory board in the Audit Organisation that has the responsibility for implementing national accounting and auditing standards in Iran. Therefore, there is an opportunity for an accounting profession to emerge as an independent regulatory body. The results of this study strongly suggest the need for timely and wider disclosure of information and making publication of annual reports mandatory. The accounting profession should be created as an independent regulatory body and should be entrusted with the powers and responsibilities of formulating policies concerning financial reporting from both users' and preparers' attitudes. The government should provide the necessary support to pass legislation necessary in this regard.



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**Table 1(a)**  
Target Audiences for financial Statements

|    | <b>Potential Users</b>                          | <b>Priority of respondents (%)</b> |
|----|-------------------------------------------------|------------------------------------|
|    | <b><u>First Priority (most importance)</u></b>  |                                    |
| 1  | Company's shareholders                          | 74.0%                              |
| 2  | Management and board of directors               | 73.1%                              |
| 3  | Independent auditors                            | 62.7%                              |
| 4  | Stock exchange committee                        | 50.0%                              |
| 5  | Income tax officers                             | 36.5%                              |
|    | <b><u>Second Priority (less importance)</u></b> |                                    |
| 6  | Employees of bank credit sections and creditors | 38.8%                              |
| 7  | Stockbrokers and financial analysts             | 33.3%                              |
| 8  | Government institutions and organizations       | 19.1%                              |
|    | <b><u>Last Priority (no importance)</u></b>     |                                    |
| 9  | Corporate employees and clients                 | 53.2%                              |
| 10 | Newspapers and publications                     | 79.1%                              |
| 11 | Corporate raw materials providers               | 79.1%                              |
| 12 | Academic staff and researchers and students     | 79.5%                              |

**Table 1(b)**  
Target Audiences for financial statements

|    |                                                  | <b>Most importance (1)</b> |      | <b>Less importance (2)</b> |      | <b>Least importance/no importance</b> |      |
|----|--------------------------------------------------|----------------------------|------|----------------------------|------|---------------------------------------|------|
|    |                                                  | No. of res.                | %    | No. of res.                | %    | No. of res.                           | %    |
| 1  | Management and board of directors                | 38                         | 73.1 | 11                         | 21.2 | 0                                     | -    |
| 2  | Independent auditors                             | 32                         | 62.7 | 13                         | 25.5 | 0                                     | -    |
| 3  | Employees of banks credit sections and creditors | 7                          | 14.3 | 19                         | 38.8 | 5                                     | 10.2 |
| 4  | Company's Shareholders                           | 37                         | 74.0 | 7                          | 14.0 | 1                                     | 2.0  |
| 5  | Income tax officers                              | 19                         | 36.5 | 17                         | 32.7 | 2                                     | 3.8  |
| 6  | Corporate employees and clients                  | 0                          | -    | 8                          | 17.0 | 25                                    | 53.2 |
| 7  | Academic staff and researchers and students      | 0                          | -    | 2                          | 4.5  | 35                                    | 79.5 |
| 8  | Stock exchange committee                         | 23                         | 50.0 | 6                          | 13.0 | 5                                     | 10.9 |
| 9  | Government institutions and organizations        | 3                          | 6.4  | 9                          | 19.1 | 16                                    | 34.0 |
| 10 | Corporate raw materials providers                | 0                          | -    | 3                          | 7.0  | 34                                    | 79.1 |
| 11 | Newspapers and publications                      | 0                          | -    | 1                          | 2.3  | 34                                    | 79.1 |
| 12 | Stockbrokers and financial analysts              | 2                          | 4.8  | 14                         | 33.3 | 14                                    | 33.3 |

**Table 2**  
Influence of Potential Participants in the Decision-  
Making Process

| Potential participants                  | Mean   | Great Importance |      | <i>Least importance</i> |      |
|-----------------------------------------|--------|------------------|------|-------------------------|------|
|                                         |        | No. of res.      | %    | No. of res.             | %    |
| 1 Financial managers<br>(1)             | 4.2424 | 20               | 60.6 | 1                       | 3.0  |
| 2 Corporate independent auditors<br>(2) | 4.1136 | 21               | 47.7 | 3                       | 6.8  |
| 3 Managing directors<br>(3)             | 4.0000 | 20               | 45.5 | 2                       | 4.5  |
| 4 Directors board<br>(4)                | 3.6809 | 17               | 36.2 | 4                       | 8.5  |
| 5 Tax officers<br>(5)                   | 3.5111 | 11               | 24.4 | 4                       | 8.9  |
| 6 Accounting Chairman<br>(6)            | 2.7879 | 1                | 3.0  | 6                       | 18.2 |
| 7 Corporate accountants<br>(7)          | 2.1667 | 1                | 2.8  | 12                      | 33.3 |

**Table 3**  
Influence of Major Factors in accounting Policy and Disclosure

| Major Factors                        | Mean   | Great importance |      | Least importance |      |
|--------------------------------------|--------|------------------|------|------------------|------|
|                                      |        | No. of Res.      | %    | No. of Res.      | %    |
| 1 Auditors' report<br>(1)            | 4.5000 | 36               | 72.0 | 1                | 2.0  |
| 2 Corporate law<br>(2)               | 4.0816 | 23               | 46.9 | 2                | 4.1  |
| 3 Income tax law<br>(3)              | 4.0612 | 21               | 42.9 | 3                | 6.1  |
| 4 Stock exchange regulations<br>(4)  | 3.8667 | 15               | 33.3 | 2                | 4.4  |
| 5 Import & export regulations<br>(5) | 2.0488 | 2                | 4.9  | 19               | 46.3 |
| 6 Corporate competitors<br>(6)       | 1.9000 | 2                | 5.0  | 21               | 52.5 |

**Table 4**  
Problems Restricting the Disclosure Level of Annual  
Reports (%)

| <b>Code</b> | <b>Problems</b>                                                          | <b>%</b>    |
|-------------|--------------------------------------------------------------------------|-------------|
| 1           | Lack of knowledge of external users' need                                | 38.5<br>(1) |
| 2           | Lack of reporting standards and accepted accounting principles           | 38.5<br>(1) |
| 3           | Fear of misuse of extra published information by users                   | 34.6<br>(3) |
| 4           | Lack of legal forces in preparing financial reports by legal authorities | 28.8<br>(4) |
| 5           | Fear of misuse by competitors                                            | 28.8<br>(4) |
| 6           | Prepare and publish expense of information                               | 0.0<br>(6)  |