

Qualitative Characteristics of Financial Reporting

An Evaluation of Users' Perception in Bangladesh

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INTRODUCTION

Financial reporting is a system of communicating the outcome of operational activities of a corporate entity to its stakeholders. Corporate financial reporting plays an important role to both the reporting entity and its outside users. It provides information to assist present and potential investors, creditors and other users in assessing the amounts, timing, and uncertainty of prospective cash receipts from dividends or interests and the proceeds from sale, redemption, or maturity of



Abstract

This empirical study evaluates the views and perceptions of external users about selected qualitative characteristics of corporate financial reports in Bangladesh. The selected qualitative characteristics were predictive value, feedback value, timeliness, verifiability, representational faithfulness, neutrality and comparability. An opinion survey was conducted on one hundred ninety external users specifically shareholders, stockbrokers, bankers, academicians and tax officers. The users' perception about the qualitative characteristics of corporate financial reporting is far below the acceptable level and as such users have a negative attitude towards disclosures of financial reporting. The study suggests that Board of Directors (representatives of the majority shareholders) should try to resuscitate the confidence level of external users through ensuring good corporate governance with utmost sincerity and integrity. The BOD should also ensure that financial statements reflect the true and fair view of financial position, performance and the state of affairs of the reporting entity. This research may help policy makers, regulators, reporting entities, academicians, stakeholders, and other interested groups to endorse good corporate financial reporting environment in Bangladesh.

Key Words: Qualitative Characteristics, Corporate Financial Reporting, Bangladesh.

securities or loans (FASB:1978). Since disclosures are used by external users in making their economic decisions, it is expected that these should have some qualitative characteristics. All over the world especially in developed countries, many researches on this field have been done to develop a sound financial reporting system. The study group on the objective of financial statements constituted by American Institute of Certified Public Accountants (AICPA) has stressed certain qualitative characteristics of information disclosed in the financial statements. According to the Study Group "the qualitative

characteristics of financial statements, like objectives, should be based largely upon the needs of the users of the statements. Information is useless unless it is relevant and material to a user's decision. Information should be as free as possible from any biases of the preparer. In making decisions, users should understand not only the information presented, but also should be able to assess its reliability and compare it with information about alternative opportunities and previous experience. In all cases information is more useful if it stresses economic substance rather than technical form" (Gupta: 1989). Financial Accounting Standard Board (FASB) has defined the qualitative characteristics of accounting information that distinguish better (more useful) information from inferior (less useful) information for decision making purposes (FASB:1980). According to the hierarchy of accounting information developed by Keiso, Weygandt and Warfield (2004), qualitative characteristics have been classified as primary quality and secondary quality. Primary quality includes relevance and reliability and secondary quality includes comparability and consistency. Relevance includes predictive value, feedback value, and timeliness, while reliability includes verifiability, representational faithfulness and neutrality. These qualitative characteristics of accounting information have also been shown in the conceptual framework for financial reporting developed by Norby (1998). Wood (2005) discussed ten qualitative characteristics of accounting information. They are relevance, reliability, objectivity, ability to be understood, comparability, realism, consistency, timeliness, economy of presentation, and completeness.

The qualitative characteristics of financial reporting are very much important to the external users in making their economic decisions. The wave of accounting scandals happened in recent times in the international financial community has raised many criticisms about the financial reporting quality (Agrawal and Chadha, 2005). Several prominent companies were involved in accounting frauds, such as Enron, WorldCom, Marconi, Parmalat, and many others, which have weakened investors' confidence on the management team and on financial reports. The extensive failure of financial disclosures has created a need for improving the quality of financial information and for strengthening the control of managers by setting up good governance structures (Karamaou and Vafeas, 2005; Beekes and Brown, 2006; Brown and Caylor, 2006; Firth et al., 2007; Petra, 2007; Klai and Omri, 2011). Indeed, financial information serves as a basis for investment decisions of the capital market participants. It is useful for shareholders, analysts, creditors, bankers, portfolio managers, and regulators, since it assists to determine the company's past performance, predict its future profitability and monitor the managers' actions (Bushman and Smith, 2001; 2003; Klai and Omri, 2011). In this context, the objective of the study is to measure users' perception regarding the qualitative characteristics of financial reporting according to the conceptual framework for financial reporting, as suggested by Norby (1998).

RESEARCH MOTIVATION

Rationale: Measurement and analysis of users' perception of financial reporting is a wide-ranging and important area of accounting research especially in Bangladesh because it is a developing one and users' here are not capable like users' of developed countries to analyze and understand financial reports. History of accounting scandals like Enron, Sunbeam, and WorldCom has damaged the image of financial reporting and integrity of external auditors. A few literatures have been found prior to the present study but they are not enough for policy makers to understand the importance of changing or introducing new policies for protecting stakeholders' interest. The degree of volatility of stock price of Bangladesh capital market is too high. The shedding of index by 600 points in five minutes in Dhaka Stock Exchange (DSE) by crashing the market circuit breaker limit of 225 points is an indicator of high volatility (Khaled Hyder: 2011). In the history of Bangladesh capital market was crushed two times. The first one was in 1996 and another was in 2011. The speculative bubble was the main reason for crashing the capital market in 1996 (ADB Report: 2005) and asset pricing bubble was the main reason for crashing the capital market in 2011 (Hossain: 2011). Majority of the capital market participants not only lost their original investment but also lost their margin loan investment due to market price manipulation. As a result, they have been suffering from financial pressure especially for margin loan since 2011 due to lose of their repaying ability of margin loan. Most of the cases, the merchant bank and brokerage house forcefully sold the shares to recover the loan without informing the investors. This unethical activity also hits the investors' confidence. The prediction of analysts, experts, regulators, merchant bankers, policy makers, and media reports did not work properly in the less developed capital market in Bangladesh. Eventually, all misdeeds or misstatements affect the level of confidence of market participants on corporate financial reports. According to a Chinese proverb, there is a golden formula to follow three tactics in both a stock market and a casino room if one must try his fate for quick money: the rules of the game, the stakes, and the quitting time. Investors in Bangladesh Stock Market who vandalized cars and blocked roads out of frustrations perhaps ignored any or all of the three tactics (Khan:2011). The bubble of capital market in 2011 was created by using asset pricing mechanism (Probe Committee Report: 2011). Therefore, the qualitative characteristics of financial reporting are now questionable in Bangladesh. The idea of investigating users' views and perception about the qualitative characteristics of corporate financial reporting was conceived from the above situation as they are directly or indirectly affected if fraudulent financial reports are produced.

Research Gap: There is hardly any study on external users' perception about the qualitative characteristics of financial reporting in Bangladesh. Finding clue from this gap the present study has been planned.

THEORETICAL IMPLICATION

Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization (www.wikipedia.com:2013). External users of financial statements are mainly considered as stakeholders who are highly dependent on corporate financial reports for making their economic decisions (Hasan: 2013). Corporate financial report has some qualitative characteristics that have been developed in conceptual framework of financial reporting by Financial Accounting Standard Boards (FASB). From the perspective of stakeholder theory, external users have every right to get a corporate financial report that must have the qualitative characteristics i.e., predictive value, feedback value, timeliness, verifiability, representational faithfulness, neutrality, and comparability (Hasan: 2011). Besides, legitimacy theory posits that managements are bound by the social contract in which the companies agree to perform various socially desired actions in return for approval of its objectives and other rewards, and this ultimately guarantees its continued existence (www.ventureline.com:2013). From this perspective, managements are responsible for producing corporate financial reports that bear above characteristics. External users deserve it and it is also socially desirable accounting output. In this study we have examined the perception regarding qualitative characteristics of different user groups in Bangladesh from stakeholders' perspective.

LITERATURE REVIEW

Huge literature has been found in the field of disclosure study in Bangladesh but most of them did not cover users' perception especially about qualitative characteristics of corporate financial reporting in Bangladesh. Razzaque (2004) conducted a users' perception study. The selection of respondents included bankers from state owned banks which do not operate like a commercial bank. He selected chartered accountants as a respondent group who certify the corporate financial reports. They never admit that there are some shortcomings in disclosing accounting information in Bangladesh. He also selected Financial Analysts as a respondent group who are very few in numbers in Bangladesh; the profession has not yet built up like developed countries. The study reveals that users' impression on this issue was not positive, that is satisfactory. Ahmed (2009) conducted a users' perception study with 100 respondents from five groups including both accountants and financial analysts. He did not use Likert type scale which is considered as an important tool to measure the views and perceptions of the users through a structured questionnaire; rather he used yes/no questionnaire format. This study did not cover the qualitative characteristics about financial reporting in Bangladesh and it covered only banking sector. Gold et al. (2009) conducted a perception study of the users of Germany and Netherlands on unqualified audit reports. Their study investigated the differences in perception concerning the reliability of audited financial statements between auditors and financial statement

users. They measured audit expectation gap taking auditors, financial analysts and students as respondents. The Association for Investment Management and Research (AIMR:2003) used five point Likert type scale in their survey of Global Corporate Financial Reporting Quality and Corporate Communications and Disclosure Practices (www.aimr.org). Naser et al. (2009) conducted a study on users' perception regarding financial reports of listed companies in Palestine Securities Exchange (PSE). He assessed the availability, adequacy and perceived usefulness of information disclosure for investment decision. Results of the study demonstrated that users perceive reported information as neither adequate nor relevant to investment decisions. In particular, reported information was insufficient, as listed companies did not comply with the minimum disclosure requirements of international standards. This unfavorable perception, along with poor credibility and bad timeliness of the disclosures, has prevented information from being impounded into stock prices. The study did not cover the qualitative characteristics of corporate financial reporting and it is absolutely effective only for listed companies in PSE.

METHODOLOGY

Primary Data Collection

For the present study survey method was used for collecting primary data. All the first hand information was collected from the field with a view to obtain the fresh information.

Questionnaire and Scale Used

The primary data was collected through structured questionnaire. In order to measure the respondents' perception about the financial reporting system that is practiced by the corporate entities in Bangladesh, a five point Likert type scale was used.

Selection of the Respondents

Usually, quality, acceptability, reliability and availability of data depend to a great extent on the knowledge of the respondents on the concerned area or topic. By keeping this in mind; utmost effort were made in selecting the respondents to ensure availability of desired information with maximum reliability within a given period of time. Thus, those individuals and institutions have been taken as respondents who are affected, directly and/ or indirectly, by the companies' activities and use corporate financial reports frequently or annually to collect information regarding the companies for making economic decisions or for other purposes.

For the sake of homogeneity, respondents are classified in five groups by occupation. These groups are bankers, shareholders, stockbrokers, academicians and tax officials. In addition to the above five groups, there are many other individuals and institutions who are affected more or less by the activities of companies and use their annual report occasionally. They were not considered as respondents for the current study.

Primarily 280 respondents were selected from five groups. Of which 60 were bankers, 65 were shareholders, 45 were stockbrokers, 55 were academicians and 55 were tax officers. But finally a total of 220 respondents responded to the questionnaire. Of which 45 were bankers, 55 were shareholders, 45 were stockbrokers, 40 were academicians and 35 were tax officers. Again, the responses of 30 respondents were rejected; of which 5 were bankers, 15 were shareholders, 5 were stockbrokers and 5 were tax officers. None of response of academicians was rejected. At last, 190 respondents from five groups were valid for current study. Out of which 40 were bankers, 40 were shareholders, 40 were stockbrokers, 40 were academicians and 30 were tax officers. The opinions provided by them were used for measuring users' perception of corporate disclosures of financial reporting.

The sample size, number of actual respondents and the number of valid responses of each group and in total are presented in the following table:

Table-1: Distribution of the Respondents' Sample Size, Responses, Valid Responses

Respondents Group	Sample Size	Responses		Responses Rejected		Valid Responses	Percent of total valid Responses
		Number	Percent	Number	percent		
Bankers	60	45	75	5	11	40	21
Shareholders	65	55	85	15	27	40	21
Stockbrokers	45	45	100	5	11	40	21
Academicians	55	40	73		0	40	21
Tax Officers	55	35	64	5	14	30	16
Total	280	220	79	30	64	190	100

Analysis of Data

Descriptive analysis such as frequencies, percentile analysis, mean, standard deviation, and co-efficient of variance have been adopted. Empirical analysis such as Chi-square test and F test have also been done by using statistical software SPSS in the current study in order to arrive at a concrete result.

RESULTS & DISCUSSIONS

Predictive Value of Accounting Information

Predictive value is concerned with the quality of information that assists users to increase the probability of correctly forecasting the outcome of past or present economic events. Corporate financial reports must provide knowledge concerning future events. Generally, users prefer those predictive values that facilitate them to take right decision at right time. The following table reflects users' opinion about the predictive value of accounting information included in the corporate financial statements.

Table-2: Distribution of Users Perception on the Predictive Value of Accounting Information

Users	f & %	Descriptive Statistics									F-value (Several mean test)
		Frequency					N	Mean	SD	CV	
		5	4	3	2	1					
Bank	F	4	17	3	13	3	40	3.15	1.21	38.41	7.1698**
	%	10	42.5	7.5	32.5	7.5	100				
Shareholders	F	9	19	2	9	1	40	3.65	1.14	31.23	
	%	22.5	47.5	5	22.5	2.5	100				
Stock Brokers	F	10	25	1	4	0	40	4.02	0.832	20.70	
	%	25	62.5	2.5	10	0	100				
Academicians	F	3	13	5	14	5	40	2.87	1.22	42.51	
	%	7.5	32.5	12.5	35	12.5	100				
Tax Officers	F	3	9	4	14	0	30	3.03	1.09	35.97	
	%	10	30	13.33	46.667	0	100				
Total	F	29	83	15	54	9	190	3.36	1.18	35.12	
	%	15.26	43.68	7.89	28.42	4.74	100				

5 = More correctly predictive, 4 = correctly predictive, 3 = Neutral, 2 = Not correctly predictive, 1= Not correctly predictive at all, f = Frequency. ** Significant at 1 percent level.

It is evident from above table that the mean score of opinions about the predictive value of accounting information is more than four for stockbrokers' and more than three for bankers, shareholders, and tax officers. Conversely, the mean

score of the academicians is less than three. The highest variation (CV 42.51 percent) exists within the academicians and the lowest variation (CV 20.70 percent) within the stockbrokers. So as to examine the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users with regard to predictive value of information furnished in corporate annual reports in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation among the respondents at one percent level. Therefore, the null hypothesis is rejected. This situation suggests that the predictive value of accounting information in Bangladesh is not upheld properly by the reporting entities.

Feedback Value of Accounting Information

Feedback value means the quality of information that enables users to confirm or correct prior expectations. It is not possible to predict future trend of business without evaluating its past activities. So, feedback value is extremely important in case of relevance. Information can affect a decision by conforming or correcting the decision makers' earlier expectation. Users cannot take right decision if the information does not bear feedback value. The following table shows users' perception about feedback value of information in the corporate financial statements.

Table-3: Users Opinion towards Feedback Value of Accounting Information

Users	f & %	Descriptive Statistics						F-value (Several mean test)			
		Frequency					N		Mean	SD	CV
		5	4	3	2	1					
Bank	f	6	17	6	8	3	40	3.38	1.19	35.31	2.456**
	%	15	43	15	20	8	100				
Shareholders	f	2	17	3	12	6	40	2.93	1.25	42.68	
	%	5	43	8	30	15	100				
Stock Brokers	f	5	17	4	12	2	40	3.28	1.18	35.92	
	%	13	43	10	30	5	100				
Academicians	f	7	20	5	6	2	40	3.60	1.10	30.69	
	%	18	50	13	15	5	100				
Tax Officers	f	5	15	5	5	0	30	3.67	0.96	26.15	
	%	17	50	17	17	0	100				
Total	f	25	86	23	43	13	190	3.35	1.17	34.81	
	%	13	45	12	23	7	100				

5 = Maintain high feed back value, 4 = Maintain feed back value, 3 = Neutral, 2 = Not maintain feed back value, 1 = Not maintain feed back value at all, f = frequency. ** Significant at 1 percent level.

The mean score of opinions of all user groups is less than four which indicates that the users are unable to predict future trend of operating activities of the reporting entity appropriately. Variation level among the respondents' opinion within the groups is dissimilar. The highest CV is for shareholders (42.68 percent) and the lowest for tax officers (CV 26.15 percent). With the intention of examining the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users with regard to feedback value of information furnished in corporate annual report in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation among the opinions of the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the quality of feedback value of accounting information in Bangladesh is not maintained properly by the reporting entities.

Timeliness of Accounting Information

Timeliness is an important quality of corporate financial reporting. Information must bear timeliness to treat as relevant. Accounting information is capable of affecting a decision if it is available at the time the decision is made. Timeliness alone cannot make information relevant, but information that is not timely is irrelevant. Timeliness of accounting information is a major factor that can affect the decision making process. But, it is alleged that the companies operating in Bangladesh do not maintain timeliness in disclosing their accounting information. In this respect, the users were asked about the timeliness of accounting information and their opinions are presented in the following table.

Table-4: Perceived Timeliness of Corporate Annual Report

Users	f & %	Descriptive Statistics							F-value (Several mean test)		
		Frequency					N	Mean		SD	CV
		5	4	3	2	1					
Bankers	F	4	15	7	9	5	40	3.10	1.24	39.88	
	%	10	37.5	17.5	22.5	12.5	100				
Shareholders	F	1	9	5	18	7	40	2.48	1.11	44.81	
	%	2.5	22.5	12.5	45	17.5	100				
Stock Brokers	F	6	10	4	15	5	40	2.93	1.33	45.40	
	%	15	25	10	37.5	12.5	100				
Academics	F	0	16	2	17	5	40	2.73	1.13	41.54	
	%	0	40	5	42.5	12.5	100				
Tax Officers	F	5	11	8	6	0	30	3.50	1.01	28.82	
	%	16.67	36.67	26.67	20	0	100				
Total	F	16	61	26	65	22	190	2.92	1.21	41.49	
	%	8.42	32.11	13.68	34.21	11.58	100				

5 = Very rapidly, 4 = Rapidly, 3 = Neutral, 2 = late, 1 = very late, f = frequency. ** Significant at 1 percent level.

Around one third respondents have alleged that the companies are late in disclosing their accounting information. As against this, 32.11 percent respondents pronounce that the companies are preparing and presenting their financial statements rapidly and 8.42 percent believe that companies are disclosing their accounting information very rapidly. While, 13.68 percent respondents were abstain from giving their opinions about the timeliness of publishing corporate annual reports and 11.58 percent believe that the companies are too late in disclosing their accounting information.

The mean score of opinions of bankers and tax officers are more than three, stockbrokers are close to three and shareholders and academicians are below three. The highest (CV 45.40 percent) variation is noticed in stockbroker group and the lowest (CV 28.28 percent) in tax officer group. To examine the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users regarding the timeliness of information furnished in corporate annual report in Bangladesh.

The result of several mean tests (F-Value) shows that there is significant variation among the opinions of the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the quality of financial reporting in terms of timeliness of accounting information in Bangladesh is not maintained properly by the reporting entities.

Verifiability of Accounting Information

Verifiability involves the ability through consensus among measures to ensure that accounting information is, and can be verified as, what it purports to present (Gleen et al., 1981). The usefulness of information is enhanced if it is verifiable. Users opinions about verifiability of information incorporated in the corporate annual report are shown in the following table.

Table- 5: Users Opinion Regarding Verifiability of Accounting Information

Users	f & %	Descriptive Statistics							F-value (Several mean test)		
		Frequency					N	Mean		SD	CV
		5	4	3	2	1					
Bankers	F	4	13	7	11	5	40	3.00	1.24	41.34	
	%	10	32.5	17.5	27.5	12.5	100				
Shareholders	F	0	10	10	14	6	40	2.60	1.03	39.72	
	%	0	25	25	35	15	100				
Stock Brokers	F	30	10	0	0	0	40	3.73	1.09	29.15	
	%	75	25	0	0	0	100				
Academics	F	0	16	5	16	3	40	2.85	1.05	36.89	
	%	0	40	12.5	40	7.5	100				
Tax Officers	F	0	9	4	16	1	30	2.70	0.95	35.27	
	%	0	30	13.33	53.33	3.33	100				
Total	F	13	68	29	64	16	190	2.99	1.15	38.32	
	%	6.84	35.79	15.26	33.68	8.42	100				

5 = Effectively verifiable, 4 = Verifiable, 3 =Neutral, 2 = Not verifiable, 1= Not verifiable at all, f = frequency.

** Significant at 1 percent level.

It is evident that only 6.84 percent respondents believe that the information is effectively verifiable and 35.79 percent opine it is verifiable. As against this, 34 percent consider that the information is not verifiable and 8.42 alleged that it is not verifiable at all. The mean score of opinions on verifiability of information for stockbrokers is above three, for bankers is three, but for the remaining three groups is less than three. So as to examine the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users with regard to verifiability of information furnished in corporate annual report in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation among opinions of the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be anticipated that the verifiability level of accounting information provided in corporate financial report in Bangladesh is very low.

Representational Faithfulness of Accounting Information

Faithful representation of information in the financial reports increases its reliability. Accounting information must be free from bias and incompleteness so that nothing substantial is left out. It is possible to achieve representational faithfulness through confirming freedom from bias and bring completeness in disclosing accounting information.

The following table reflects users' perception regarding faithfulness of corporate financial statements.

Table -6: Perceived Representational Faithfulness

Users	f & %	Descriptive Statistics									F-value (Several mean test)					
		Frequency					N	Mean	SD	CV						
		5	4	3	2	1										
Bankers	F	4	14	6	11	5	40	3.03	1.25	41.34	4.633**					
	%	10	35	15	27.5	12.5	100									
Shareholders	F	2	10	4	18	6	40	2.60	1.17	45.09		4.633**				
	%	5	25	10	45	15	100									
Stock Brokers	F	7	21	2	10	0	40	3.63	1.05	29.09			4.633**			
	%	17.5	52.5	5	25	0	100									
Academicians	F	0	16	5	16	3	40	2.85	1.05	36.89				4.633**		
	%	0	40	12.5	40	7.5	100									
Tax Officers	F	3	12	3	12	0	30	3.20	1.10	34.23					4.633**	
	%	10	40	10	40	0	100									
Total	F	16	73	20	67	14	190	3.05	1.17	38.38						4.633**
	%	8.42	38.42	10.53	35.26	7.37	100									

5 = Very faithfully represent, 4 = faithfully represent, 3 = undecided, 2 = Unfaithfully represent, 1 = Highly unfaithfully represent, f = frequency. ** Significant at 1 percent level.

The above table reveals that 8.42 percent of the respondents believe that information is very faithful and 38.42 percent believe it is faithful. Contrarily, none of the academicians think so. Again, 35 percent bankers, 25 percent shareholders, 52.50 percent stockbrokers, 40 percent academicians, and 40 percent tax officers are in the opinion that the information is faithfully presented. On the contrary, 27.50 percent bankers, 45 percent shareholders, 25 percent stockbrokers, 40 percent academicians, and 40 percent of tax officers gave negative response. Even, some bankers, shareholders, and academicians gave very negative responses. The number of undecided respondents in giving their answer is also remarkable.

The mean score of users' observation regarding representational faithfulness of information is more than three for bankers, stockbrokers and tax officers, and below three for the rest two groups of respondents. The highest variation (CV 45.09 percent) is existed in shareholders group and the lowest (CV 29.09 percent) in stockbrokers. In order to examine the difference among the users on this issue, the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users relating to representational faithfulness of information furnished in corporate annual report in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation of opinions among the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the representational faithfulness of accounting information is not maintained properly by the reporting entities in Bangladesh.

Neutrality of Accounting Information

Neutrality means that information should not be selected to favour one set of interested parties over another. Without neutrality, information cannot meet users need. Users' opinions on the neutrality of accounting information are provided in the following table:

Table-7: Users Perception towards Neutrality Level of Accounting Information

Users	f & %	Descriptive Statistics									F-value (Several mean test)					
		Frequency					N	Mean	SD	CV						
		5	4	3	2	1										
Bankers	F	2	19	3	11	5	40	3.05	1.22	39.95	8.499**					
	%	5	47.5	7.5	27.5	12.5	100									
Shareholders	F	0	12	2	13	13	40	2.33	1.23	52.80		8.499**				
	%	0	30	5	32.5	32.5	100									
Stock Brokers	F	6	23	2	9	0	40	3.65	1.00	27.43			8.499**			
	%	15	57.5	5	22.5	0	100									
Academics	F	0	12	9	14	5	40	2.70	1.04	38.62				8.499**		
	%	0	30	22.5	35	12.5	100									
Tax Officers	F	4	13	7	3	3	30	3.40	1.16	34.20					8.499**	
	%	13.33	43.33	23.33	10	10	100									
Total	F	12	79	23	50	26	190	3.01	1.22	40.57						8.499**
	%	6.32	41.58	12.11	26.32	13.68	100									

5 = Highly neutral, 4 = Neutral, 3 = Undecided, 2 = Partial, 1 = Highly partial, f = frequency.

** Significant at 1 percent level

Above table reveals that about 48 percent respondents believe that the information included in corporate financial statements are highly neutrally or neutral. As against this, about 40 percent respondents believe it is partially neutral or highly partial, while around 12 percent is undecided. Even some bankers, shareholders, academicians, and tax officers think the information is not neutrally presented at all.

The mean score of the users' opinion regarding the neutrality level of accounting information furnished in corporate financial statements is more than three for bankers, stock brokers, and tax officers, and below three for shareholders and academicians. To examine the difference among the users on this issue the following hypothesis is formulated.

Ho: There is no significant difference of opinion among the users pertaining to the neutrality level of information furnished in corporate annual report in Bangladesh.

The results of several mean tests (F-Value) show that there is significant variation of opinions among the respondents at one percent level. So, the null hypothesis is rejected. Therefore, it can be concluded that the quality of financial reporting in terms of neutrality of accounting information is not maintained properly by the reporting entities in Bangladesh.

Comparability of Accounting Information

In case of external financial reporting, information is provided in the corporate financial statements in such a way that can aid users in making decisions, which by definition involve comparison between alternatives. It is expected that the information will facilitate the users to determine the relative financial strengths, weaknesses and prospects between two different periods of the same firm or between two different firms in the same industry. Users' opinions regarding this issue are shown in the following table.

Table-8: Users Opinions on Comparability of Accounting Information

Types of Comparability		Bank	SH	SB	ACAD	TO	Total	F - Value
Inter firm Comparability	N	40	40	40	40	30	190	5.856
	Mean	2.25	2.58	2.68	1.73	2.73	2.37	
	SD	1.17	1.18	1.04	0.75	1.14	1.11	
	CV	52	46	39	43	42	47	
Inter period Comparability	Mean	3.50	2.8	3.43	4.15	3.43	3.36	2.53
	SD	1.28	1.42	1.41	0.80	1.25	1.34	
	CV	36.57	50.71	41.17	19.28	36.44	39.88	

Table 8 shows that the mean score is the highest (2.73) for tax officers, followed by stockbrokers (2.68), shareholders (2.58), bankers (2.25) and academicians (1.73) in case of inter firm comparability. Users' responses are less scattered (SD 0.75) for academicians and more scattered (SD 1.18) for shareholders. Again highest variation (CV 52 percent) is existed

among the bankers and lowest (CV 39 percent) among the stockbrokers. Moreover, from the result of several mean tests (F-Value), it is clear that there is significant variation among the responses of all respondent groups at one percent level.

But, the users perception is comparatively better in the case of inter period comparability than the above. The mean value of users opinions about inter period comparability is above 3 for four out of five respondent groups, even it is 4.15 for the academicians. The mean score for the remaining group i.e. shareholders is very much near to 3. Highest variation (CV 50.71 percent) is existed among the shareholders and the lowest variation (CV19.28 percent) is existed in the opinions of academicians. Moreover, from the result of several mean tests (F-Value), it is clear that there is significant variation among the responses of all respondent groups at five percent level.

Conclusion

Apposite and high quality information is essential for judging operational performance, managerial effectiveness and financial position of a reporting entity. An appraisal of information has an influence on future economic decision. The main purposes of producing corporate annual report are to convey right messages, at right time with predictive value, feedback value, clarity, applicability, reliability, verifiability, neutrality, completeness and the like to the stakeholders especially to the shareholders. If shareholders believe that the information provided in the annual report is dressed up and the report is prepared only for legal compliance then a bad impression may be developed in their mind regarding the governance of the reporting entity, which can destabilize the capital market and slow down the economic growth of a country. Unfortunately, shareholders and other stakeholders believe that Bangladeshi companies produce annual reports for legal compliance instead of providing necessary information to the stakeholders at right time and at right quality. In these circumstances, regulatory authorities, professional bodies, academicians, professional accountants, and other concerned bodies should come forward and discuss the matter candidly and comprehensively to identify the problems that stand in the way to quality corporate financial reporting and good corporate governance. We believe that if the board of directors of corporate entities could be motivated towards long-term benefits of quality financial reporting, they will ardently produce financial reports with necessary qualitative characteristics for their own benefit and for the benefit of the economy as a whole. In reality, nothing will bring any positive change to the quality of corporate financial reporting until and unless there is a pragmatic approach to the whole issue by all concerned persons, corporate entities, professional and regulatory bodies.

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