



**University of Venda**

**The Impact and Determinants of the Qualitative Characteristics on the  
Usefulness of Financial Reporting: Some Evidence from Selected JSE-Listed  
Firms**

**By**

**Sinthumule Orifha**

**Student No: 11604625**

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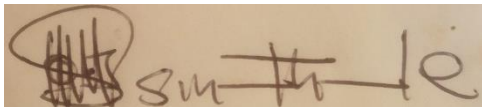
**Department of Accountancy  
School of Management Sciences**

**Supervisor: Prof. V. Moyo .....**

**May, 2020**

## DECLARATION

I, the undersigned **Mr Sinthumule Orifha (11604625)**, hereby declare that the dissertation for the Master of Commerce (MCOM in Accounting) degree at the University of Venda, hereby submitted by me, has not been submitted previously in part or in full, for a degree at this or any other university, and that it is my own in design and in execution, and that all reference materials contained therein have been duly acknowledged.



**Sinthumule Orifha**

**Student Number: 11604625**

**20 May 2020**

**Date**

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## ABSTRACT

The objective of financial reporting is to provide useful information about, the financial position, financial performance and cash-flow position of an entity, to the users of its financial statements. For countries that have adopted the International Financial Reporting Standards (IFRSs), the International Accounting Standard Board (IASB) has set out the basis on how the financial statements should be prepared and presented. The IASB's Conceptual Framework provides the principles and guidelines for the developments of the IFRS standards. Through the years, there has been a number of revisions to the conceptual framework that sought to improve the quality of the accounting standards and usefulness of financial reporting. According to the IASB's Conceptual Framework (2018), for financial statements to be useful, they must possess all the qualitative characteristics of financial reporting. These qualitative characteristics of financial reporting, as outlined in the conceptual framework (2018) are - reliability (faithful representation) and relevance, which are the fundamental qualitative characteristics and the enhancing qualitative characteristics which are - understandability, comparability, verifiability and timeliness. The improvements on the conceptual framework are aimed at improving the usefulness of financial reporting. In South Africa, there are limited studies that have investigated the impact of the qualitative characteristics of financial reporting on the usefulness of financial reporting. The study used data collected from a total of 52 JSE-listed companies operating in the mining, retail and industrial sectors which are listed on the JSE; focusing on the periods 2006, 2012 and 2018 to investigate the impact of the qualitative characteristics of financial reporting on the usefulness of financial reporting. The findings of the study show that all the qualitative characteristics of financial reporting have an impact on the usefulness of financial reporting. Furthermore, the firm size, industry where the firm operated and the leverage of the firm – have an impact on the FEQC of financial reporting.

**Keywords:** IFRS conceptual framework; Financial reporting, Qualitative characteristics, Usefulness

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## CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

### 1.1

Financial reporting is an integral part of business activities (Sultan, 2016). The objective of financial reporting is to provide a summary of useful information about the financial position, financial performance and the cash-flow position of the entity, to the users of its financial statements. Financial reporting is generally a manner in which the reporting company's financial statements provide high quality and truthful information that is useful to the users of its financial statements. Financial statements are useful when they provide high quality information about the reporting entity which can be used for decision-making purposes. The users of the financial statements are the existing and prospective investors, creditors and others, to help them make investments, credit and other decisions pertaining to the reporting firm (Obaidat, 2007).

In South Africa, financial statements are prepared based on the IASB's accounting standards and the International Financial Reporting Standards (IFRS). According to Sutton, Cordery and Zijl (2015), the IFRS standards are derived from the principles and guidelines set by the IASB's conceptual framework. The International Accounting Standards Board's (IASB's) conceptual framework explains who are the users of the financial statements, explicitly defines the objectives, qualities and rules of financial reporting and sets out the requirements for the recognition, measurement and disclosure of transactions. The conceptual framework is the foundation for the IFRS standards, although, they are not the IFRS standards themselves. The IFRS standards are a set of accounting standards, principles and interpretation of accounting transactions issued by the IASB.

According to the IASB's Conceptual Framework (2013), the qualitative characteristics of useful financial statements are understandability, relevance, reliability, comparability, verifiability and timeliness. These qualitative characteristics are explained as follows - understandability refers to whether the presentation and disclosure of the financial statements are comprehensive for the users; relevance entails the timeliness of the reported financial information; reliability or faithful presentation is a measure that seeks to ensure that the financial statements are verifiable and neutral; comparability entails that the financial statements are comparable between current and prior years and also to other companies'; verifiability is a measure that ensures that accounting information can be measured over time; timeliness means that the financial information is available to the users on time to enhance their decision-making process.

The primary objective of the conceptual framework is to ensure that the financial statements must possess all the qualitative characteristics that a financial statement must have, in order to achieve the objectives of useful financial reporting. A study conducted by Bauer, O'brien and Saeed (2016) concluded that conceptual framework should enhance the credibility of financial reporting, as such reliability makes accounting relevant.

The IASB identified a number of problems with the prior versions of the conceptual framework between 1987 and 2010, which led to further revisions of the conceptual framework. The initial framework that was used before the conceptual one was, The Framework (1989). In 2010 the IASB and the Financial Accounting Standard Board (FASB) (a joint project) issued a revision of the conceptual framework. According to the IASB's Exposure Draft (2015), the problems identified with the prior conceptual framework were that, firstly, the conceptual framework did not cater for all important areas of financial reporting. Secondly, some areas on the conceptual framework were unclear which then affected understandability and other qualitative characteristics of the financial statements, impacting negatively towards the usefulness of the report. Lastly, some aspects of the existing conceptual framework were out of date. There are still some uncertainties about the conceptual framework and the quality of financial reporting as there are continuous changes, suggestions, criticisms, and comments by the users and preparers of the financial statements.

The IASB's 2015 exposure draft was mainly intended to discuss whether to make changes on the conceptual framework; the changes proposed were on the objectives of the general purpose of financial reporting and on the qualitative characteristics of the financial information. On the objectives of financial reporting, the areas of concern were the stewardship and the primary users of the financial statements. The issues discussed on the qualitative characteristics of useful financial information were, prudence, substance over form, reliability, understandability and materiality. According to the IASB Basis of Conclusion on the conceptual framework (2015), it still believes that significant improvements to the existing Conceptual Framework should be completed on a timely basis. Ernst and Young (2015) criticised the IFRS conceptual framework saying that, it lacks clarity, apart from not covering some important concepts and for not being reflective of the IASB's current thinking. Deloitte (2015) stated that, they think that further improvements are necessary before the IASB's revised conceptual framework (2014) should be issued. This meant that there are still problems and shortcomings in the recent IASB's conceptual framework project. Holzmann and Munter (2014), stated that there have been seven amendments to the conceptual framework between the period 1987 and 2000.

The joint project between the IASB and FASB was focused on the revision of the conceptual framework. The revision was aimed at improving the foundation and concepts underlying global financial reporting, to revise the objectives of general financial statements and the qualitative characteristics of useful financial information. These changes and revisions sought to improve the quality of the accounting standards and thereby improving the quality and usefulness of financial reporting. Several studies have been conducted on the relevance and faithful presentation of the financial statements. The results of these studies, in terms of the impact on the usefulness of financial reporting, ranked relevance and faithful presentation higher than the other qualitative characteristics of financial statements. Rahmani and Jabari (2015) found that relevance has greater impact on the usefulness of financial statements than reliability. Barua (2006) also highlighted that relevance is ranked higher than reliability in terms of usefulness of financial reporting.

The understandability, comparability, consistency and timeliness enhancing qualitative characteristics of financial reporting have been left out in the scope of the past qualitative characteristics' research. Sutton *et al.*, (2015) argued that both the fundamental and enhancing qualitative characteristics of financial statements are all important in order to meet the usefulness of financial reporting.

The IASB's IFRS's is commonly used as a reporting body by a number of countries, which either have adopted the standard fully (Nigeria, New-Zealand, Australia, Jordan), partially (Iran, Japan, Netherlands) or have adopted some of the standards within the IFRS. South Africa has been involved with the IASB which was formally known as the IASC since 1976 (Coetzee and Schmulian, 2013) and even though the country has been involved with the IASB since 1976, South Africa only fully adopted the IFRS standards in 2005.

## **1.2 Problem Statement**

Since the push for global adoption of the IFRS standards by the IASB in those countries that adopted the IFRS standards in 2000, there has been a limited number of studies that looked at the usefulness of financial reporting. South Africa fully adopted the IFRS standards in 2005 and to the best of the researcher's knowledge, there are no studies which have been conducted in South Africa to address the impacts of qualitative characteristics on the usefulness of financial reporting. It is important to know the impact in South Africa because, the country uses the IFRS standards which are derived from the IASB's revised conceptual framework. The results of the studies undertaken globally may not apply to South Africa as the implementation of IFRS is influenced by a number

of aspects which differ from country to country. The differences are influenced by factors such as - institutional differences, socio-economic issues, currency values, laws and regulation of the reporting country, investors' protection laws and mostly the interest of the shareholders of the reporting country Nobes (2005); Stadler and Nobes, 2014). Past research by Noravesh (2010); Ahmadi (2008); Ahmadpour, et al., (2010); Rahmani and Jabari (2015) focused more on the fundamental qualitative characteristics- relevance and faithful presentation - leaving out the enhancing qualitative characteristics of financial statement (understandability, comparability, timeliness and consistency). The importance of the qualitative characteristics of financial statements on financial reporting in South Africa is, therefore, still open to research.

### **1.3 Aims of the Study**

The primary aim of this study was to investigate the impact of all the IASB's conceptual framework's qualitative characteristics on the usefulness of financial statements. These qualitative characteristics are - relevance, reliability, understandability, comparability and consistency. The study also investigated if the variables: accounting standards, firm size, industry and leverage - have impact on relevance and faithful representation of financial statements.

### **1.4 Objectives of the study**

The objectives of this study were to investigate:

- The impact of relevance, reliability, understandability, comparability and consistency of financial reporting on the usefulness of the financial statement information.
- If the qualitative characteristics, relevance and faithful representation of the financial information provided by an entity has greater influence on the usefulness of financial reporting than other qualitative characteristics.
- If the variables , firm size, industry and leverage have an impact on the relevance and faithful representation of financial statements.

### **1.5 Hypothesis**

***H<sub>1</sub>: Financial reporting qualitative characteristics have an impact on the usefulness of financial information.***

The qualitative characteristics of financial reporting are the primary objective to be met in order for financial information to be useful to users of the financial statement. The conceptual framework highlights that all the qualitative characteristics must be met or adhered to by entities when complying with IFRS in order to achieve usefulness of financial reporting.

This study expects that all the qualitative characteristics of financial reporting will have a direct impact on the usefulness of financial information. This expectation is consistent with the findings by Sutton (2015), Pike and Chui (2012) and Rahmani and Jabari (2015).

**H<sub>2</sub>: *Relevance and reliability (faithful representation) are the major qualitative characteristics of financial reporting usefulness.***

Generally, relevance and reliability are considered the primary qualitative characteristics of financial reporting. Both relevance and faithful representation are perceived to be the fundamental qualitative characteristics of financial reporting (Van Van Beest, Braam and Boelens, 2009). If either of the primary qualities of usefulness is missing from a piece of accounting information, then the information will not be useful (Kieso, Waygandt and Warfield, 2005). This study, therefore, expects - relevance and reliability - to be the major qualitative characteristics of financial reporting, contributing to usefulness.

**H<sub>3</sub>: *The firm size, industry and leverage have impact on the FEQC of financial statements.***

It is expected that FEQC will be influenced positively by the -, industry, size and leverage of a firm. It is, therefore, expected that financial statements will be positively influenced by -, the firm size, the industry wherein the firm is operating and the leverage of the firm (Van Van Beest *et al.*, 2009).

## **1.6 Significance of the Study**

The main objective of financial reporting is to provide useful information to the users of the financial statements. Rusu (2012) argued that qualitative characteristics of financial statements are the basic attributes that make sense of usefulness of accounting information. Empirical literatures available in this field of study, offer contradictions in the findings of the impacts of qualitative characteristics on financial reporting (Shourvarzi (2009), Noravesh and Hosseini (2010), Ahmadi (2008) and Barua (2006)).

There was a need to conduct a study on qualitative characteristics' impact on usefulness of financial reporting in South Africa. This need arose because there have been a number of changes and revisions to the conceptual framework; as a result, this study, sought to investigate the impact of the qualitative characteristic on the usefulness of financial information in South Africa. There are lot of differences in financial reports influenced by - institutional differences, socio-economic issues, currency values, laws and regulation of the reporting country, investors' protection laws and mostly the interests of the shareholders of the reporting country. This study's significance lies

in the fact that it would highlight the effects of quality financial reporting based on its relevance, reliability, understandability, consistency and comparability.

## 1.7 Scope of the Study

This study sought to investigate the qualitative characteristics on the usefulness of financial information. The scope of this study encompasses the firms listed on the JSE operating in the mining, retail and industrial sectors. The JSE-listed companies are competitive and they must adhere to laws and regulations set by the industry they operate in as well as those imposed by the JSE. The JSE has a high listing of companies which are known throughout the world; companies which are listed on the JSE are obliged to fully prepare their financial statements and financial reporting using IFRS as this is a major requirement of the JSE-listed companies, unless stated otherwise by the JSE.

## 1.8 Organisation of the Study

The study will be structured as follows:

**Chapter 1: Introduction:** This chapter essentially introduces the study. It gives a brief background to the study, the research problem, aims of the study, research hypothesis significance of the study and organisation of the study. It then concludes with a summary of the chapter and introduces chapter 2.

**Chapter 2: Literature review:** This chapter will review the literature available on the effects or impacts of qualitative characteristics of financial reporting, on the usefulness of financial information. This chapter will discuss, argue and explore the qualitative characteristics, usefulness of financial statements and the relationship between the primary qualitative characteristics of financial reporting and usefulness.

**Chapter 3: Research methodology:** Chapter 3 outlines the research methods that will be followed by the study. The research methodology details the sources of data, how data will be collected, how the data will be analysed to reach the interpretation and conclusion of the study. This chapter concludes with a summary and will further introduce chapter 4.

**Chapter 4: Presentation: Interpretation and Analysis of Results.** This chapter will focus on data analysis and discussions, the data which was collected from the JSE-listed companies was empirically analysed and the findings of the analysed data will be discussed.

**Chapter 5: Conclusion:** This chapter concludes the study. Furthermore, the chapter will state the delimitation of the study and give recommendations based on the findings. Chapter 5 also suggests the areas for future research on the topic or related topics on qualitative characteristics of financial statements and financial reporting.

## **1.9 Chapter summary**

This chapter presented and discussed the introduction and background of the study, problem statement, purpose of the study, hypothesis, the aims of study, the importance of the study, the scope of the study, as well as the justification for the study as it relates to the South African perspective. The next Chapter reviews the theoretical and empirical literature available on qualitative characteristics of financial reporting and usefulness of financial reporting.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

The IASC was formed in 1973 through an agreement by professional accounting bodies from countries that included, France, Germany, Japan, Australia, the United Kingdom and the United States of America. In 2001 the IASC adopted a new initiative to develop and promote high quality global accounting standards. This initiative led to the formation of a new board, the IASB, in 2001. The IASB is responsible for issuing IFRS standards which include, International Financial Reporting Standards (IFRSs), International Financial Reporting Interpretation Committee (IFRICs), International Accounting Standards (IASs), and Standing Interpretation Committee (SICs)).

Koppeschaar (2016), highlighted that the financial reporting sector in South Africa fully harmonised the South African Statement of Generally Acceptable Accounting Practice (SA GAAP) with the IASC's IAS (International Accounting Standards) in 1995. The South African financial sector has directly supported the work of the IASB (Outa, 2013). This is reiterated by Coetzee and Schmulian (2013) who stated that, South Africa has a long history, which stretches back to 1976 of being involved with the financial reporting standards set by the IASC (the International Accounting Standards committee), which is currently known as the IASB. Coetzee and Schmulian (2013) further argued that the close relationship of the then South Africa reporting culture and the IASC influenced the IASB to have a significant influence over the financial reporting culture in South Africa. Vorster (1997) highlighted that the standards of the IASC have served as a frame of reference for the development of the domestic accounting standards, SA GAAP since 1995 to 2003. According to the IFRS website, South Africa fully harmonised the IFRS for listed companies in 2005.

The objectives of the IASB are, firstly, to develop, in the public interest, a set of high quality, understandable and globally-acceptable accounting standards. Secondly, to promote the use and rigorous application of those standards (IFRSs, IFRICs, IASs, and SICs). The third objective of the IASB is to ensure that the IASB standards take account of the needs of a range of sizes and types of entities in diverse economic settings. The fourth objective is to promote and facilitate the adoption of IFRS standards and in some cases the harmonisation of national standards with the IFRS standards.



IFRSs are based on the IASB's conceptual framework, which addresses the concepts underlying the information presented in general-purpose financial statements. The objective of the IASB's conceptual framework provides the principles and guidelines for the development of the IFRSs. Sutton, Cordery and Zijl (2015) state that the conceptual framework establishes the principles guiding the development of accounting standards. Pike and Chui (2012), explain that the conceptual framework is the foundation from which accounting standards are derived and that a principle-based and well-developed accounting conceptual framework must have the qualitative characteristics that ensure financial reporting provides the users with high quality and useful information for decision-making. Barker, et al (2014), Rahmani (2015), Rasu (2012) and Scott (2003) reiterate that the reporting entities must provide financial information of high quality and useful to its users in order to enhance the decision-making process. High quality and useful financial statements are the results of a sound and well-established conceptual framework and the use of accounting standards as prescribed by the IFRS.

## **2.2 Usefulness of Financial Reporting**

The IASB's conceptual framework sets out the concepts that underlie the preparation and presentation of financial statements. These concepts are embodied in the IFRS standards. Generally, compliance with IFRS standards should result in an entity meeting the conceptual framework's objectives of financial reporting which should result in high quality and useful financial statements. Usefulness means the users of financial statements are able to use these financial statements for decision-making.

O'Connell (2007) also asserts that the application of the IFRS is aimed at preparing and presenting high quality financial information which is useful for decision-making. Financial statements are a medium of communication from companies to the users of financial statements therefore, this communication must be clear, understandable and useful to the users, so that they can make clear and realistic decisions based on the financial information presented to them (Chatterjee, 2011).

Rahmani and Jabari (2015) explains that the financial information is useful when it possess certain qualitative characteristics - relevance, reliability, understandability, comparability and consistency. According to the conceptual framework, these qualitative characteristics enhance the quality of financial statements and make them useful for decision-making.

## 2.3 Qualitative Characteristics of Financial Information

The IASB's conceptual framework identifies, relevance, reliability, understandability, comparability and consistency as the qualitative characteristics of useful financial statements. These qualitative characteristics are defined in Table 2.1.

**Table 2.1: Definition of qualitative characteristics of accounting information**

This table explains the qualitative characteristics of accounting information, namely, relevance, reliability, understandability, comparability and consistency.

Qualitative Characteristics	Explanation
<b>Fundamental Qualitative Characteristics</b>	
Relevance	For accounting information to be useful, the information reported must be timely and it must have predictive or feedback value.
Reliability / Faithful presentation	Accounting information must have representational faithfulness and it must be verifiable and neutral in order to achieve usefulness of accounting information.
<b>Enhancing Qualitative Characteristics</b>	
Understandability	Accounting information cannot be useful to decision-makers who cannot understand it, therefore, accounting information must be clear to the users of the financial statements.
Comparability	Accounting information must enable users to identify similarities in and differences between two reporting periods or reporting companies.
Verifiability	Accounting information can be verifiable from period-to-period with unchanging policies and procedures.
Timeliness	Timeliness means that the financial information is available to the users of the financial statements in time to enhance the decision-making process

Source: IASB (2013) and Pike and Chui (2012).

### 2.3.1 Fundamental Qualitative Characteristics

The fundamental qualitative characteristics are essential and financial statements must possess these characteristics in order for them to be useful. According to the revised conceptual framework (2014), the fundamental qualitative characteristics of financial reporting are relevance and faithful-representation (which replaced the reliability principle).

### 2.3.1.1 Relevance

From the IASB's conceptual framework, the fundamental qualitative characteristic, relevance means that the accounting information reported by the entity must be timeous and it must have predictive and confirmatory values. The IASB's Basis of Conclusion (2016) states that relevance is useful for making a decision only, if it is capable of making a difference in that decision.

Lennard (2007) notes that the role of financial reporting is to enable management to account for the affairs of the entity, to the users of financial statements. Furthermore, he argued that financial reporting is all about reporting to the users of financial statements so that they can assess the results and performance of the company, to enhance their decision-making about their investment. In order for such decisions to be taken by the users of financial statements, the information on the reports must be relevant (Cascino, et al (2014).

The reported information has predictive values if it can be used as an input to processes employed by users to predict the output. Financial statement information has confirmatory value if it provides feedback or is a confirmation about previous valuations. Barker, et al (2014) are of the opinion that researchers tend to focus on earnings' quality instead of focusing on financial reporting quality with regards to relevance. They maintain that to focus on earnings quality neglects non-financial information and excludes future financial information which has been made available on the annual report of the reporting entities, for example, future transaction and contingent contracts.

Predictive values are the most important attributes of relevance on financial information usefulness. Van Van Beest, *et al.*, (2009) support this by stating that, predictive value is an important indicator of relevance. Their study measures predictive values using three items, firstly, financial statements that provide the future expectations of the company. This is the measure of how annual reports provide forward-looking statements. Secondly, they disclose information with regards to the entity's business risks and opportunities. This is an element of the disclosure of non-financial information on the annual report. Thirdly, it makes use of fair-value accounting rather than the historical cost in financial reporting of the company's financial information. Fair value provides more relevant and recent accounting information than the historical cost accounting information (Maines & Wahlen, 2006).

Relevant information allows decision-makers to predict events, to confirm or correct information and decide on their investment decisions. Rasu (2012) argues that relevance in financial reporting is only achieved when the reported information provides useful information about the past and future operations of the entity, to the users of the financial statements. The past and future referred

to by Rasu is the feedback and predictive value reporting as stated in the conceptual framework. Rahmani and Jabari (2015) state that the financial information reported should possess the predictive and feedback values.

Obaidat (2007) highlighted that without the knowledge of the past, the basis of prediction will usually be lacking, and without an interest in the future, knowledge of the past is useless. This means that both the past and future information is relevant when making economic decisions. Moreover, information must be timeous so that it can be relevant. Timeous information, hence, is information whose reporting is relevant and pertains to the current year reported or has a comparative year.

A study conducted by Rahmani and Jabari (2015) found that relevance has greater impact on the usefulness of financial statements than reliability, thereby, leaving out other qualitative characteristics of financial statements. Barua (2006) highlighted that relevance is ranked higher than reliability in terms of usefulness of financial reporting. These studies confirm that relevance has high impact on the usefulness of financial reporting.

This study measured the relevance of financial statements based on the method used by Van Beest, Braam and Boelens (2009), Yurisandi and Puspitasari (2015) following the NiCE measurement model wherein relevance is measured by a set of questions that are scored based on the financial report of the entity.

Studies conducted by Barua (2003) and Ahmadi (2006) found that relevance has an impact on the financial statements' usefulness. It is expected in this study, that relevance of financial information is one of the important qualitative characteristics that influences decision-making by the users of the financial statements, therefore, relevance was expected to have an impact on the usefulness of financial statements.

### **2.3.1.2 Reliability (Faithful presentation)**

One of the primary qualitative characteristics of accounting information is that the information needs to be reliable or faithfully presented. According to the conceptual framework, reliability means that information provided to the users can be relied upon to enhance decision-making. Generally, the users of the financial statements make decisions based on the information given to them through annual reports or financial statements. If the information provided to the users of the financial statement is unreliable, the decisions made by users will be wrong. In 2010, the conceptual framework changed the term 'reliability' to 'faithful-representation' (IASB, 2013).

According to Obaidat (2007), the change was made to avoid questions relating to verifiability of reported financial information.

According to the IASB's conceptual framework, for the financial statements to be useful, the financial information reported must not represent only the relevant phenomena, but it must also be faithfully presented. To faithfully present financial information, such information must be complete, neutral and free from errors.

Faithful presentation of financial statement does not mean that the financial statement will be complete or accurate or free from error. The conceptual framework (2018) acknowledges that perfection is seldom, if ever achievable. This means that it is unlikely and difficult for financial statements to be accurate and free of error. Reliability, completeness and faithful presentation is achieved when there are no material misstatements in the reported financial statements. There are some inherent limitation that cannot be simply ignored; financial statements are prepared by human beings and there is a chance for error and mistakes even though the company can put forth mitigating factors. Faithfully presented and useful financial statements are complete, neutral and reliable. Generally, faithful presentation is achieved when the financial statements are free from material misstatements.

Faithful presentation or reliability of financial statements also includes the completeness and verifiability attribute of the reported financial information. Completeness of financial information means that all information necessary is made available for users to understand the information being reported, including all necessary descriptions and explanations. This is achieved by reporting information which is relevant and which fully includes what is happening in the reporting entity (IFRS, 2018).

Previous research results from studies conducted by Shourvarzi (2009), Saqafi (2009) and Ahmadpuor *et al* (2008), ranked reliability higher than relevance in the usefulness of financial reporting. These studies stated that reliability is most likely preferred as a measure of usefulness than relevance in financial reporting.

This study measured the faithful representation of financial statements based on the method used by Van Beest, Braam and Boelens (2009), Yurisandi & Puspitasari (2015) following the NiCE measurement model wherein faithful representation is measured by a set of questions that are scored based on the financial report of the entity.

It is expected in this study that reliability of the financial statement will have a positive impact on usefulness of financial reporting. This is supported by a number of studies conducted by Dastgir (2007), Shqafi (2009) and Shourvazi (2007) who argued that reliability has an impact on usefulness of financial reporting.

## **2.3.2 Enhancing Qualitative Characteristics**

Enhanced qualitative characteristics are important and financial statements must possess these characteristics in order for the financial statements to be useful. For the objective of financial reporting to be met, the enhancing qualitative characteristics of financial reporting must be met and should be treated as equally important as the fundamental qualitative characteristics of financial reporting. According to Ernst and Young (2010), qualitative characteristics of financial reporting are necessary to enhance both relevant and faithful representation financial information and must be maximised both individually and in a combination with other qualitative characteristics.

### **2.3.2.1 Understandability**

The IASB's conceptual framework states that understandability is achieved when the quality of the reported financial information enables the users of the financial statements to comprehend the asserted meanings of those financial statements. The Basis of Conclusion (2016) states that understandability is a qualitative characteristic that enables users to comprehend the reported information, therefore, making that particular information useful for decision-making. For financial information to be useful, the information provided must be clear, so that users can understand it. Understandability includes classifying, characterising and presenting the information clearly and concisely. Ernst and Young (2010), argued that, once financial information is classified, characterised and presented in a clear and concise way, then it meets the understandability criteria as stipulated in the conceptual framework.

Van Van Beest, Braam and Boeslens (2009) argued that understandability will increase when information is classified, characterised and presented clearly and concisely. Jonas and Blanchet (2000) are of the opinion that, understandability refers to how well-organised the reported information is presented in the financial statement. They argued that, if the annual report is well-organised it becomes easier for the users of those reports to understand them. Chatterjee *et al.*, (2011) stated that understandability is enhanced by writing in plain language so that the users of financial information and investors can understand. A well-presentation and well-organised financial statement should be prepared in accordance to the IFRS requirements.

The conceptual framework acknowledges that although financial statements must be understandable, some phenomena are inherently complex (based on its standards) and such aspects cannot be made easy to understand. Unfortunately, if such information in the financial reports is excluded, the financial reports would be incomplete and potentially misleading to the users of the financial statements., Annual financial statements, therefore, are prepared with notes and disclosure in order to ease the complexity and understandability of some items included in the statements.

Financial information cannot be useful to the users unless the information can be understood and the significance of the information provided can be perceived by the users (Sepe and Nelson, 2010). Users of financial statements are, therefore, more likely to rely and base their economic decisions on the reported financial statements, if they are understandable and are not likely to affect negatively any decisions taken by the users of the financial statements. Understandable information enhances the usefulness of such information for decision-making by the users of the financial statements.

Understandability, for this study, was measured by analysing the annual financial reports of the reporting company including the notes and disclosure and giving them a score based on their presentation, following the NiCE measurement tool as highlighted in Annexure B. Narrative information helps to increase the understandability level of the users of financial statements (Iu and Clowes, 2004). This study further hypothesised that understandability influences decision-making and it is useful for financial reporting.

### **2.3.2.2 Comparability**

In the 1989 framework, comparability was an important concept of financial information (IASB, 2016). The IASB's framework (1989) argued that comparability is equally important as relevance and faithful presentation, while the Conceptual Framework 2010, describes comparability as a quality of the relationship between two or more pieces of information and that it is also secondary to relevance and faithful presentation (IASB, 2016). Comparability is a qualitative characteristic that enables users to identify the similarities and differences between two set of economic phenomena. Rasu (2012) argued that comparability allows users to notice similarities and differences for the current and prior periods of the financial statement of the reporting entity, or similar entities in the industry.

The IASB's Conceptual Framework (2013) highlighted that financial information about an enterprise is extremely useful if it can be compared to accounting information of its previous



reports or industrial reports. Obaidat (2007) argued that comparability can happen when different enterprises, in the same industry, apply the same accounting treatment to similar transactions and that compliance with the accounting standards helps to enhance comparability. Chatterjee *et al.*, (2011) is of the opinion that, comparability has two components, firstly, comparability over time and secondly, comparability between entities; this is also highlighted by the IASB (2006). Jonas and Blanchet (2000) stated that a way of thinking about this characteristic is to ask whether the information is prepared in a way that lends itself to informed comparison with other companies.

Van Beest *et al.*, (2009) highlighted that comparability means that similar situations should be presented the same way, while different situations should be presented differently. Comparability is a qualitative characteristic of financial reporting that helps the users to compare the reporting entity with similar entities in the market they operate under. It also helps users to make decisions based on the entities financial performance which can be better understood by comparing the prior reports with the recent ones.

Comparability was measured using the NiCE measurement tool to answer the operationalisation scores as highlighted in Annexure B. It was expected in this study that comparability qualitative characteristics will have an impact on the usefulness of financial reporting. Generally, users of the financial statements consider both the current and the prior periods in decision-making, therefore, comparability of financial statements is important and they are expected to have an impact on the decisions.

### **2.3.2.3 Verifiability**

The IASB's conceptual framework (2013) stated that verifiability helps to assure the users that the financial information presented to them faithfully represents the economic phenomena it purports to present. The conceptual framework argues that verifiability means that independent and knowledgeable observers and users of the financial statements can reach a consensus (not necessarily a complete agreement) on the faithful representation of a particular depiction. This enhancing qualitative characteristic of useful financial information simply states that quantifiable information such as amount and probabilities can be verified. The conceptual framework further highlights that, verifiability is the goal of financial reporting as it helps to achieve the goal of comparability of financial reporting. The IASB (2016) stated that the reported financial information should be verifiable to assure users that it is free from material error and bias and can be depended on to represent what it purports to represent.



Verification can be either direct or indirect (IASB, 2013). Direct verification means verifying an amount or other transactions through direct observation, for example, counting cash. Indirect verification means checking the inputs to the model, formula or other technique and recalculating the outputs using the same methods, for example, verifying inventory's carrying amount by checking the inputs, and recalculating the ending inventory using the same cost flow assumption (using the first-in-first-out method of inventory valuation technique if the reporting entity is using it).

Verifiability is important in financial reporting as it ensures that financial statements are verifiable over the time periods wherein the company has been accounting for transactions. This is achieved when transactions which occurred in the past can be confirmed in the same manner using the same procedures, principles, calculations and classification as and when it occurred and was first recorded. According to the IASB's Conceptual Framework (2013), it is necessary to disclose any underlying assumptions, the methods of compiling the information and other factors and circumstances that support the information in order to help the users of the statement to decide on the use of the financial information.

Verifiability is one of the enhancing qualitative characteristics that must be present for financial information to be useful and is equally important to other qualitative characteristics, however, to the best of the researcher's knowledge there are limited studies on the impact of the usefulness of financial reporting that focused on verifiability. Most of the studies on financial reporting of qualitative characteristics focused on relevance, reliability and understandability as the fundamental qualitative characteristics of financial reporting. This study will measure verifiability using the adapted NiCE measurement tool to answer the operationalisation scores as in Annexure B. The original NiCE measurement does not have any measure for verifiability, hence, the researcher will add it to the framework. It was expected in this study that verifiability will have an impact on usefulness of financial statement reporting since it is an enhancing qualitative characteristic of financial reporting. For financial statements to be usefulness, all the qualitative characteristics of financial statements must have an impact on the usefulness of the financial reporting.

#### **2.3.2.4 Timeliness**

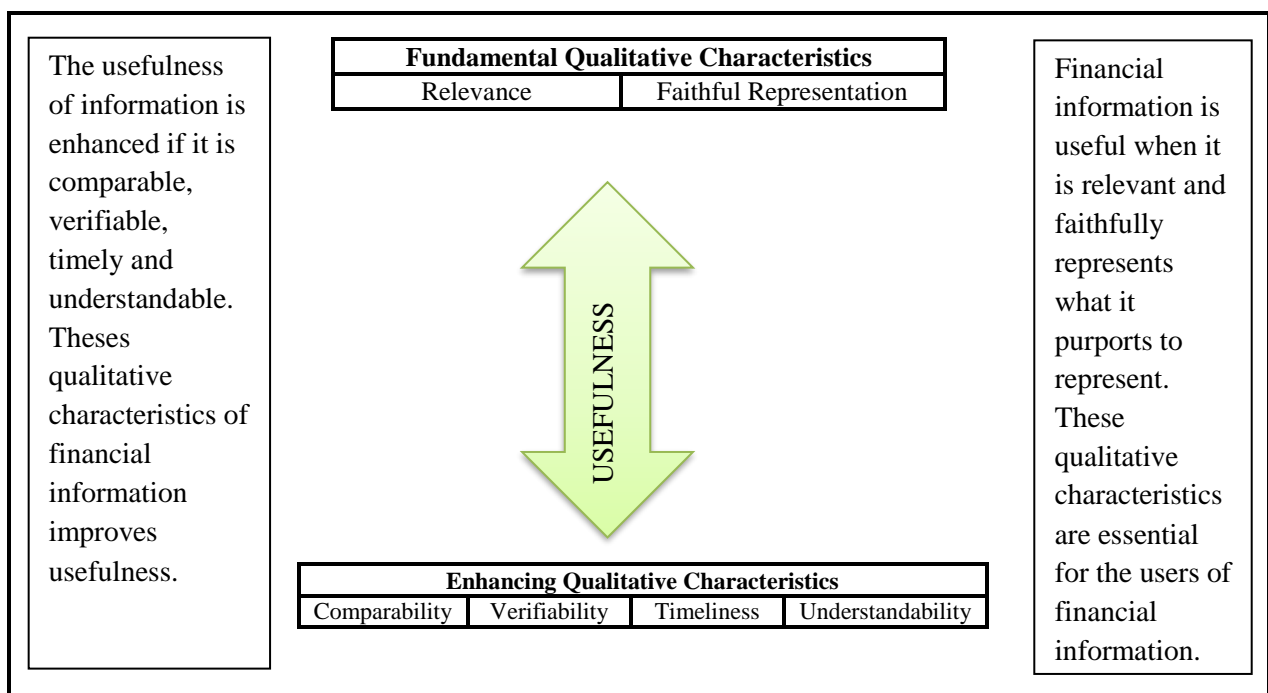
Timeliness as an enhancing qualitative characteristic of financial information means that, the financial information is available to the users of the financial statements in time to enhance the decision-making process, therefore, it is essential that the latest information be available for users

to make decisions, rather than the older information. The IASB’s Conceptual Framework (2013) argues that, some information may be old but useful in the decision-making process for the users of the financial statements, for example, if there is a need to analyse the firms’ trends. Generally, it is essential that the information presented to the users of the financial statement be timeous. It is evident that unless a comparability or trend analysis is to be carried out, old information could mislead the decision-making process.

There are limited studies on the impact of the qualitative characteristics on the usefulness of financial reporting that focused on timeliness. Most of the studies on qualitative characteristics focused on relevance, reliability and understandability as the fundamental qualitative characteristics of financial reporting.

This study will measure timeliness using the NiCE measurement tool to answer the operationalisation scores as in Annexure B. It is expected in this study that timeliness will have an impact on usefulness of financial statement reporting since it is an enhancing qualitative characteristic of financial reporting. For the usefulness criterion of financial reporting to be met, all the qualitative characteristics of financial information - both the fundamental and the enhancing qualitative characteristics - must have an impact on the reporting. Figure 1 below highlights the relationship between the fundamental and the enhancing qualitative characteristics of financial reporting.

**Figure 1: Qualitative Characteristics of Financial information**



source: Lubbe. I, Modack. G, and Watson. A, (2015)

## 2.4 The determinants of the FEQC of financial reporting

According to the Conceptual Framework (2020), the fundamental and the enhancing qualitative characteristics (FEQC) have a positive impact on the usefulness of financial reporting (Conceptual framework, 2010). The conceptual framework (2020) stresses that, the absence of the qualitative characteristics on financial statements, especially, the fundamental qualitative characteristics of financial information, renders that particular information not useful to the users of financial statements in decision-making. A study conducted by Van Beest *et al.*, (2009) found that, the impact of the FEQC on firms is influenced by variables, such as the firm's country of domicile, the set of accounting standards used in the preparation of financial statements, industry where it operates, its size and its leverage. The current study investigated South African firms which use the IFRS standards for their financial reporting, therefore, the variables of the firms' country and accounting standards are irrelevant in this study. The study, rather investigated - the impact of the industry where the firm is operating, firm size and leverage on the FEQC. All these variables are discussed below.

### 2.4.1 Industry

Van Beest (2009), states that the industry wherein the firm operates has a positive impact on the FEQC of financial reporting. The industry where the firm operates affects the FEQC because different industries have different regulations, laws, specific standards, as well as financial reporting regulation that must be adhered to at all times in the course or furtherance of a business. Regulations affect the FEQC because some industries are more strongly regulated than others. Industries, such as banking are strictly controlled by regulation which they must adhere to, leading to their financial statements being of higher quality than other industries' reports. Banks are companies, yet, they are more regulated. In South Africa, banks are regulated by the Banks Act 94 of 1990 and the Mutual Banks Act 124 of 1993. Furthermore, bank also volunteer to use the Basel Accord III as additional regulatory benchmark for daily business. Industries are different and they have their own professionals and expertise, however, the financial reporting standards are the same across all industries.

Regulations mean that firms are closely monitored by industry regulators, and this leads to firms employing highly qualified accounting staff to ensure that their financial statements are prepared to the highest standards and in accordance with the regulations (Christian and Christopher, 2014).

In addition, regulations on sectors, such as financial and mining, make their reporting stricter, thus they provide very relevant financial information which is available to the users of financial statements (Gumedze, 2008). This also means that firms operating in industries with strict regulations, hire experienced and qualified accountants who have skills and technical know-how in order for these firms to comply with both the financial reporting standards and the industry regulations. Accounting professional within all industries, usually, bring their expertise, thus the effect is the same across industries, since quality is also ensured by the fixed IFRS's standards across industries. This ensures that there is not much difference in terms of the impact that the industry variable have on the quality and usefulness of financial reporting.

Regulations have an influence on the FEQC because they lead to improved quality of financial reporting. This study measured the industry by choosing the three major industries in South Africa and sampling firms which are operating in them. The industries chosen were the mining, manufacturing and retail industries, with each allocated a fixed number - 1, 2 or 3 - respectively. In the current study, it is hypothesised that the industry variable will not have a positive impact on the FEQC of financial reporting no the usefulness of financial information because all industries use the same set of IFRS accounting standards across the economy.

#### **2.4.2 Firm Size**

Generally, firms with higher revenues, high stock price and higher market capitalisation make use of qualified professional accountants to prepare and audit the firms' financial information. This is the case with firms which are listed on the JSE, as the JSE's listing requirements are specific on financial reporting by these firms. The bigger the firm size, the more financial expertise is required to apply the IFRS standards as well as the conceptual framework of financial reporting. There is a link, therefore, between the firm size and the FEQC of financial reporting, for larger firms would make use of experts in the preparation of the firm's financial information. Lee (2009) and Tarca (2012) points out that, due to the economies of scale, large firms enjoy larger profit which requires the use of financial experts on the daily activities of the firm. This links the firm size with FEQC on financial reporting.

In this study, the firm size was measured by the natural logarithm of the total assets of the firm. This is following the measure commonly used on firm size, by past studies, such as Van Beest (2009) and Cleary (2006). It was, therefore, hypothesised in this study that the size of a firm would have a positive relationship with the FEQC of financial reporting. This is because as firms become big, their financial resources increases, hence, they hire better qualified and professional personnel.

(Fatoki & Assah, 2011). Cleary (2006), Almeida and Campello (2007) explains that a firm size is measured either by the stock size of assets or the firms revenue. This means that firms with small stock size or low revenue are classified as small, while the opposite is true for those classified as large. In South Africa, total assets calculations, presentation and disclosure are stipulated by the IASB's IFRS standards.

### **2.4.3 Leverage**

Long-term debt and the common equity calculations, presentation and disclosure are stipulated by the IASB's IFRS standards for firms which use the IFRS standards. Long-term debt and common equity calculations require professional accountants who understand the IFRS standards. If such calculations are not done according to the IFRS standards, the long-term debt and the common equity calculations might be misrepresented leading to the financial information not adhering to FEQC of financial reporting. The link between the firm's leverage and the FEQC of financial reporting is that firms use the IFRS standards to prepare their financial statements and the conceptual framework stipulates the FEQC of financial reporting that must be possessed by the firms' financial statements.

This study will be in line with recommendations by Van Beest *et al.*, (2009) on how to measure firms' leverage. In this study leverage was measured as a long-term debt over common equity of a reporting firm, therefore, the measurement of a firm's leverage uses the IFRS standards for common equity and long-term debt. In other words, they must meet the conceptual framework objectives of financial reporting, hence, the monetary value of the firms leverage must adhere to the qualitative characteristics of financial information.

The study hypothesised that leverage has a positive impact on FEQC of financial reporting. The firms leverage is measured by calculating the ratio of long-term debt over common equity of the reporting firm (Van Beest *et al.*, 2009).

## **2.5 Chapter Summary**

The chapter gave a background of financial reporting, focusing on the usefulness of financial reporting and the results of the previous literature on the impact of qualitative characteristics of financial reporting on the usefulness of financial statements. It also defined the qualitative characteristics of financial reporting, such as relevance, reliability, understandability, comparability and consistency. This chapter further discussed the usefulness of financial reporting information which is enhanced by the qualitative characteristics in the financial statements

provided to users of financial statements. The next chapter looks at the research methodology which will be adopted for this study in terms of - data sources, the target population, the sample, data collection methods and the analysis of the collected data.

## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter outlines the research design and methodology of the study. It provides a description of the study design, source of data, the targeted population, the data sampling and analysis methods which will be applied in the study. A mixed-method methodology to answer the research questions will be used. The data collection and the data testing methods which will be applied when carrying out the study will also be discussed in this chapter.

### 3.2 Philosophy of the Methodology

Research philosophy relates to the development of knowledge and the nature of that knowledge (Saunders, Lewis & Thornhill, 2009). The authors further argued that the way a researcher thinks and views the world will influence the research strategy and the methods that will be used in research. Generally, there are four research philosophies - positivism, realism, interpretivism and pragmatism. This study will follow the positivism approach. Bryman *et al.*, (2014) asserted that positivism is a management research philosophy which emphasises on using or imitating the methods of natural sciences to gather, analyse and interpret the data in order to solve a problem of a given society.

There are three basic approaches to research - qualitative, quantitative and the mixed research approach (a mix of the qualitative and quantitative approaches). Khothari and Garg (2015) explain that quantitative research approach involves generating the data in quantitative forms which can then be subjected to rigorous quantitative analysis in a formal fashion. The qualitative approach to research, however, is concerned with subjective assessment of attitudes, opinions and behaviour. Saunders *et al.*, (2009) argued that the data collection method often used for positivism philosophical approach is highly structured, with large samples and uses quantitative approach (but can also use qualitative). Wilson (2010) adds that a positivism research philosophy approach is based on the fact that the researcher is independent and not biased, therefore, the research is objective in nature. This research used the mixed method approach on measuring the quality of financial reporting.

### **3.3 Population of the Study**

This study's population consisted of all the mining, retail and industrial companies that were listed on the JSE for the 2006, 2012 and 2018 financial years. The mining, retail and industrial sector are the most performing sectors and contribute a large portion to the Gross Domestic Product (GDP); these sectors also have a lot of employees and high contribute highly to the economic growth of the country. The financial year 2006 is the year after the country had adopted the IFRS standards; the 2012 financial year it is a half-way mark from the 2006 financial year to the 2018 financial year, whilst the financial year 2018 is the latest financial year for which the annual reports can be obtained. These, therefore, are significant years since it is expected that there are drastic improvements in the preparation and application of the IFRS standards by the country from the year of adoption. According to the JSE website, there are more than 400 companies that are listed in all operational sectors including those listed on the mining, retail and industrial sectors.

From the more than 400 listed companies on the JSE, the mining sector has 43 companies, the retail sector has 25 companies and lastly the industrial sector has 46 companies, therefore, from these 3 sectors' number of listed companies, the final size of the population, for the purposes of this study, is 114 companies.

### **3.4 Sampling and Sample Size**

Leedy and Ormrod (2010) maintain that researchers draw their data from many sources, such as people, objects, texture material, audio-visual electronic records, and the process of selecting such observation from the total available data is called sampling. Mancosa (2007) defined 'sampling' as a process of selecting of individuals in a study in such a way that it will represent the population which is observed.

#### **3.4.1 Sampling Techniques**

Generally, there are two broad sampling methods that are used, namely, the probability sampling and the non-probability sampling.

In probability sampling, procedures are used to ensure that each item/person in the population has a known chance of being selected to be part of the sample (Stangor, 2014). This was noted by Leedy and Ormrod (2010) and Tang, et al., (2008) who explain that under probability sampling, each member of the population has an equal chance of being selected. Methods under this sampling



technique include random sampling which can be simple or systematic random sampling, stratified sampling and cluster sampling. Zikmund (2003) defines non-probability sampling as a sampling technique in which the sampling units are selected based on personal judgement, bias or convenience. Bryman *et al.*, (2014) continue that when non-probability sampling is used (or when the method of sampling is not random), human judgment will be used and it will affect the selection process by making some members of the population more likely to be selected than others.

### **3.4.2 Sampling Strategy Adopted**

Bryman *et al.*, (2014) stated that when non-probability sampling is used (or when the method of sampling is not random), human judgment will be used and it will affect the selection process by making some members of the population more likely to be selected than others unless all the items in the population are tested. Testing all items in a population is effective, however it has time constraints and cost implications.

A stratified sampling technique will be adopted for the purpose of this study. It is, therefore, essential that before the sampled firms are selected, they will be stratified in accordance with their operational sector. According to the South African National Small Business Amendment Act 26 of 2003, the operational sectors which are found in South Africa are - agricultural, mining, industrial, electrical, gas and water, construction, retail and motor trade, wholesale trading, catering and accommodation, transport storage, as well as communications. For the purposes of this research, the mining, retail and industrial sectors will be considered. Due to time and cost constraints, as well as the significant role that these three industries play in the economy, this study will only focus on these three sectors.

In selecting the sample size of the study, companies within the population are expected to have complete data for the financial years 2006, 2012 and 2018. From the 43 companies that are listed and operate in the mining sector, only 23 companies were listed on the JSE for the 2006, 2012 and 2018 financial years, meanwhile 18 out of 25 in the retail sector were listed on the JSE for the 2006, 2012 and 2018 financial years. In the industrial sector 33 out of 46 companies were listed on the JSE for the 2006, 2012 and 2018 financial years. The final sample size of this study, therefore, was 52 companies and the total observation for this study, for the two periods will be 156 annual reports.

### **3.5 Data Collection and Analysis Methods**

The data for the study will be collected from the sampled companies' annual reports which will be downloaded from the companies' websites. An annual report consists of - the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in equity, cash-flow statement, segment analysis, the notes to the financial statements, the directors' reports, the chief financial officers report and the auditor's report, strategy and performance review, sustainability report, risk committee report, audit committee report and the remuneration report. The data from these components of the annual report will be operationalised using the NiCE measurement tool in Annexure B. The data will be collected by answering the questions on the NiCE measurement and scoring the answers according to the operationalisation scores on each qualitative characteristics of the financial information.

To analyse the data, the study will, first, test the distribution properties of the data to assess whether or not the data is normally distributed using the Shapiro-Wilk W test. If the data is normally distributed, the study will use the One-Way ANOVA parametric test to test for the significance of the impact of the qualitative characteristics factors on the quality of the financial statements. If the data is non-normally distributed, the Wilcoxon non-parametric test will be used to test the significance of the impact of the qualitative characteristics factors on the quality of the financial statement.

Secondly, this study will test for the effect of the - firm size, country, industry, leverage and the year - on the total quality of the Fundamental and Enhancing Qualitative Characteristics (FEQC) of financial reporting which are - relevance, faithful presentation, understandability, comparability, timeliness and verifiability. The data that will be used to analyse the results will be the panel data obtained from the annual reports of 52 non financial firms listed on the JSE for the period 2006, 2012 and 2018. These tests are done to analyse if these factors show similar effects on South African firms, compared to prior research. The model to be used will be adopted from the following model developed by Van Beest, Braam, Boelens (2009):

$$\begin{aligned}
 \text{Total quality FEQC} = & \beta_0 + \beta_1 \text{Acc. Standards } t + \beta_2 \text{Country} + \beta_3 \text{Industry} + \beta_4 \text{Sizet} + \beta_5 \\
 & \text{Leverage } t (+ \beta_6 \text{Year}) + \varepsilon_t
 \end{aligned}$$

(1)

*Where the measure for both relevance and reliability (faithful presentation) are measured by the Acc. Standard whether the accounting standard used is IFRS or the US GAAP, which is represented by a dummy variable denoted by  $\beta_0$  if the firm uses IFRS or  $\beta_1$  if the firm uses the US GAAP.  $\beta_2$  Country denotes the country in which the data is collected,  $\beta_3$*

*Industry*, denotes the industry wherein the firm is operating under.  $\beta_4$  Size<sub>t</sub> denotes the size of the firm which is measured by the natural logarithm of the total assets of the firm in year  $t$ .  $\beta_5$  Leverage denotes the ratio of long-term debt over common equity in year  $t$ .  $\beta_6$  Year, is a variable which denotes the specific year under review, which is a dummy variable.  $\varepsilon_t$  represents the error term.

Van Beest, Braam and Boelens' (2009) model was developed because South Africa has a single set of standards, therefore, the model should exclude the US GAAP. This study will not compare the accounting standard used for the preparation of the financial statements. South Africa uses the IFRS as its accounting reporting standard, however, in model (2) there is accounting standard variable, but it is not compared to any other reporting standard. Furthermore, there is no formal comparison of countries during the analysis for this study, therefore, the accounting standards and country variables which were used in model (1) will not be considered as comparison factors in model (2) but as stand-alone variables. The adapted model that will be used in this study is specified as follows:

- $$\text{Total quality FEQC} = \beta_1 \text{Industry} + \beta_2 \text{Size } t + \beta_3 \text{Leverage } t + \beta_4 \text{Year} + \varepsilon_t$$

(2)

Wherein all the variables in the model are the same as defined in model (1).

The Ordinary Least Squares (OLS) estimator will be used to fit this model.

### **3.6 Statistical Error Tests**

Generally, the nature of the model used and the panel data regressions may lead to misspecification arising from multicollinearity, homoscedasticity, therefore, the data will be tested for such statistical errors. The study will use the variance inflation factor to test for multicollinearity, wherein the Variance Inflation Factor (VIF) will be used to test the explanatory variable standard error caused by its correlation with the other explanatory variables. This study will also trim the data outliers using the winsorisation method. The winsorisation method replaces the extreme values by certain percentiles specified by option. This study will winsorise the data using the Stata 15 software.

### **3.7 Ethical Consideration**

Ethics are a set of moral principles and values that are concerned with the degree to which research procedures adhere to professional, legal and social obligations (De Vos *et al.*, 2011). This study

will not use a questionnaire to collect the data, therefore it will not interfere with human beings and their confidentiality. The data to be collected and used for the purpose of this research is publicly available to everyone.

### **3.8 Chapter Summary**

This chapter highlighted the research methodology to be used in this research when collecting data and all the procedures that will be followed on how the data will be analysed. The description of the sources of the data, targeted population, the data collection process, hypothesis of the study and tests that will be used to analyse the data were also discussed.

## CHAPTER 4: PRESENTATION AND INTERPRETATION OF RESULTS

### 4.1 Introduction

This chapter presents and interprets the descriptive statistics and the empirical findings of the study. The objective of the study was to investigate the impact of the qualitative characteristics of financial reporting on the usefulness of financial statements. In this chapter, the descriptive and the empirical results will be presented in tables, followed by a discussion of these results. The dependent variable is the usefulness of financial reporting which is measured by the total of the independent variables of the qualitative characteristic of financial reporting, which are - relevance, faithful representation, understandability, comparability, timeliness and verifiability. In this study, it is hypothesised that the usefulness of financial reporting is explained by all the qualitative characteristics of financial reporting. The descriptive statistics, which are later followed by the empirical and regression results, are presented and discussed below.

### 4.2 Descriptive Statistics

The descriptive statistics were obtained from a sample of 52 JSE-listed firms for the years, 2006, 2012 and 2018. The collected data was arranged into a balanced panel with a total of 156 observations. This study winsorized the data to the 99th percentile to eliminate any possible outliers of mis-recorded data points. The descriptive statistics of the final sample are presented in Table 4.3.1.

From the descriptive statistics, the fundamental qualitative characteristics of financial reporting, relevance and faithfully representation had the highest means obtained by variable r1 which was 4.5577 with a standard deviation of 0.4962 under relevance. The variable f5 had a mean of 4.5320 and standard deviation of 0.5005. The lowest mean of 1.6602 with a standard deviation of 0.4751 was obtained by the variable relevance r3. The variable faithful representation f1 obtained the lowest mean of 3.1282 with a standard deviation of 0.3353.

**Table 4.1: Descriptive Statistics for the FEQC Sample**

Table 4.1 shows the descriptive statistics of the final sample which was obtained from the annual integrated reports of 52 companies listed on the JSE in the years 2006, 2012 and 2018. The variables r and f which range from r1 to r4 and f1 to f5, respectively, represent relevant and faithful representation which are the fundamental qualitative characteristics of financial reporting. The variables u, c, t and v range from u1 to u5, c1 to c6, t1 and v1 and these, respectively, represent understandability, comparability, timeliness and verifiability which are the enhancing qualitative characteristics of financial reporting. Variables R, F, U, T and V presents the total mean of variables -relevance, faithful representation, understandability, comparability, timeliness and verifiability, - respectively. All these variables are defined in Annexure B of the dissertation.

Variables	No of Obs	Mean	Std.Dev	Min	Max	Skewness	Kurtosis
<b>Relevance</b>							
r1	156	4.5577	0.4982	4.0000	5.0000	-0.2323	1.0539
r2	156	3.8974	0.3044	3.0000	4.0000	-2.6199	7.8642
r3	156	1.6602	0.4751	1.0000	2.0000	-0.6767	1.4579
r4	156	3.3012	0.4603	3.0000	4.0000	0.8662	1.7503
<b>R-mean</b>	156	3.3653	0.1804	3.0000	3.5000	-0.9493	2.5238
<b>Faithful representation</b>							
f1	156	3.1282	0.3353	3.0000	4.0000	2.2241	5.9470
f2	156	3.7628	0.4267	3.0000	4.0000	-1.2357	2.5271
f3	156	3.2820	0.4514	3.0000	4.0000	0.9686	1.9383
f4	156	4.0000	0.0000	4.0000	4.0000	0.0000	0.0000
f5	156	4.5320	0.5005	4.0000	5.0000	-0.1284	1.0165
<b>F-mean</b>	156	3.7269	0.1955	3.4000	4.0000	-0.5053	2.2231
<b>Understandability</b>							
u1	156	1.0000	0.0000	1.0000	1.0000	0.0000	0.0000
u2	156	3.5769	0.4956	3.0000	4.0000	-0.3113	1.0969
u3	156	4.7756	0.4185	4.0000	5.0000	-1.3215	2.7463
u4	156	1.0000	0.0000	1.0000	1.0000	0.0000	0.0000
u5	156	2.1346	1.3396	1.0000	5.0000	1.1906	3.1944
<b>U-mean</b>	156	2.4987	0.3192	2.0000	3.0000	-0.0074	2.0992
<b>Comparability</b>							
c1	156	3.7500	0.4344	3.0000	4.0000	-1.1547	2.3333
c2	156	3.8461	0.3619	3.0000	4.0000	-1.9188	4.6818
c3	156	2.7692	0.4226	2.0000	3.0000	-1.2780	2.6333
c4	156	2.0000	0.0000	2.0000	2.0000	0.0000	0.0000
c5	156	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
c6	156	4.1987	1.3792	1.0000	5.0000	-1.6331	4.1150
<b>C-mean</b>	156	2.9465	0.2609	2.5000	3.1667	-0.7140	1.9201
<b>Timeliness</b>							
t1	156	3.6730	0.4705	3.0000	4.0000	-0.7379	1.5445
<b>T-mean</b>	156	3.6730	0.4705	3.0000	4.0000	-0.7379	1.5445
<b>Verifiability</b>							
v1	156	4.0000	0.0000	4.0000	4.0000	0.0000	0.0000
<b>V-mean</b>	156	4.0000	0.0000	4.0000	4.0000	0.0000	0.0000

The results of the means from Table 4.1 showed that in terms of the variable, relevance, there is an extensive prediction on the presence of the forward-looking statements. This is because the variable, relevance, had a total mean of 3.3653 meanwhile variable, faithful representation, had a

total mean of 3.7269. A high mean of 3.3653 in terms of relevance indicates that the financial statements of a reporting company are prepared on the forward-looking assumption which is the going concern prediction. This prediction means that the financial statements are prepared on a going concern basis which assumes that the firm does not expect to be liquidated in the near future. These results are consistent with the Conceptual Framework (2018)'s assertion that financial statements must be prepared on a going concern basis. The high mean of 3.7269 of the variable faithful representation, indicates that the majority of the companies in the sample obtained an unqualified auditor report. This result implies that the financial statements of the sampled companies faithfully represented their financial affairs. A study by Yurisandi and Puspitari (2015) on a sample of 55 companies obtained a mean of 4.0818 for relevance and 3.0618 for faithful representation, whilst Van Beest *et al.*, (2009) obtained a mean of 2.9700 and 3.8400 on relevance and faithful representation respectively. These findings support the current study's findings in terms of the means obtained by the descriptive statistics. This means that, in terms of relevance, the annual reports of the sampled firms are prepared using a going concern basis. In terms of faithful representation, the annual reports of the sampled firms obtained an unqualified audit report; for financial reports to be useful, they must be prepared on the going concern basis (Conceptual Framework, 2018). The Conceptual Framework (2018) states that, if financial statements are not prepared on a going concern basis, they must be recorded on the assumption that the reporting firm is being liquidated.

The enhancing qualitative characteristics of financial reporting which are, understandability and comparability, had the highest means of 4.7756 (with a standard deviation of 0.4185) obtained by variable u3 and a mean of 4.1987 (with a standard deviation of 1.3792) obtained by variable c6 respectively. The lowest means obtained by understandability and comparability were 1.0000 (with a standard deviation of 0.000) under variables u1 and u4 under understandability and c5 under comparability. The overall combined means for understandability and comparability are 2.4987 with a standard deviation of 0.3192 and 2.9465 with a standard deviation of 0.2609, respectively. This means that, in terms of understandability, the annual reports of most of the sampled firms make use of tables and graphs to clarify the financial information in the annual reports; for financial reports to be useful, they must possess tables and graphs interpreting the financial affairs of the reporting company (Conceptual Framework, 2010). With reference to the mean descriptive results obtained by variable understandability and comparing the results to the NiCe measurement variable explanatory values, the descriptive statistics imply that the financial information contained in the annual reports has financial index numbers and ratios used to compare

the reporting company with other companies in the industry and also to the reporting company's preceding years. A study by Yurisandi and Puspitari (2015) obtained an average mean of 3.8618 and 3.8351, while Van Beest *et al.*, (2009) obtained an average mean of 3.4800 and 3.5100 on understandability and comparability representation, respectively. These average means are positive and support the means obtained by this study.

Furthermore, the variables' timeliness and verifiability under the enhancing qualitative characteristics of financial reporting obtained by the mean t1 is 3.6730 with a standard deviation of 0.4705 and v1 is 4.000 with a standard deviation of 0.0000 respectively. The total mean for the y variables timeliness and verifiability were respectively 3.6730 with a standard deviation of 0.4705 and 4.0000 with a standard deviation of 0.0000. The summary statistics for timeliness shows that, for the sampled firms, it takes an average of 150 days for their auditors to sign off their audit reports after the year end. The 150 days' time lapse it takes the auditor to sign off the audit report is unsatisfactory. Generally, in South Africa, it must take the auditor between 60 and 90 days to sign the auditor's report after receiving the annual financial statements (SAICA, 2018). In terms of variable verifiability, the descriptive results showed that all amounts in the financial statements agree with the amounts shown on in the notes of the financial statements, therefore, for financial information to be useful, it must be timeous and verifiable by the users of the financial information.

A study by Yurisandi and Puspitari (2015) obtained an average mean of 2.7374 for timeliness, while Van Beest *et al.*, (2009) obtained an average mean of 3.7200 under the variable, timeliness. The means obtained by South African firms are higher than those of firms in studies conducted by Yurisandi and Puspitari (2015) and Van Beest *et al.*, (2009) which means that the financial information of the sampled firms is reported timeously and it is verifiable when compared to the firms used in these other studies. The Conceptual Framework (2018) highlighted that all the qualitative characteristics of financial information, the fundamental and enhancing characteristic are important and financial statements must possess them so that they are useful. The sampled firms possessed all the fundamental and the enhancing qualitative characteristics of financial reporting.

Overall the descriptive statistics results showed that, all the fundamental and enhancing qualitative characteristics of financial reporting had positive means based on the NiCe measurement scores. The meaning of each individual mean per variable was linked to the meaning of each variable per



the NiCe measurement Annexure of this study. The empirical results of the study are presented below.

### **4.3 Empirical Findings**

After generating the descriptive statistics, the researcher conducted two empirical tests, firstly to test for the impact of the qualitative characteristics of financial reporting on the usefulness of financial information, and secondly, to test for the relationship between the FEQC and the variables - firm's industry, leverage and size. The first test was done in two stages. In the first stage, the study used the Shapiro-Wilk  $W$  test to establish the distributional properties of the study's data. Knowing the distributional properties of the data enabled the researcher to select a suitable test for the impact of the qualitative characteristics of financial reporting on the usefulness of financial information. The second stage, was to determine a suitable test for the data which is normally or non-normally distributed. For the data which is normally distributed, a T-test was used to test for the impact of the qualitative characteristics of financial reporting on the usefulness of financial information. In cases where the data was non-normally distributed, the Wilcoxon signed-rank significance test was used to test the significance of the qualitative characteristics of financial reporting on the usefulness of financial information.

The second test tested for the relationship between the FEQC variable and the firm size, leverage and the industry wherein the firm is operating. An OLS estimator was used to fit the regression model. The robustness of the OLS estimator results were tested using the random effects estimator. The results of all the empirical tests are presented and discussed below. The results of the Shapiro-Wilk  $W$  test are presented and discussed first, followed by the T-test results, then the Wilcoxon Signed-rank, followed by the results of the OLS regression model and lastly the robustness tests using the random effects model.

The results of the Shapiro-Wilk  $W$  test that was used to test for the distribution properties of the variables are presented below.

### **4.4 Normality Test**

The Shapiro-Wilk  $W$  test was used to test whether the data were normally or non-normally distribution. In cases where the variables were normally distributed, a T-test was used to test for the impact of the qualitative characteristics of financial reporting on the usefulness of the financial information. In cases where the variables were non-normally distributed, the Wilcoxon signed-rank test was used to test for the impact of the qualitative characteristics of financial statements on the usefulness of financial information. The results of the Shapiro-Wilk  $W$  test are shown in Table 4.2.

## Table 4.2: The Shapiro-Wilk W Test Results

Table 4.2 below shows the results of the Shapiro-Wilk test that was used to test for the distributional properties of the qualitative characteristics of financial reporting variables, which are relevance, faithful representation, understandability, comparability, verifiability and timeliness. The Table showed the number of observations for the W score, the V score, the Z score and the Prob statistics of the results obtained by the Shapiro-Wilk W test. The sample periods are the years 2006, 2012 and 2018. The total observations for all the qualitative characteristics of financial reporting variables is 156.

**Shapiro-Wilk W Test for Distributional Properties of Study Data**

Variables	Obs	W-score	V-score	Z-score	Prob-stats
Relevance	156	0.9735	3.1780	2.6330	0.0042
Faithful representation	156	0.9745	3.062	2.5420	0.0055
Understandability	156	0.9959	0.4860	-1.6410	0.9495
Comparability	156	0.9704	3.5590	2.8840	0.0019
Verifiability	156	0.0000	0.0000	0.0000	0.0000
Timeliness	156	0.9920	0.9580	-0.0980	0.5391

The Prob-stats for the variables relevance, faithful representation, comparability and verifiability are 0.0042, 0.0055, 0.0019 and 0.0000 respectively. The W score for the variable relevance was 0.9735 and its V test statistics was 3.1780. Faithful representation's W score was 0.9745 and its V test statistics was 3.0620; Comparability's W score was 0.9704 with a V test statistics on the departure from normality of 3.5590. The W score for verifiability was 0.0000 and its V test statistics on the departure from normality was 0.0000. These results confirmed that the data for variables - relevance, faithful representation, comparability and verifiability - were non-normally distributed because the variables' probability statistics were less than the 0.05 at a testing level of 95% confidence level. The study, thus, rejects the Shapiro-Wilk W test null hypothesis that variables relevance, faithful representation, comparability and verifiability are normally distributed. Adopting, therefore, the Shapiro-Wilk W test alternative hypothesis, that variables - relevance, faithful representation, comparability and verifiability - were non-normally distributed and were tested for their impact on the usefulness of financial reporting using the Wilcoxon Signed-rank test as this is a suitable test for non-normally distributed data.

The Prob-stats for the variables understandability and timeliness are of 0.9495 and 0.5391 respectively. The W score for understandability was 0.9959 with a V test statistics on the departure from normality of 0.4860. Timeliness had a W score of 0.9920 and its V test statistics on the departure from normality was 0.9580. This means that the data for these variables were normally distributed because the P-statistics was higher than 0.05 at a 95% confidence testing level; this means that these variables are normally distributed. The variables understandability and timeliness

were therefore tested for their impact on the usefulness of financial reporting using the T-test as it is a suitable test for normally distributed data.

In summary, the variables relevance, faithful representation, comparability and verifiability are non-normally distributed and were tested for their impact on the usefulness of financial reporting using the Wilcoxon signed-rank significance test. On the other hand, the variables understandability and timeliness were normally distributed and were tested for their impact on the usefulness of financial reporting using the T-test.

The T-test and the Walcoxon Signed-rank test results are presented and discussed below.

#### 4.4.1 T-Test Results

The Shapiro-Wilk W-test showed that variables, understandability and timeliness, were normally distributed. For the normally distributed data, a T-test was used to test for the significance of these qualitative characteristics on the usefulness of financial information. The results of the T-test are shown in Table 4.3 below.

**Table 4.3: Results of the T-test**

Table 4.3 below shows the results of the T-test on the impact of the variable,s understandability and timeliness, on the usefulness of financial reporting. The Table shows the co-efficient of each variable; the standard errors are shown in brackets and the markings \*\*\*, \*\*, and \* indicate significances at 99%, 95% and 90% levels, respectively.

Variable	
Understandability	97.7508*** (0.0255)
Timeliness	98.1612*** (0.0374)

The T-test results for the variables understandability and timeliness all show statistically significant T-values at a 95% confidence levels and all the variables' p-values are 0.0000 and their standard errors are 0.0255, and 0.0374 respectively. This means that variables, understandability and timeliness, have a significant positive impact on the usefulness of financial information. For financial statements to be useful, they must be understandable and must be timeously presented to the users of financial information. These results are consistent with the assertions of the Conceptual Framework (2018) that, the enhancing qualitative characteristics which are, understandability and timeliness of financial reporting, have a significant impact on the usefulness of financial reporting.

A study conducted by Yurisandi and Puspitasari (2015) on Indonesian companies obtained similar results for variable understandability. The co-efficient values obtained by this study for understandability was 232.5282 which is higher than the 97.7508 obtained by Yurisandi and Puspitasari (2015). Furthermore, the findings of the current study are similar to those of studies conducted by Sutton (2015), Rahmani and Jabari (2015) as well as Pike and Chu (2012) for variable understandability. These studies found that the understandability qualitative characteristic of financial reporting, has a significant impact on the usefulness of financial reporting. This means that in South African firms, variable understandability, as a qualitative characteristic of financial reporting has a greater impact on the usefulness of financial information reported to the users of financial information.

The prob-value of 0.0000 and a co-efficient of 98.1612 obtained by the variable, timeliness of this study, is lower than 0.2840 and higher than the co-efficient of -1.0820 which was obtained by Yurisandi and Puspitasari (2015). The finding of this study agrees with the Conceptual Framework (2018)'s assertions, that financial statements must possess qualitative characteristics of financial reporting so that they are useful to the users of financial information. The results means that in South Africa, the variable, timeliness, has greater impact on the usefulness of financial reporting than those of Indonesian company or users of financial statements because this study obtained higher significant values than those of some countries.

In summary, the findings of this study indicate that, for financial statements to be useful, they must faithfully represent the affairs of the business; they must be understandable and they must be reported timeously to the users of the financial statements.

#### **4.4.2 The Wilcoxon Signed-rank Test Results**

The results obtained from the Shapiro-Wilk W screening test showed that, relevance, faithful representation, comparability and verifiability qualitative characteristics of financial reporting were non-normally distributed. These variables were tested for their impact on the usefulness of financial information using the Wilcoxon Signed-rank test. The Wilcoxon Signed-rank test is suitable for testing the significance of the non-normally distributed data because it is a nonparametric test satisfied by the data median and the sample size.

The results of the Wilcoxon Signed-rank test are shown in Table 4.4.

The Wilcoxon Signed-rank test results indicate that - relevance, faithful representation, comparability and verifiability - have a significant positive impact on the usefulness of financial reporting information. These variables obtained 0.0000 prob-values per each variable on the Wilcoxon Signed-rank test shown in Table 4.4. The variables - relevance, faithful representation, comparability and verifiability - obtained a z-score of 11.1620, 11.0390, 11.0130, and 12.4900 respectively. The relevance and faithful representation are the fundamental qualitative characteristics of financial reporting and variables, comparability and verifiability, are the enhancing qualitative characteristics of financial reporting. The results of the study indicate that these variables have a significant positive impact on the usefulness of financial reporting. This means that in South Africa, the variables relevance, faithful representation, comparability and verifiability have a significant positive impact on the usefulness of financial statements. These results support the assertions of the Conceptual framework (2018), that for financial information to be useful, it must be relevant, the financial information must present faithfully the affairs of the business, furthermore, it must be comparable and it must be verifiable so that it must not be misleading in decision making of the users of financial information.

The results of the Wilcoxon Signed-rank test are shown in Table 4.4 below.

**Table 4.4: Wilcoxon signed-rank test**

Table 4.4 shows the results on the Wilcoxon Signed-rank test for the impact of the qualitative characteristics of financial reporting - relevance, faithful representation, comparability and verifiability - on the usefulness of financial information. The Table shows the sign, sum of ranks values, expected values, the prob> |z| indicating the significance level, the z score values and the number of observations per each variable on the positive, negative and zero signs for each qualitative characteristics of financial reporting.

Variables	Sign	Sum ranks	Expected	Prob>  z	Z	Obs
<b>Relevance</b>	Positive	12246	6123	0.0000	11.1620	156
	Negative	0.0000	6123			0.0000
	Zero	0.0000	0.0000			0.0000
<b>Faithful Representation</b>	Positive	12246	6123	0.0000	11.0390	156
	Negative	0.0000	6123			0.0000
	Zero	0.0000	0.0000			0.0000
<b>Comparability</b>	Positive	12246	6123	0.0000	11.0130	156
	Negative	0.0000	6123			0.0000
	Zero	0.0000	0.0000			0.0000
<b>Verifiability</b>	Positive	12246	6123	0.0000	11.2920	156
	Negative	0.0000	6123			0.0000
	Zero	0.0000	0.0000			0.0000

The findings of this study are similar to those of Sutton (2015), Yurisandi and Puspitasari (2015), Rahmani and Jabari (2015) and Pike and Chu (2012); all these empirical studies found that variables - relevance, faithful representation, comparability and verifiability - have an impact on the usefulness of financial reporting. This is similar to South African firms, where variables - relevance, faithful representation, comparability and verifiability - have a positive impact on the usefulness of financial information. These variables obtained a prob-values of 0.0000 each, meaning that there is a positive influence that these variables have on the usefulness of financial reporting.

Overall the findings of the study based on the T-test results showed that, the variables understandability and timeliness have a significant impact on the usefulness of financial reporting. The Wilcoxon signed rank test results indicated that the variables - relevance, faithful representation, comparability and verifiability - have positive significant impact on the usefulness of financial reporting.

The Wilcoxon Signed-rank test results indicate that the qualitative characteristic of financial reporting variables - relevance, comparability and verifiability - have a positive impact on the usefulness of financial reporting. This means that financial statements must possess all these qualitative characteristic to be useful to the users of financial statements. The results of the two tests are consistent with the assertions of the Conceptual Framework (2010), which state that all the fundamental and the enhancing qualitative characteristics of financial reporting are essential and have an impact on the usefulness of financial reporting.

#### **4.5 Results of the Regression Model**

The independent variables of the regression model were firstly tested for any possible misspecification that may arise. A multicollinearity test was done to test if the independent variables of the regression model are independent form each other; this eases the interpretation of results. A multicollinearity test was employed but not the autocorrelation and heteroscedasticity ones; this is because multicollinearity, is more un-biased in terms of level of errors on a linear regression model, as compared to other estimators. The model was tested for possible multicollinearity before running OLS estimator. In this study, for robustness of multicollinearity on the regression model, the random effects estimator was used.

### 4.5.1 Multicollinearity Test Results

Neter, Wasserman, and Kutner, (1983), stated that if the VIF of a variable exceeds 10 ( $VIF > 10$ ), it indicates that the particular variables under test are multicollinear. The reciprocal acceptable level of the VIF, the  $1/VIF$  is 0.10. If the tolerance ( $1/VIF$ ) is less than 0.10, then the variable are lesser collinear and those variables must be removed from the model to avoid model misspecification.

Industry, leverage and size variables in this study, as per Table 4.5, have VIFs which are less than 10. The obtained  $1/VIF$  scores of 0.9756 for industry, 0.9796 for the firm size and 0.9948 for the firms leverage are acceptable because they are over the scale of 0.10. These results indicate that there is no collinearity between the variables.

**Table 4.5: Multicollinearity Test Results**

Table 4.5 presents the results of the multicollinearity test of the regression model. The Table shows the variables under investigation, the corresponding VIFs and the  $1/VIF$  values. The variables *ind*, *lev* and *size* represent the industry wherein the companies are operating under, the leverage of the company and the size which represents the companies' size. All these variables are defined in Chapter 2.

Variables	VIF Full Panel	1/VIF Full Panel
<b>Ind</b>	1.01	0.9756
<b>Lev</b>	1.01	0.9948
<b>Size</b>	1.00	0.9796
<b>Mean VIF</b>	1.01	

The VIF results, therefore, shows that there is no multicollinearity between all the explanatory variables as they had a VIF of less than 10 and a  $1/VIF$  which is higher than 0.10. Below are the regression model results. As a result, the OLS was used because it is a suitable method based on the result of the VIF. Tyzhnenko and Ryznik (2019) add that the OLS is an adequate method that can be used when solving economic problem of a linear regression under conditions of near-collinearity of the data measured by the VIF. The OLS estimator was used to fit the regression model; this is because the model is a simple linear model, resulting in the OLS being used to fit the regression model and to fit and test the data and to ascertain if the data also met the OLS assumptions (Moussa-Hamouda & Leone, 1977). The results of the OLS estimators are presented in Table 4.6.

**Table 4.6: OLS Estimator Results**

Table 4.6 shows the co-efficient and the T-values of the OLS estimator results on the relationship between the FEQC and the variables - industry, size and the leverage. The markings \*\*\*, \*\*, and \* next to the co-



efficient denote the significances at 99, 95 and 90 percent levels respectively. Shown in brackets is the t-values of each variable. The variables - *ind*, *lev* and *size* - respectively represent the industry wherein the companies are operating under, the leverage of the company and the size which presents the companies size. These variables are defined in Chapter 2 of the study.

### FECQ

<b>Ind</b>	-0.0070** (-0.35)
<b>Size</b>	0.0299** (3.98)
<b>Lev</b>	-0.0038*** (-0.57)
<b>Cons</b>	2.9626 (1.47)
<b>Obs</b>	156
<b>R<sup>2</sup></b>	0.0965

The results in Table 4.6, show that the variables - industry, size and leverage - obtained probability scores of 0.0328 (with a negative coefficient of -0.0070), 0.0448 (with a positive coefficient of 0.0299) and 0.0095 (with a negative coefficient of -0.0038) respectively. The results mean that in terms of variable industry, there is a significant negative relationship between the industry where the firm is operating and the FEQC of financial information. Meanwhile, there is a significant negative relationship between the firms leverage and the FEQC of financial information. This means that the firm's leverage has a positive impact on the FEQC of financial reporting. The variable, firm size, obtained probability scores of 0.0448 (with a positive coefficient of 0.0299). This result means that there is a significant positive relationship between the firm size and the FEQC of financial information because the p-value of variable, firm size, showed a significance acceptable level of 0.0448 which is lower than 0.0050, indicating a positive significance of the variable firm size.

This study fails to reject the hypothesis that the variables - industry, size and leverage - have significant impact on the FEQC of financial reporting. The study found that variables - industry and leverage - have a negative but significant relationship with the dependent variable FEQC of financial reporting. Furthermore, the variable, firm size, has a positive significant relationship with the FEQC of financial reporting. This means that the size of the firm contributes positively towards the qualitative characteristics of financial reporting. The firm's size has a positive impact on the usefulness of the FEQC of financial reporting. The industry where the firm is operating and its leverage do not have an insignificant impact on the FEQC of financial reporting. This means that, only the firm size, has a positive significant impact on the FEQC of financial information, while the variables -industry and firms leverage - have negative but significant impact on the usefulness



of the FEQC of financial reporting. This is because the probability obtained by these variables are acceptable at a 0.0500 acceptance level.

A study conducted by Van Beest *et al.*, (2009) found that - the industry, leverage and firm size - all have a significant positive relationship with the FEQC of financial reporting. In terms of these authors' study all the variables have a relationship with the FEQC, however, in the current study, only the variable, firm size, has a significant positive relationship with the FEQC, the industry and leverage variables, have a negative significant relationship with the FEQC. The result of the OLS estimator means that in South Africa, only, the firm size, has a positive significant relationship with the FEQC of financial reporting. This difference between the results of the South African companies might be caused by how large the firm is, the resources that a large firm has as compared to a small firm, the financial expertise that the firms have might differ, based on the size of the firm. This implies that the size of the firm has a positive relationship with the FEQC of financial reporting. The quality of financial reporting improves with the size of the reporting firm because firms with high market capitalisation and high stock price, employ personnel who are professional accountants and help them in adhering to the FEQC. Adhering to the FEQC and accounting standards lead to quality and usefulness of financial reporting.

#### **4.5.2 Robustness Test**

An additional regression was done to confirm the robustness of the OLS results. The study used the Hausman specification test to select a suitable estimator between the fixed and the random effect estimator; the selected estimator was then used as an additional estimator to test for the correctness of the OLS estimator results. The Hausman test has two hypotheses: the alternative hypothesis that the random effects estimator is confirmed as a consistent estimator, and the null hypothesis that the random effects estimator is an inconsistent estimator. The results obtained from the Hausman test showed a  $\text{prob} > \chi^2$  of 0.0634. As  $\text{prob} > \chi^2$  value is greater than 0.05, this result fails to reject the null hypothesis that the random effects estimator is a consistent estimator for this model. The random effects estimator, thus, must be used to test for the robustness as it is a consistent estimator. The results of the random effect estimator are shown below.

#### **Table 4.7: The Random Effect Estimator Results**

Table 4.7 shows the results of the regression model that was fitted using the random effects estimator. The Table shows the co-efficient, and the T-values results on the relationship between the FEQC and variables - industry, size and the leverage. The markings \*\*\*, \*\*, and \* next to the co-efficient denote the significances at 99, 95 and 90 percent levels respectively. The variables - *ind*, *lev* and *size* - respectively,

represent the industry wherein the companies are operating under, the leverage of the company and the size, which presents the companies' size. These variables are defined in chapter 2 of the study.

<b>FECQ</b>	
<b>Ind</b>	-0.0070** (-0.35)
<b>Size</b>	0.0299** (3.98)
<b>Lev</b>	-0.0038*** (-0.57)
<b>Cons</b>	2.9626 (35.52)
<b>Obs</b>	156
<b>Prob&gt;Chi2</b>	0.0010

The Random Effects estimator results showed that the variables - industry, firm size and leverage - obtained a probability level of 0.3248, 0.0471 and 0.0094 with a coefficient of -0.0070, 0.0299 and -0.0038 respectively. Size variable obtained a significant probability score of 0.0471 which is less than 0.0500 and a positive co-efficient of 0.0299. This means that there is a significant positive relationship between the firm size and the FEQC of financial reporting. Variables - industry and leverage - obtained a negative correlation of -0.0070 and -0.0038 to the FEQC of financial reporting with significance levels of 0.0324 and 0.0094, respectively. Meaning that there is a negative, but significant relationship between the FEQC and variables - industry and the leverage.

The random effects estimator's results indicated that the industry where the company is operating in and the firms' leverage have a significant impact on the FEQC of financial reporting, however, the significance is a negative relationship with the FEQC of financial reporting. This means that an increase in the variable - industry or leverage - has a negative impact on the FEQC, and vice versa. Furthermore, the results showed that the firm size has a positive and significant relationship with the FEQC of financial reporting, therefore, the study fails to reject the hypothesis that - the industry, firm size and the firms leverage - have an impact on the usefulness of financial reporting. All these variables obtained a statistical significant probability of less than 0.0500, which is lower than the acceptable level of 0.0500.

The results of the random effects estimator are similar to those of the OLS estimator. The results indicate that all the independent variables - industry where the firm is operating, the firm size and the leverage - have a significant impact on the FEQC's of financial statements, thus, the OLS estimator results are robust.

The T-Test and the Wilcoxon Signed-rank test results showed that all the qualitative characteristics of financial reporting have a significant influence on the usefulness of financial reporting. This means that the financial statement must possess all the qualitative characteristics of financial reporting so that the financial statement can be useful to the users of financial reports. Furthermore, the OLS and random effects estimator's result indicated that from the explanatory variables - industry, firm size and the firms leverage - have an impact on the FEQC of financial reporting.

## **4.6 Summary of the Chapter**

This chapter presented the results from and the interpretation of the analysed data collected from the selected JSE-listed companies operating in the mining, manufacturing and retail industries. The results were presented in two parts: descriptive statistics and empirical analysis. Comparison of this study's results with those in previous studies is also done, where they exist, in order to draw meaningful interpretations. The chapter concludes by presenting the results of the regression model results using the OLS and random effect method. The next chapter concludes the study and gives policy recommendations.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter concludes the study and outlines some recommendations as well as the limitations of the study. The study had 3 objectives which were, firstly, to investigate the impact that qualitative characteristics of financial reporting have on the usefulness of the financial information. Secondly, the study investigated if the fundamental qualitative characteristics of financial reporting are more important and significant than the enhancing qualitative characteristics of financial reporting in terms of usefulness. Lastly, the study investigated if the - size of the firm, industry where the firm is operating at and the firms leverage - have an impact on the FEQC of financial reporting. The study used a sample of 52 non-financial firms listed on the JSE, for the years 2006, 2012 and 2018, for all the tests. The industries wherein the firms are operating in are the mining, manufacturing and retail industries.

### **5.2 The impact of the qualitative characteristics of financial reporting on the usefulness of the financial statement information**

The results of the study showed that both the fundamental and the enhancing qualitative characteristics of financial reporting are important and have a positive impact on the usefulness of financial information. The results are consistent with the assertions of the Conceptual Framework (2010) which states that for financial information to be useful, all the qualitative characteristics must be present. The results are also consistent with those of Yarisandi and Puspitasari (2015), Rahmani and Jabari (2015) and Sutton (2015) who found that all the qualitative characteristics of financial reporting have a significant impact on the usefulness of financial information, therefore, in South Africa, - relevance, faithful representation, understandability, timeliness, comparability and verifiability - are important in financial reporting because they have a significant impact on the usefulness of the financial information reported to the users of financial statements. According to the Conceptual Framework (2010), the qualitative characteristics of financial reporting renders the financial information and statements useful, hence, they must possess all these qualitative characteristics of financial reporting.

The Conceptual Framework (2010) states that, both the fundamental and the enhancing qualitative characteristics of financial reporting are important in financial reporting since these features render

the financial information useful. The Conceptual Framework (2010) states that for usefulness to be achieved, financial statements must be prepared according to the IFRS's requirements and the qualitative characteristics of financial reporting. Kieso, *et al.*, (2005) highlighted that, if one of the qualitative characteristics of financial reporting is missing from accounting information, then the information reported might be misleading to the users of the financial statements in terms of decision-making, hence, all the qualitative characteristics of financial reporting are important for making financial decisions. Both - relevance and faithful representation - have a positive influence on the usefulness of financial reporting. The results showed that for financial statements to be useful, they must be - relevant, faithfully represent the affairs of the reporting firm, must be understandable, comparable, verifiable and timeous. This meets the Conceptual Framework's (2010) objective that financial statements are useful if they are relevant and faithfully represent the affairs of the business.

### **5.3 Does the Industry, firm size, and the leverage have impact on the FEQC of financial statements?**

The - industry, firm size and the firms' leverage - have significant impact on the FEQC of financial reporting. The results also indicated that - the industry wherein the firms are operating, the firm size, and the firm leverage - have a positive relationship with the FEQC of financial reporting. This means that these independent variables influence the fundamental and enhancing qualitative characteristics of financial reporting and also have a significant influence on the FEQC of financial reporting. This is because the results that these variables obtained from the OLS and the robustness test which was tested using the Random Effects Model, showed that all the variable obtained a statistical significance level of less than 0.0500. This shows that all the variables - the industry, the firm size and the leverage - had a p-score which is within the acceptable norm of 0.0500.

### **5.4 Limitations of the study**

Below are the limitation encountered by the study.

### **5.4.1 Sample specification**

The study was limited to JSE-listed non-financial firms only. It excluded financial firms that were listed on the JSE because financial firms have their own regulations in terms of the Banks Acts 94 of 1990. Furthermore, the sampled firms were only from the mining, manufacturing and retail industries, hence, leaving out other industries. The study only focused on firms in these sectors because - they are the big and leading industries in South Africa, they are the leading industries in the JSE-listings and also they contribute a major portion to the South African GDP. The findings of this study can therefore not be generalized to all firms in South Africa, hence the sample specification of this study is a limiting factor.

### **5.5.1 Scope of the study**

This study only focused on the data available for the years 2006 (which is a year after the IFRS' adoption), 2012 (mid-year between 2006 and 2018), and lastly, the year 2018 (which was the latest year on which companies annual integrated reports were publicly available). These specific years, 2006, 2012 and 2018, were the years selected considering the duration of the study and the volume of work associated with the study. Furthermore, the data collection was done manually and it was tedious. Given these factors it was not feasible for the study to conduct a research on all the years since the IFRS adoption to the latest financial year of reporting 2005-2018; this would made it a period of 14 years of observation, hence, the rational this study considered the years 2006, 2012 and 2018.

## **5.5 Recommendations for future studies**

Firstly, future researcher can conduct studies on the qualitative characteristics of financial statement on the usefulness of financial reporting, in different industries, other than those used in this study. This will give results on other industries which will contribute to the knowledge gap on the usefulness of financial reporting. The recommended sample for future studies can either be firms from all the industries that are available on the JSE or the financial services firms. This sample will give results on whether different industries, for example, the financial services sector's usefulness is more than in other industries in South Africa.

Secondly, future studies can attempt to assess the impact of the usefulness of the qualitative characteristics of financial reporting using the pre and post-IFRS adoption data. This will give results on whether IFRS adoption has helped in improving the usefulness of financial reporting.

Thirdly, a study consisting of all the years since the IFRS adoption, including the latest financial reporting year wherein the annual integrated reports of the sampled JSE companies are available, may be conducted.

Lastly, future studies can make a comparison between the developing and developed countries on the usefulness of the qualitative characteristics of financial reporting that uses the IASB's IFRS standards, to prepare their financial statements. This will bridge the knowledge on whether developing and developed countries that use the same set of IFRS standards can yield different results, in terms of the usefulness of financial statements.

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## ANNEXURE A: COMPARISON OF COUNTRIES BASED ON IFRS

**Table A1**

Table A1 presents a comparison of counties in which similar studies have been conducted. The Table compares South Africa with other countries, therefore, it is used in the Table as a reference point to compare with other countries. The comparison is based on the year in which that country adopted IFRS, level of development, law used in the country, corruption level, general business and financial reporting culture and financial reporting level.

Country	Year IFRS adopted	Level of development	Law used in the country	Corruption level	Financial reporting culture	Financial reporting level
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<b>South Africa</b>	2005	Developing	common law	High	professional	Strong
<b>Egypt</b>	-	Developing	civil law	High	-	Weak
<b>Nigeria</b>	2012	Developing	religious and sharia law	High	professional	Strong
<b>United Kingdom</b>	2002	Developed	common law	Low	professional	Strong
<b>Romania</b>	2012	Developing	civil law	High		Weak
<b>New Zealand</b>	2003	Developed	common law	Low	professional	Strong
<b>Iran</b>	*	Developing	Shai Islamic law	High	professional	Weak
<b>Jordan</b>	1998	Developed	Civil law and sharia law	Low	professional	Weak
<b>United States</b>	2010*	Developed	common law	Low	Professional	Strong
<b>Australia</b>	2005	Developed	common law	Low	professional	Strong
<b>Japan</b>	2010*	Developed	civil German law	Low	professional	Strong
<b>China</b>	2003*	Developing	common law	High	professional	Strong
<b>Netherlands</b>	*	Developed	civil law	Low	professional	Strong

\*= countries which have not fully adopted the IFRS

## ANNEXURE B: THE NiCE MEASUREMENT

No.	Question	Operationalization	Concept
<b>Relevance</b>			
R1	How does the presence of the forward-looking statement help in forming expectations and predictions concerning the on-going concerns of the company?	1= no forward-looking information; 2= forward looking; 3 = apart subchapters; 4= extensive predictions; 5= extensive predictions useful for making expectations.	Predictive Value
R2	To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?	1= No non-financial information; 2= little non-financial information, no useful for forming expectations; 3 = useful non-financial information; 4= useful non-financial, helpful for developing expectations.	Predictive Value
R3	How often does the company use fair value instead of historical cost?	1= Only historical cost (HC); 2 = Most HC; 3 = balance fair value (FV)/HC; 4 = Most FV; 5 = only FV	Predictive Value
R4	To what extent do the reported results provide feedback to the users of the annual reports as to how various market events and significant transactions affected the company?	1= No feedback; 2 = little feedback on the past; 3 = feedback is present; 4 = feedback helps understanding how events and transactions influenced the company 5 = comprehensive feedback.	Confirmatory Value
<b>Faithful Representation</b>			
F1	To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?	1= Only described estimates; 2= general explanation; 3= specific explanation of estimations; 4= specific explanations, formulas explained, etc; 5= comprehensive argumentation.	Verifiability

F2	To what extent does the company base its choice for certain accounting principles on valid arguments?	1= Changes not explained; 2= minimum explanations; 3= explained why; 4= explained why + consequences; 5= no changes or comprehensive explanation	Verification
F3	To what extent does the company, in the discussion of the annual report, highlight the positive events as well as the negative events?	1= Negative events only mentioned in footnotes; 2= emphasize on positive events; 3= emphasise on positive events, but negative events are mentioned; no negative events occurred; 4= balance positive/negative events; 5= impact of positive/negative events is also explained.	Neutrality
F4	Which type of auditors' report is included in the annual report?	1= Adverse opinion; 2= disclaimer of opinion; 3= qualified opinion; 4= unqualified opinion: financial figures; 5= unqualified opinion: figures + internal control.	Free from material error, verification, neutrality and completeness
F5	To what extent does the company provide information on corporate governance?	1= No description; 2= information on CG limited, not apart subchapters; 3= apart chapter; 4= extra attention paid to information concerning CG; 5= comprehensive description of CG.	Completeness, verifiability, and free from material error
<b>Understandability</b>			
U1	To what extent is the annual report presented in a well organized manner?	Judgment based on: - complete table of contents - headings - order of components - summary/ conclusion at the end of each subchapter	Understandability
U2	To what extent are the notes to the balance sheet and the income statement sufficiently	1 = No explanation; 2 = Very short description, difficult to understand; 3 = Explanation that describes what happens; 4 = Terms are explained (which assumptions etc.); 5 =	Understandability



	clear?	Everything that might be difficult to understand is explained	
U3	To what extent does the presence of graphs and tables clarify the presented information?	1 = no graphs; 2 = 1-2 graphs; 3 = 3-5 graphs; 4 = 6-10 graphs; 5 = > 10 graphs	Understandability
U4	To what extent is the use of language and technical jargon in the annual report easy to follow?	1 = Much jargon (industry), not explained; 2 = Much jargon, minimal explanation; 3 = Jargon is explained in text/ glossary; 4 = Not much jargon, or well explained; 5 = No jargon, or extraordinary explanation	Understandability
U5	What is the size of the Glossary?	1 = No glossary; 2 = Less than 1 page; 3 = Approximately one page; 4 = 1-2 pages; 5 = > 2 pages	Understandability
<b>Comparability</b>			
C1	To what extent do the notes to changes in accounting policies explain the implications of the change?	1 = Changes not explained; 2 = Minimum explanation; 3 = Explained why; 4 = Explained why + consequences; 5 = No changes or comprehensive explanation	Consistency
C2	To what extent do the notes to revisions in accounting estimates and judgements explain the implications of the revision?	1 = Revision without notes; 2 = Revision with few notes; 3 = No revision/ clear notes; 4 = Clear notes + implications (past); 5 = Comprehensive notes	Consistency
C3	To what extent did the company adjust previous accounting periods' figures, for the effect of the implementation of a change in accounting policy or revisions in accounting estimates?	1 = No adjustments; 2 = Described adjustments; 3 = Actual adjustments (one year); 4 = 2 years; 5 = > 2 years + notes	Consistency
C4	To what extent does the company provide a comparison of the results of	1 = No comparison; 2 = Only with previous year; 3 = With 5 years; 4 = 5 years + description of	Consistency

	current accounting period with previous accounting periods?	implications; 5 = 10 years + description of implications	
C5	To what extent is the information in the annual report comparable to information provided by other organizations?	Judgment based on: - accounting policies - structure - explanation of events  In other words: an overall conclusion of comparability compared to annual reports of other organizations	Comparability
C6	To what extent does the company present financial index numbers and ratios in the annual report?	1 = No ratios; 2 = 1-2 ratios; 3 = 3-5 ratios; 4 = 6-10 ratios; 5 = > 10 ratios	Comparability
<b>Timeliness</b>			
T1	How many days did it take for the auditor to sign the auditor's report after book year end?	Natural logarithm of amount of days  1=1-1.99; 2= 2-2.99; 3=3-3.99; 4=4-4.99; 5= 5-5.99	Timeliness
<b>Verifiability</b>			
V1	To what extent does the amounts on the phase of the financial statements agree with amounts in the notes of the financial statements?	1= no amounts in the FS agree with the notes  2= less than 50% of amount in the FS agree with the notes  3= 51% and more amounts in the FS agree with the notes  4 = All amounts in the FS agree with the notes.	Verifiability

Source: Yurisandi and Puspitasari (2015)

## ANNEXURE C: LIST OF THE SAMPLED COMPANIES

Annexure E lists the final sample size of the companies that were listed on the JSE in both the 2005-2006 and 2015-2016 financial years. The companies should have been listed in the JSE on or before the 2005 adoption of IFRS standards by the country.

<b>Company Per Sector</b>
<b>Mining Sector</b>
1. African Rainbow Minerals Ltd.
2. Anglo American Platinum Ltd.
3. Anglo American plc.
4. Anglo Ashanti Ltd.
5. BHP Billiton Plc.
6. Buildmax Ltd.
7. DRDGOLD Ltd.
8. Exxaro Resources Ltd.
9. Harmony Gold Mining Company Ltd.
10. Lonmin Plc.
11. Merafe Resources Ltd.
12. Northam Platinum Ltd.
13. Randgold & Exploration Co Ltd.
14. Sentula Mining Ltd.
15. Wescoal Holdings Ltd.
<b>Retail Sector</b>
16. ADvTECH Ltd.
17. Cashbuild Ltd.
18. Combined Motor Holdings Ltd.
19. Italtile Ltd.
20. Lewis Group Ltd.
21. Massmart Holdings Ltd.
22. Mr Price Group Ltd.
23. The Foschini Group Ltd.
24. Truworths International Ltd.
25. Verimark Holdings Ltd.

26. Woolworths Holdings Ltd.
27. Clicks Group Ltd.
28. Pick n Pay Stores Ltd.
29. Shoprite Holdings Ltd.
30. The Spar Group Ltd.
<b>Industrial Sector</b>
31. Argent Industrial Ltd.
32. Barloworld Ltd.
33. Bowler Metcalf Ltd.
34. KAP industrial Holdings Ltd.
35. Murray and Roberts Holdings Ltd.
36. Nampak Ltd.
37. Remgro Ltd.
38. Astral Foods Ltd.
39. AVI Ltd.
40. Crookes Brothers Ltd.
41. Oceana Group Ltd.
42. Sovereign Food Investments Ltd.
43. Tiger Brands Ltd.
44. Tongaat Hulett Ltd.
45. Grindrod Ltd.
46. Imperial Holdings Ltd.
47. Santova Logistics Ltd.
48. OneLogix Group Ltd.
49. Super Group Ltd.
50. Arcelormittal South Africa Ltd.
51. ZCI Ltd.
52. Bell Equipment Ltd.

Source: <http://www.sharedate.co.za>

## ANNEXURE D: RESEARCH TIME-LINE

SURNAME : SINTHUMULE  
: ORIFHA

NAME

STUDENT NO : 11604625  
: MCom /ACC 6000

MODULE

ACTIVITY : GANNT CHART

Activity	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT
<b>2016</b>									
Topic selection									
Proposal writing and corrections									
<b>2017</b>									
Improving the proposal and corrections.									
Presenting the proposal to the Department of Accountancy									
Corrections based on the Departmental outcomes									
Presenting the proposal to the School of Management Sciences									
Corrections based on the SMS outcomes									
Submission of the proposal to the UHDC									
Data gathering and analysis									
Improvements on chapters 1, 2 and 3									
Writing and correcting chapters 4 and 5									
Submission of the Final Draft									
<b>2018</b>									
Submission of the Final Draft									
<b>2019</b>									
Not a Register Student									
<b>2020</b>									

Expected Graduation									
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## ANNEXURE E: RESEARCH BUDGET

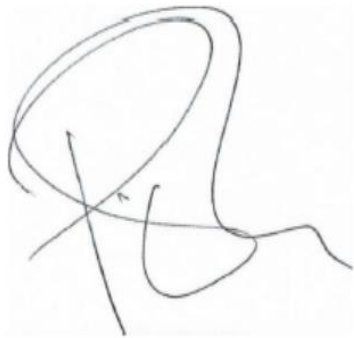
<b>Detailed Research Budget</b>	<b>Amount</b>
<b>Item(s)</b>	<b>R</b>
<b>Assistance And Research Running cost</b>	
Research Assistant @ R1280 p/m for 8 Months	R10 240.00
Proposal editing and proof-reading 52 pages @ R20/ page	R1 040,00
Final Research editing and Proof-reading 200 pages @R20/page	R4 000,00
<b>Total Budget for research Assistance</b>	<b>R15 280.00</b>
<b>Printing</b>	
Arch files (5 @ R65)	R325,00
<b>Total budget for consumables</b>	<b>R325.00</b>
<b>Travelling to JSE offices</b>	
Transport to and from Johannesburg and in between during the process	R3 000.00
Breakfast, lunch and dinner (a week) @ R600 per day	R3 000.00
<b>TOTAL RESEARCH BUDGET</b>	<b>R21 605.00</b>

## ANNEXURE F: LETTER FROM THE EDITOR

This annexure gives proof of a letter from the editor, it proves that this research has been proofread and edited, the recommended amendments by the editor have been appropriately considered in finalizing this study.

18 May, 2020

This is to indicate that I, **Dr P Kaburise**, of the English Department, University of Venda, have proofread the research report titled - **THE IMPACT AND DETERMINANTS OF THE QUALITATIVE CHARACTERISTICS ON THE USEFULNESS OF FINANCIAL REPORTING: SOME EVIDENCE FROM SELECTED JSE-LISTED FIRMS** - by **Sinthumule Orifha** (student number: 11604625). I have indicated some amendments which the student has undertaken to effect, before the final report is submitted.



**Dr P Kaburise (0794927451)**

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**Dr P Kaburise: BA (Hons) University of Ghana (Legon, Ghana); MEd University of East Anglia (Cambridge/East Anglia, United Kingdom); Cert. English Second Language Teaching, (Wellington, New Zealand); PhD University of Pretoria (South Africa)**