

AFRICA UNIVERSITY

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THE EXTENT TO WHICH FINANCIAL REPORTS CAN BE RELIED
UPON BY USERS IN DECISION MAKING AT BORDER TIMBERS
LIMITED MUTARE, ZIMBABWE

BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF EXECUTIVE MASTER IN BUSINESS
ADMINISTRATION IN THE COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND
GOVERNANCE

2020

Abstract

The main objective of the study was to present an assessment of the extent financial reports can be relied upon by various users in decision making at Border Timbers Limited. The study was carried out to ascertain whether the financial reports at Border Timbers presented a true and fair view and thus fulfils the reliability concept of financial reports. The study adopted a descriptive research design, which used both primary and secondary data as well as both qualitative and quantitative methods. Primary data was collected using questionnaires and interviews while the secondary data was obtained from the annual reports of Border Timbers Pvt Ltd. The study was based on a population of 100 people in the form of employees, creditors and shareholders and the sample size was 80 respondents drawn from the total population through stratified sampling. The data was analysed through descriptive statistics which utilised frequency tables and summary measures, such as the average or mean and standard deviation. Data analysis was also done through SPSS Version 25 and a correlation and regression analysis was performed on the study's variables. The study found out that integrated reporting has not been adopted to a large extent at Border Timbers Pvt Ltd with the financial reports containing predominantly financial information and minimum non-financial information. The study also found out that information contained in the financial reports of Border Timbers Pvt Ltd was presented clearly with all revenue, expenses, profit and all obligations were clearly presented and thus the annual reports of Border Timbers were found to be readable and easily understandable. The study also found out that Border Timbers Pvt Ltd was adequately equipped to provide useful information required by users as it has qualified Finance and Accounting Staff, qualified auditors and that Staff at Border Timbers fully understands the IASs, IFRSs and the global regulatory framework. The study also found out that a positive correlation existed between the qualitative factors of understandability, relevance, comparability, faithful representation and timeliness of information contained in the financial reports of Border Timbers and decision making. The study recommended that management at Border Timbers should commit to Integrated Reporting and disclose a large proportion of both financial and non-financial information as in the modern society users prefer to understand the business philosophy by analysing the commitment of the organization to both financial and non-financial activities. The study also recommended that management at Border Timbers must ensure that all Finance and Accounting staff well trained on the adoption of the Integrated Reporting Framework.

Key Words: Integrated Reporting, Financial Reporting, Reliability, Decision Making

Declaration

I declare that this dissertation is my original work except where sources have been cited and acknowledged. The work has never been submitted, nor will it ever be submitted to another university for the award of a degree.

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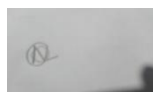


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Acknowledgements

My most sincere gratitude goes to my supervisor, Ms N. Chirima, for her time and comments that were vital in the completion of this study.

I would like to thank my fellow students and friends for their unconditional assistance during the course of the study and all the respondents who, despite their busy schedule accepted to participate in this study.

This research is the product and effort of several people, whom I feel indebted to. I would like to appreciate all the sources to which I obtained invaluable information and all the persons from whom I received help in completing this study

Dedication

To my mom, Abigail Tambeyi and my late father Nicholas Tambeyi.

List of acronyms and abbreviations

AU	Africa University
BTL	Border Timbers Limited
ZSE	Zimbabwe Stock Exchange
IRF	Integrated Reporting Framework
CSR	Corporate Social Responsibility
UK	United Kingdom
EY	Ernst and Young
PWC	PricewaterhouseCoopers
IIRC	International Integrated Reporting Council
SOCI	Statement of Comprehensive Income
SOFP	Statement of Financial position
SOCE	Statement of Changes in Equity
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards

Definition of key terms

Integrated Reporting- is a concept built on the practice of financial reporting, and environmental, social and governance or ESG reporting, and equips organizations to strategically manage their operations, brand, and reputation to stakeholders and be better prepared to manage any risk that may compromise the long-term sustainability of the business (Ernst & Young, 2014).

Financial Reporting- This is process of communicating financial information useful for making investment, credit, and other business decisions (Soyinka *et al.*, 2017).

Concept of reliability–This relates to information quality that assures decision makers that the information represented in the financial records captures the actual conditions and events of the reporting entity (Adediran , 2013).

Investor group – Refers to a group comprising of both existing and potential shareholders who would consider either investing or disinvesting in the business.

Statement of Comprehensive Income (SOCI)- is a statement that shows the operating results of the organization by displaying items such as revenue, purchases, inventories, operating expenses and profits and losses (Attah & Jindal, 2017).

Statement of Financial Position (SOFP)- A statement that reveals the financial position or health of an organization through a display of its assets and liabilities (Attah *et al.*, 2017).

Statement of Cash flows-The statement provides a summary of an organization's operating, investment, and financing cash flows and reconciles them with its cash and marketable securities during the period.

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CHAPTER 1 INTRODUCTION

1.1 Introduction

The study presents an assessment of the extent financial reports can be relied upon by various users in decision making in the case of Border Timbers Limited. The study was carried to ascertain whether the financial statements at Border Timbers presented a true and fair view and thus fulfils the reliability concept of financial reports. This chapter therefore presents the background to the study, statement to the problem, objectives of the study, research questions, research proposition, and scope of the study and significance of the research.

1.2 Background to the Study

Over the recent years, globally, there has been widespread dissatisfaction with the relevance and usefulness of corporate financial reports information to investors (Lev, 2018). Empirical evidence has over the years consistently documented a decreasing ability of financial information, particularly contained in financial statements, to reflect enterprise performance, predict future performance, and explain share prices and returns (Lev, 2018) thus reducing the extent to which such information can be relied on by providers of equity or debt finance. Lev (2018) further postulates that many stakeholders believe that financial reporting has ‘degenerated’ into an ever-more-burdensome ‘compliance exercise,’ rather than an endeavour to inform stakeholders (Lev, 2018).

Organisations prepare financial statements to depict their financial results that is the financial position and financial performance. There are four major types of financial reports that make up financial statements and these include the statement of financial

position (balance sheet), the statement of comprehensive income (profit and loss account), the statement of cash flows and the statement of changes in equity (Attah & Jinda, 2017). Users rely on information contained in financial statements because with such information they are able to estimate the return on investment and are also able to monitor the use of capital devoted to a particular investment venture (Beyer & Brown, 2010). In decision making users of financial information also rely on financial reports because financial reports remain the most essential provider of business information. Financial reports are thus the principal way of communicating information about an entity, both financial and non-financial information to users (both internal and external).

Flostrand & Strom (2006) suggested that financial reports should review and depict the future of an entity (Wadesango & Smith, 2016). Huang (2012) also stated that the idea of financial reporting is to enlighten stakeholders on the performance of organisation but contrary to that some anomalies may happen which involves the intentional misstatement or omission of material information (Wadensango *et al*, 2016).

Misrepresentation of information, forgery, intentional errors and other fraudulent practices in the disclosure of financial information inevitably affects the level of reliance that should be put on financial reports on business performance disclosure (Newman, 2017). On the other hand, financial statements should be relied on as the insurgence of corporate failures, like that of Enron Corporation and World.com in the year 2002 and other accounting scandals compounded by the global energy, food and financial crisis leading to credit squeeze across the globe, has partly been attributed to the need to assess the reliability of financial reports as these scandals portrayed some ailing company as if they were sound (Anaja & Bingu, 2015).

Border Timbers limited, a forestry and sawmilling company in Zimbabwe and listed on the Zimbabwe Stock Exchange was on 29 January 2015, placed under provisional judicial management and subsequently into final judicial management on the 25th of May 2015 (The Herald Zimbabwe, retrieved from www.herald.co.zw). This was despite the fact that the financial reports of the company in the preceding years were showing that the company was being profitable. Many users who had relied on the financial reports for decision making lost time value of money when the company was placed under Judicial management as all pre-Judicial management creditors and loan commitments repayments were suspended until when the judicial manager was satisfied that the company was liquid and operating profitably. In Zimbabwe many companies both listed and non-listed have gone under administration and or liquidation when the financial reports have been showing a healthy situation (Time Bank, Royal Bank, National Blankets) and in 2014 forensic auditors assigned by the RBZ discovered that Kingdom bank was covering up the true state of its financial affairs during the December 2014 reporting period.

To this effect, world over, a number of empirical studies have been carried to evaluate the reliance of financial statements by users. In a study by Shamimul & Smith (2017) thirty-four percent of sample companies in selected Asian countries were involved in the manipulation of financial statements. Studies have also emphasised on the need for financial information to be transparent focusing on the reporting practices adopted (Deegan *et al.*, 1996). In a related study, in Australia, the overwhelming criticisms have been that financial report disclosures relating to the non-financial information of particular reporting entities tend, on average, to be biased and self-laudatory with minimal disclosure of negative non-financial information (Deegan *et al.*, 1997).

1.3 Statement of the Problem

The pervasive and protracted deficiencies of financial information resulting in scandals of large corporations going on the verge of collapsing without any hints to the stakeholders transpire time and again globally, regionally and locally. Zondo (2014) posits that many world firms like Enron have collapsed while local companies like Afrasia Kingdom Zimbabwe Limited have also collapsed despite auditors having audited their financial statements without picking any irregularities. Border Timbers Pvt Ltd was on the other hand placed under judicial management on 29 January 2015 despite having been reporting good financial performance in its annual reports and this raised an alarm on the integrity of the information contained in its financial statements in allowing users to make informed decisions. For this reason, questions have been raised on the reliance that can be placed on the financial reports at Border Timbers Pvt Ltd. Relatively little research has been done to analyse the extent to which financial reports of Border Timbers can be relied upon by users in decision making. Most of the available research such as studies by Musyoka (2013), Anaja (2015), Attah & Jindal (2017) and Lev (2018) have focused mainly on the extent of the investors reliance on financial statements for decision making ignoring other users of financial reports. Evolving from this backdrop, this study therefore aimed to bridge this research gap by focusing on the extent to which financial reports can be relied upon by users, mainly providers of finance in decision making at Border Timbers Limited, a public company listed on the Zimbabwe stock exchange.

1.4 Research Objectives

The objectives of the study were to:

- 1.4.1 Establish the magnitude to which integrated reporting has been incorporated in the financial reports of Border Timbers Pvt Ltd.
- 1.4.2 Evaluate the extent to which the information in the financial reports of Border Timbers meets the needs of users mainly the providers of capital.
- 1.4.3 Evaluate the company's capacity (Border Timbers) to provide useful information required by the users for decision making.
- 1.4.4 Establish the relationship between the reliability of the financial reports provided by Border Timbers and decision making by users, mainly providers of capital.

1.5 Research Questions

The main research questions of the study were as follows:

- 1.5.1 To what extent is integrated reporting incorporated in the financial reports of Border Timbers Pvt Ltd?
- 1.5.2 Does the information in the financial reports meets the needs of users mainly the providers of capital?
- 1.5.3 Does the Company (Border Timbers) have the capacity to provide useful information required by users for decision making?
- 1.5.4 What is the relationship between the reliability of the financial reports provided by Border Timbers and decision making by users?

1.6 Hypotheses

The hypothesis for the research was stated as follows:

H0 -Financial statements provided by Border Timbers could be relied on by users of financial statements in decision making

H1-Financial statements provided by Border Timbers could not be relied on by users of financial statements in decision making

1.7 Significance of the Study

The research intends to benefit users of financial statements and academic world on issues relating to the reliability of financial statements in decision making in the following ways;

Policy and decision makers at various levels of management can gain value added information on ways of ensuring that financial statements of entities, especially listed companies reflect a true and fair view and thus becomes reliable for decision making. In this regard this study benefits ICAZ, PAAB and other professional accounting bodies in Zimbabwe by revealing deficiencies in financial reporting issues of companies.

Academics and business researchers are able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study hopes to make theoretical, practical and methodological contributions. Moreover, in Zimbabwe, key issues pertaining to the extent users rely on financial reports for decision making specifically targeting Zimbabwean Companies per se have not been given a keen attention by previous studies. The findings thus contribute to professional extension of existing knowledge on the extent to which financial reports can be relied upon by users in decision making.

Since users of financial information rely on financial reports for decision making, the findings provide them with some insights and an understanding of key things to look

for in financial statements in order for them to be considered useful in decision making.

From an organisational perspective, there has been no study done to assess the reliance that can be placed on financial reports at Border Timbers PLC, thus this study is relevant in informing the need to fill the gap by investigating and evaluating on the effectiveness of these financial statements in decision making by users.

The study is significant in that it allowed the researcher an opportunity to closely interact with the management of Border Timbers and key users of financial information in obtaining in first-hand information on the extent of reliance of the financial reports in decision making. It also accorded the researcher an opportunity to contribute ideas that are relevant in assessing financial information reliability for decision making.

1.8 Delimitations of the Study

The research was limited to Border Timbers Limited (BTL), an entity in the timber growing and manufacturing industry with operations in Manicaland. BTL is a subsidiary of the Rift Valley Corporation and is listed on the Zimbabwe Stock Exchange. The study focused only on the financial reports of Border Timbers for the period between 2016 to 2018 and was conducted at the organisation's headquarters in Manicaland which was considered to be the hive of its major activities and centre for main decision making for the organization.

1.9 Limitations of the Study

Data availability and accessibility is a challenge to most organizations. Literature on the reliability of financial statements and decision making in Zimbabwe is scanty.

Moreover, preparers of financial statements were numb on disclosing fully their methods of preparation to enable the researcher to test the reliability of the information contained in the financial statements. Another limitation was access to certain information which was considered private and confidential as management feared being exposed since this was an investigative and sensitive area. Due to time constraints and cost the researcher had to conduct the study in Manicaland. Had it not been for these reasons, and the locality in geographical distance, the study was to include staff from other towns and cities where the organisation has branches. The case study could also not be generalised to other organisations as they might not have similar background formation and information.

CHAPTER 2 REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter provides a theoretical review of relevant and related literature to assess the extent to which financial reports can be relied upon by users in decision making. It comprises of three main proponents; theoretical, empirical literature review and the conceptual framework.

2.2 Conceptual Framework

The conceptual framework shows the variables of the study, the dependent and independent variables and in this study the dependant variable is Decision making by users while the independent variable is Reliability of financial statements. Based on the discussed background of the study, problem of the statement and literature review the study adopted the conceptual framework below.

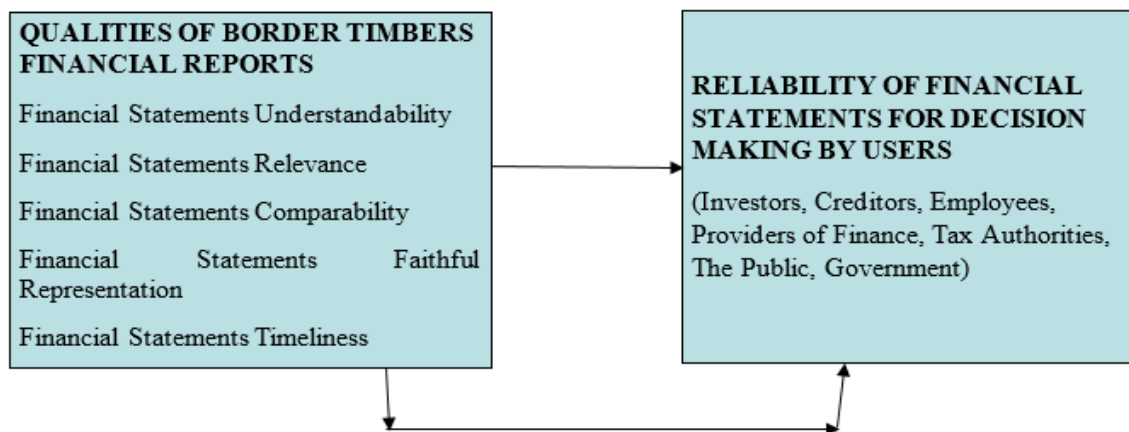


Figure 2.1: Conceptual Framework.

2.3 Theoretical Framework

This section reviews the theories available in relation to the topic under study and these include the single person decision theory, the stakeholders' theory, diffusion of innovations theory, the political theory and the legitimacy theory. These theories are relevant in the study of the extent to which financial reports can be relied upon by users in decision making.

2.3.1 Single Person Decision Theory

The single person's decision theory was propounded by various scholars and these include Staubus (1999), Cartney (2004), Henderson (2005) and Godfrey *et al.* (2006) and Scott (2009). The theory is based on the thought that even if financial statements are not correct in theory, they can be made more useful (Musyoka, 2013). According to the single person decision theory, financial statements' utility should extend beyond investors and creditors and other stakeholders that require such information to improve on their decision making should also find usefulness of the information contained in the financial reports. Musyoka (2013) further posits that the relevance and reliability of financial statements are important determinants of the quality and usefulness of financial statements but a trade-off exists between these two as one cannot increase one without compromising on the other. This theory is relevant to this study as it explains the issue of relevance and reliability in the preparation of financial statements for users' decision making.

2.3.2 Stakeholder theory

The stakeholder theory advocates for disclosure of non-financial information such as CSR information. Freeman (1984) defines a stakeholder as an individual or group

that can affect the achievements of the organization's objectives or is or are affected by these objectives (Mandingaisa, 2017). Clarkson (1995) opines that stakeholders are persons or groups that have, or claim ownership, rights or interest in a company and its activities. Stakeholders can be grouped into suppliers, society, customers and the government or other non-governmental organizations. The stakeholder theory acknowledges the dynamic and complex relationships between organizations and their stakeholder and that these relationships involve responsibility and accountability (Van der Laan, 2009). This theory is relevant to this study as it forms a vital motivator for integrated reporting to show both financial and non-financial information.

2.3.3 Diffusion of Innovations Theory

The diffusion of innovations theory is also a relevant theory to this study as it explains the adoption or likely adoption of integrated reporting. Robertson and Sam (2015) used this theory to study the adoption of integrated reporting for companies in the UK. Rogers (2003), maintains that diffusion is the process where innovations are communicated through certain channels over time among members of a social system. This theory posits that integrated reporting have a relative advantage and would be beneficial for providing both financial and non-financial information required by stakeholders who wish to assess the organization's performance, strategy and prospects (Mandingaisa, 2017).

2.3.4 The Political Theory

Propounded by Gray, Kouhy & Lavers (1995) the political theory mentions that organizations' performance depends largely on the environment in which they operate that is the economic, political and social environment and this operating

environment influences them on how to respond to the demands of various stakeholders (Mandingaisa, 2017). Several theories have come out of the political theory and these include the legitimacy theory, the institutional theory and the stakeholder theory. In a political economy theory, management gain legitimacy by reporting non-financial information. Management perceives the social information of society and discloses the information strategically, considering that the information is aligned by with the desired perception of society (Mandingaisa, 2017). This theory is relevant in advocating for disclosure of information to the best interests of various stakeholders.

2.3.5 Legitimacy Theory and Corporate Reporting

Formulated by Brown and Deegan (1998) the legitimacy theory has its emphasis on corporate reporting. The legitimacy theory assesses the perceptions on corporate disclosures against what companies are actually doing (Omran & El-Galfy, 2014). While some companies report non-financial information in their annual reports, a test of legitimacy theory has confirmed that sometimes companies camouflage their ill practices through CSR (Omran *et al.*, 2014). The study of Australian companies by Brown and Deegan (2012) has shown that disclosure of corporate social responsibility by companies has been mainly to attract media attention and project the good side (Omran *et al.*, 2014). According to Dowling & Pfeffer (1975), the legitimacy theory, as being used in this study is important as it analyses the reporting behaviour of corporates.

2.4 The Concept of Integrated Reporting

Integrated reporting is a concept built on the practice of financial reporting, and environmental, social and governance or ESG reporting, and equips organizations to strategically manage their operations, brand, and reputation to stakeholders and be better prepared to manage any risk that may compromise the long-term sustainability of the business (Ernst & Young, 2014). Integrated reporting moves beyond a silo approach of information gathering and reporting towards a more comprehensive assessment and presentation of a company's value and performance (PricewaterhouseCoopers, 2012). Ernst & Young (2014) further defines an integrated report as a concise communication about how an organization's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long-term. The report is a holistic and integrated representation of the organization's performance in terms of its finance and its sustainability (Solomon, 2012).

Integrated reporting is a concept that has been created to better articulate the broader range of measures that contribute to long-term value and the role organizations play in society (Ernst & Young, 2014). Central to this is the proposition that value is increasingly shaped by factors additional to financial performance, such as reliance on the environment, social reputation, human capital skills and others (Ernst & Young, 2014). This approach goes beyond the value reflected in the annual financial statements and includes the creation of intangible value and the impact of an organization's activity on society as a whole (Ernst & Young, 2014). It also includes a measurement, or at least a description, of how these impacts influence long-term shareholder value (Musyoka, 2013).

2.4.1 Integrated Reporting and Reliability of Financial Statements

According to The IIRC, set up at the end of 2010, an integrated report should explain the reporting entity's interrelated financial, environmental, social and corporate governance information (Ernst & Young, 2014). An integrated report should be presented in a way that is clear, concise, consistent and comparable and the disclosure should be retrospective and prospective to better match investors' needs which in turn would increase organizations' ability to access capital (Ernst & Young, 2014).

PricewaterhouseCoopers (2012) reports that in many countries corporations are required by law to include significant non-financial information in their reports but this information is often not provided in a coherent way with a clear link between economic drivers, financial information, and social and environmental impacts. Increased disclosure, through integrated reporting improves investors' estimates of the organization's intrinsic value now and in the future. Integrated reporting aims not to provide more information, but better information which investors are increasingly looking for (Ernst & Young, 2014).

Specifically, Integrated reporting offers complementary information to providers of financial capital as they contain both financial and non-financial information (IIRC, 2013). Users of financial information have grown increasingly not to rely on financial information only for decision making but non-financial information also. Financial statements are prepared with the view that they will be a representation of transactions entered into by a firm in a financial year (Attah & Jindal, 2017). Financial information shows a summation of the financial position, performance as well as cash flows of an entity at a given point in time. Non-financial information is often used for policy decision making and providing information to support the financial statements.

Solomon (2012) offers additional insights into the challenges as well as achievements by the company during the period reported and it relays non-quantifiable information relating to the entity which is also important in decision making.

Globalization, regulation and increased stakeholder expectations have added significantly to the complexity of businesses in all major economies (PWC, 2013). Accordingly, over the last decades, the information used to manage businesses and support stakeholders' decisions has become similarly complex. Integrated reporting seeks to align relevant information about an organisation's strategy, governance systems, performance and future prospects in a way that reflects the economic, environmental and social environment within which it operates. The goal is to give a comprehensive picture of the organisation, thus helping management, investors and other stakeholders make better-informed decisions (EY, 2014)

Owen (2013) posits that the provision of both financial and non-financial information allows stakeholders to gain a better understanding of the quality and sustainability of an organisation's performance as there will be more relevant and understandable information available for management and stakeholders to enable better decision-making. Financial reports that contains both qualitative and quantitative financial information thus can be deemed to be reliable for decision making by users and therefore the greater the extent of adoption of integrated reporting by organisations the more the financial information can be relied on.

According to the International Integrated Reporting Framework (IIRC) (2013), integrated reporting should address issues to do with organizational overview and operating context which depicts on what the organization does, and the circumstances under which it operates, the organization's governance structure, and how it supports

the organization's ability to create value in the short, medium and long term, the organization's business model, risks and opportunities and how they affect the organization's ability to create value in the short, medium and long term; and how the organization is tackling them. Integrated reporting shows also the organizations' strategy and resource allocation with key issues of where the organization want to go, and how does it intend on getting there, how the organization performed against its strategy, and the key outcomes in terms of the capitals, the challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and the potential implications for its business model and its future performance and outcomes (Katsikas, Rossi & Orelli, 2016). With such information incorporated in financial reports decision making for users tends to be easy and thus the financial statements can be relied on by users (Katsikas *et al.*, 2016).

2.5 The Concept of Financial Reporting

Chiappetta, Shaw & Wild (2009) as cited in Soyinka, Fagbayimu, Adegroye & Ogunmola (2017) defines financial reporting as the process of communicating financial information useful for making investment, credit, and other business decisions. Badloe (2011) further posits that financial reporting revolves around communicating both financial and non-financial information to the users of accounting information (Soyinka, Fagbayimu & Adegroye, 2017). Users of financial reports might be able to make direct use of the information contained therein to take various informed decision or they might have to employ the services of some experts to guide them in appreciating the message contained therein and how to exploit it in taking informed decision (Soyinka *et al.*, 2017). In any case, the beauty of financial report is its decision usefulness and, as such, it is ethical for a reporting entity to try

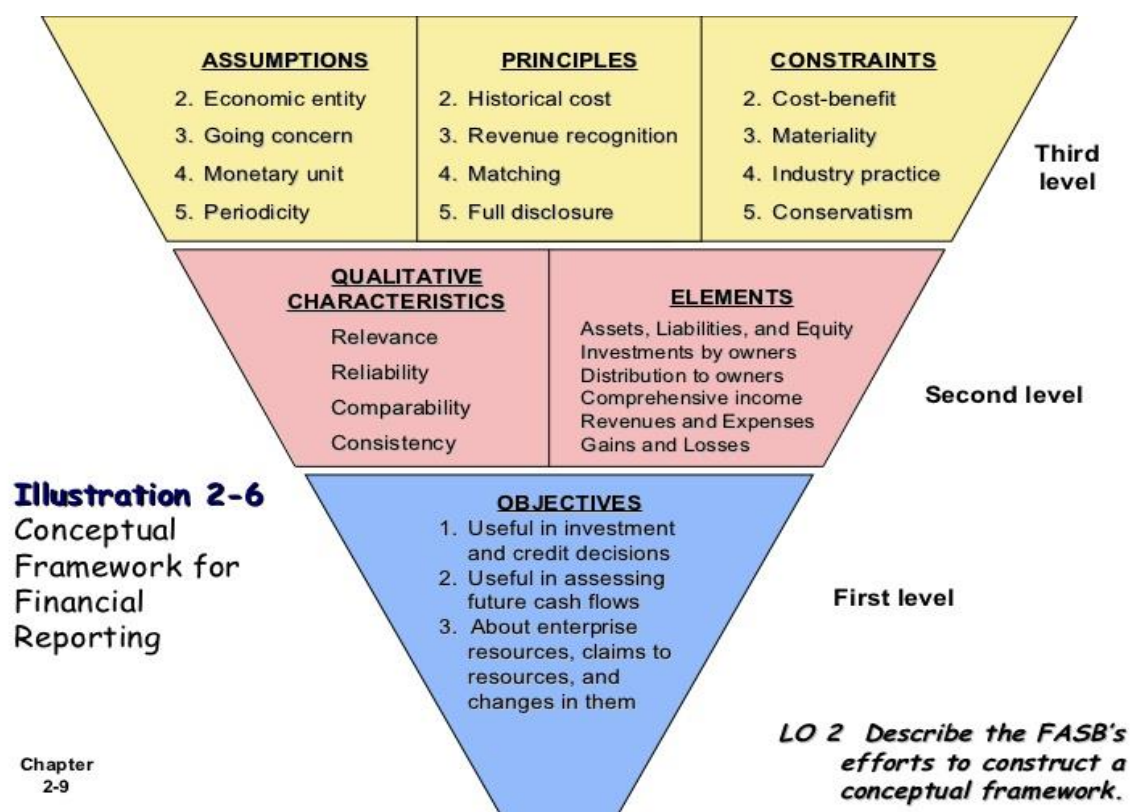
and make it very useful to identified users, even where some adjustments to the theoretical financial statement becomes necessary (Dandago *et al.*, 2013).

Nzotta (2008) provides that the nature and scope of financial reporting financial reporting is a critical issue which affects the decision making process of various individuals, corporate bodies, investors and policy makers. Glaucher & Underdown (2001) postulates that the primary objective of financial reporting is to communicate information about the resources held by entity and performances of the reporting entity, useful to those having right to such information. Nzotta (2008) further states that financial reports assist the users in evaluating the past and present performance of the organization and its ability to maximize the wealth of the shareholders. Furthermore, it assesses the ability of the firm to create value and objective assessment of the value created overtime. Glaucher *et al.* (2001) provides that financial reports highlight financial information which provides insights into the resources held by an organization, the claims to these resources including the obligation of the firm to transfer resources to other entities and owners and the effects of transactions, events and circumstances that change its resources and claims to these resources.

The basis of financial planning analysis and decision making is the financial information which is needed to predict, compare and evaluate a firm's earning ability (Ssemwanga, 2017). It is also required to aid in economic decision making investment and financing decision making. The financial information of an enterprise is contained in the financial statements. Gavtan (2005) defines financial statements as financial information which is the information relating to financial position of any firm in a capsule form. Ekwe (2013) defines financial statement as a statement that conveys to management and to interested outsiders a concise picture of the

profitability and financial position of a business (Soyinka *et al.*,2017). There are different types of financial statements and the main financial statements include the statement of comprehensive income (SOCI), the statement financial position (SOFP), statement of changes in equity (SOCE) and the statement of cash flows. These reports or statements serve different purposes (Ekwe, 2013).

Figure 2.2. Framework for Financial Reporting



2.5.1 Statement of Comprehensive Income (SOCI)

The statement of comprehensive income or profit and loss account is a statement that shows the operating results of the organization by displaying items such as revenue, purchases, inventories, operating expenses and profits and losses (Attah & Jindal, 2017).

2.5.2 Statement of Financial Position (SOFP)

Also called the balance sheet, this statement reveals the financial position or health of an organization through a display of its assets and liabilities (Attah & Jindal, 2017). The items presented include fixed or non-current assets, long term investments, current asset (assets), share capital, reserves and surplus, long term borrowings, and current liabilities (liabilities) (Attah & Jindal, 2017).

2.5.3 Statement of Cash flows

The statement provides a summary of an organization's operating, investment, and financing cash flows and reconciles them with its cash and marketable securities during the period. It gives an insight of sources of cash received and cash paid in a given period (Attah & Jindal, 2017).

2.5.4 Statement of changes in Equity

The SOCE shows a reconciliation between the income (nets) earned during the year and any cash dividend paid, with the change in retained earnings between the start and end of that year (Attah & Jindal, 2017). It shows a movement or change in equity items.

2.5.5 Objective of Financial Statements

According to International Accounting Standards (IAS) financial statements 'shall present fairly the financial position, financial performance, and cash flow of an entity'. This entails that the objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.

IASBJ (2006) posits that the core objective of financial reports is to enable the information provision about a company in order to make better decisions for users particularly the investors (ASBJ, 2006). Oyerinde (2009) postulates that decision makers must be increased in their knowledge and be given the capacity to predict future actions. ASBJ (2006) further points out that decision usefulness is the most fundamental characteristics required for accounting information in achieving this primary objective.

2.6 Users of Financial statements and their needs

There are varied users of the financial statements; and their areas of concentration will differ depending on what they set their minds to achieve. These users include investors, creditors, management, researchers, tax authorities, the general public.

Yuh (2013) points out that the main group users of financial statement include investors, employees, customers, government and public. The needs of these varied users of financial information includes:

Investor group – As a group comprising of both existing and potential shareholders this group would consider either investing or disinvesting in the business. There are two things that are considered by equity investors when planning their investment and these are gain and income where income is in the form of dividends and gain is usually in the form of share prices.

Employees – In most cases employees and their representatives require information on business performance for two principal reasons and these include wage and salary negotiation and assessment of current and forward opportunities in terms of employment.

Customers – Customers are interested in the business short- and long-term financial stability and its potential to supply quality goods and services. They may also have interest in the environmental policy of the business.

Governments - the Government department uses financial statement for the purposes of taxation, mainly company's taxation and VAT. The Government therefore is decision makers and their forward economic plan is influenced by the performance of all businesses within the various sectors in the economy.

Public - Most often, public is been referred to “shareholders” and business that do not exist solely in isolation. Businesses are part of society at large and as such generate much public interest.

2.6.1 Factors affecting the reliability of financial statements information

Rezaee (2005) postulates that the reliability of financial statements is affected by factors such as falsification, alteration, or manipulation of material financial records, supporting documents, or business transaction and material intentional misstatements, omissions or misrepresentation of events, transactions, accounts, or other significant information from which financial statements are prepared (Attah *et al.*, 2015). Deliberate misapplication, intentional misinterpretation, and wrongful execution of accounting standards, principles, policies, and methods used to measure, recognize, and report economic events and business transactions (Attah *et al.*, 2015).

Attah *et al.* (2015) further posits that intentional omissions and disclosures or presentation of inadequate disclosures regarding accounting standards, principles, practices, and related financial information affects financial statements reliability. The use of aggressive accounting techniques through illegitimate earnings

management and manipulation of accounting practices under the existing rules-based accounting standards which have become too detailed and too easy to circumvent and contain loopholes that allow companies to hide the economic substance of their performance also affects the reliability of financial statements (Attah & Jindal, 2017).

2.6.2 Common misstatements in Financial statements

Rees (2003) opines that managers, in a bid to make their accounts look attractive, apply judicious choice of accounting policies and applying bias where estimations are allowed (Attah & Jindal, 2017). Rees (2003) further makes an analysis and made a classification of common misstatements found in financial statements of entities which include excessive provisions for example goodwill is overstated and not expensed, thereby increasing profits, extraordinary items where significant reorganization/rationalization costs shoed as extraordinary items; off balance sheet finance where loans not shown on balance sheet; inappropriate capitalisation of costs to reduce costs; brand accounting where brands showed as intangible assets; depreciation ratio change where companies reduce in depreciation policies to show growth and foreign exchange mismatch which include mismatch between debts and deposits (Attah & Jindal, 2017).

2.6.3 Credibility of Financial Statements

Financial statements credibility is the extent to which information is believed based on where it comes from (Ekwe,2013). This includes the extent to which financial statement influences users' behavior particularly the investors (Attah & Jindal, 2017). Users' acceptance of information and ideas is based on who said it and those associated with it. Therefore, for any financial statement to be credible for acceptance,

it must be endorsed by a reputable audit firm. Source credibility is very important to investor's reception of the published financial statement because the authenticity of the financial statement is assumed therefore to be the reliance of the investors (Attah & Jindal, 2017).

2.7 Organizations' capacity and Attributes in Reliability of Financial Reporting

In examining the company's capacity and attributes to provide reliable financial reports, Engel, Gordon & Hayes (2002) maintains that the major determinants of the quality of financial reports a company can produce include company size, size of audit firm, profitability, quality of personnel and accounting professional ethics and age of company.

2.7.1 Company Size

Company size has been identified as one of the major influences of the quality of financial reporting due to several reasons which have been found to be in support of the relationship that exist between the company size and the quality of financial report. A study by Ng & Tai (1994) revealed that large firms can afford continuous audits and also have more resources to enforce and institute a system of strong internal controls in their organizations. A similar study by Ahmed & Nicholls (1994) revealed that in most cases large firms have the expertise and resources that are necessary for them to produce and publish financial statements that are more sophisticated as well as exhibiting disclosures that are more compliant as well as greater disclosures and reliability levels. A study by Lang *et al* (1993) found out that large firms may have more analyst followings than small firms and therefore may be subjected to greater demand for information (Adediran *et al.*, 2013). Similar studies by Owusu (1998) and

Ahmed (2003) also shared the same sentiments and noted that large firms are more visible to the public view and face a lot of pressures from media analyst to release more credible financial information. Accordingly, when a firm is larger it can be deemed to be in a position to produce more reliable and credible financial reports.

2.7.2 Profitability

In organizations, because of the effect that the news of loss making could have on the share price and other indicators, managers in organizations are more willing to report profit in a faster way when compared to reporting loss (Adediran *et al.*, 2013). Prior research has supported this assertion which states that in organizations managers are quick and find it easy to release mainly good news when the company has made profits when compared to when the company has made losses (bad news). Inchausti, (1997) mentions that this assertion is in line with agency theory which postulates that in most companies that are profitable managers usually prefer disclosing more information so that they get personal advantages such as continued positions and compensation for management and thus when companies earn good profits managers tend not to manipulate financial information.

2.7.3 Age of company

Hossain (2008) posits that the age of a company has been identified as having impact on the disclosure of information which invariably reflects reliability of financial reports. Ansah (1998) posits that in the disclosure of information, the impact of the age of the company can be ascribed to three main factors; the cost and the ease of gathering, the fact that a company may be young and face stiff competition processing, and disseminating relevant information and lack of track record on which

to rely for public disclosure. Thus, the older the company is, the more reliable its financial reports would likely be and the less the possibility of litigation arising from audit failure. Under the context of Zimbabwe, it is not possible to conclude without equivocation, as in the Nigerian case that older companies will necessarily disclose more reliable information than newly established firms (Adediran *et al.*, 2013).

2.7.4 Size of audit firm

Adediran *et al* (2013) maintains that the size of an audit firm in relation to its partners, audit personnel, facilities and international affiliations, the chances are that it would complete an audit assignment faster and more accurately than a smaller audit firm would. Iman *et al.* (2001) emphasizes that larger audit firms are expected to complete audits more quickly than smaller firms because they have more resources in terms of staff and experience in auditing listed companies. Due to availability of the right caliber of personnel and resources large audit firms are also expected to be more thorough in their audit assignments. There must also be fully fledged committees such as the Audit and Finance Committee to monitor the financial activities of an organization in ensuring reliability of financial statements.

2.7.5 Quality of Personnel and Accounting professional ethics

Finance and Accounting staff must be fully qualified do ensure that financial information is not materially misstated, management must be fully qualified to ensure that the preparation and presentation of financial statements is not biased. Staff in finance and accounting who are involved in the preparation of financial reports must fully understands the IASs, IFRSs and the global regulatory framework. In a study on adoption of IFRS at firm level, Meeks & Swarm (2009) demonstrated that firms

adopting IFRS had exhibited higher accounting quality thus reliability of these financial reports can be ensured. Barth (2008) also confirmed that firms applying IAS/IFRS experienced an improvement in accounting quality. Nattawut *et al.* (2018) provides that Accountant professional ethics refers to an accountant's behaviour that corresponds with the code of professional ethics of the International Federation of Accountants (IFAC) in order to help predict competent outcome in a certain job that encompasses abilities, knowledge, skills, experience, and technology competency (Tontiset, 2018). Prior researches by Adediran *et al.* (2013) and by Flood & Wilson (2008) indicated that professional ethics has a significant impact on financial reporting reliability. Thus, the higher the accountant professional ethics is, the more likely that the firms will gain greater financial reporting reliability.

2.7.6 Accounting Information Systems Quality

Nattawut *et al.* (2018) defines Accounting Information Systems (AIS) quality as the latency of accounting information system that provides building accounting information and financial reporting reliability. Information storage must be sufficient and well in place to warrant the provision of complete and accurate financial reports (Nattawut *et al.*, 2018). Proper finance systems such as policies and procedures are in place at which ensure financial information reflects a true and fair view of the organization's activities. The characteristics of AIS quality are producing accurate data, timeliness, update, and effective link to other systems (Altamuro *et al.*, 2010). Nattawut *et al.* (2018) further posits that prior researches indicated that AIS quality has a significant impact on financial reporting reliability. Thus, the higher the AIS quality is, the more likely that the firms will gain greater financial reporting reliability.

2.8 Users' assessment of financial statements reliability of an organization

Various users assess the reliability of financial statements for their usefulness in decision making by looking at a number of factors. Firstly, users are concerned with the qualities of financial reports.

2.8.1 Qualities of Financial Statements Information

Ana (2012) classified relevance and reliability as fundamental qualities of good accounting information which could lead to effective decision making by the users. Belkaoui (2002) noted that qualities of financial reports include relevance, understandability, reliability, completeness, objectivity, timeliness and comparability. Best (2009) opined that the fundamental qualitative characteristics (that is, relevance and faithful representation) are most important and determine the context of financial reporting information. The enhancing qualitative characteristics such as understandability, comparability, verifiability, and timeliness can improve decision usefulness when the qualitative characteristics are established and to assess the quality of financial reporting, various measurement methods have been used which are presented below:

Relevance

IASB (2008) defines relevance as the capability of making a difference in the decisions made by users in their capacity as capital providers and that information is relevant when it has both predictive and confirmatory value. Schipper & Vincent (2004) defines predictive value as the ability of past earnings to predict future earnings. Confirmatory value is the ability of financial reporting information if it

confirms or changes past or present expectations based on previous evaluations (IASB, 2008).

Faithful presentation

Maines *et al.* (2006) posits that for information to faithfully represent economic phenomenon, that information must be complete, neutral, and free from material error. Faithful representation is measured using five items of neutrality, completeness, freedom from material error, and verifiability.

Understandability

IASB (2008) posits that understandability is one of the major enhancing qualitative characteristic of financial information. Understandability increases when financial information is characterized, classified and presented in a clear and concise manner. IASB (2008), further posits that by understandability users must be able to comprehend the meaning of financial information. Courtis (2005) postulates that cleanness and transparency of the information contained in financial reports are the measures of understandability.

Comparability

Schipper *et al.* (2004) posits that comparability relates to information that users are able to depict and identify any differences or similarities when looking at two or more types of economic scenarios.

Timeliness

Timeliness, according to IASB (2008) relates to financial information being timely, that is being available for user for decision making at the earliest convenience. Users

must be able to use information while it still has a high capability to influence their decisions. Timeliness also relates to the period it takes for financial information to be made available for users.

2.8.2 The Concept of Reliability

The concept of reliability relates to information quality that assures decision makers that the information represented in the financial records captures the actual conditions and events of the reporting entity. The FASB defines reliability as a qualitative characteristic that is based on faithfulness and that information represents what it purports to present, coupled with an assurance for the user, which comes through verification, that it has that representational quality (verifiability). To add more, the framework of IASB on the other hand points out that for information to be reliable its must be free from bias and material error and that users can depend on that information as it must faithfully represent what it purports to represent or what it could reasonably be expected to represent. The IASB Framework mentions five characteristics under the concept of reliability and these include faithful representation, substance over form, neutrality, prudence and completeness (Adediran *et al.*, 2013).

True and fair

True and fair view means that the financial statements reflects the economic reality of a company. In the context of IFRS, “true” refers to information being objective and lacking bias in its presentation while “fair” relates to meaningfulness of information.

Free of material error

Reliable information must be free from errors, that is material errors. Items deemed material are those which can potentially change the readers' opinion of the financial statements. Information that is material must not be withheld from creditors and lenders.

Neutral

For information to be reliable it must be free from bias although it is difficult to completely eliminate all bias because of human nature there is need for accountants to endeavor to be continually independent. There is need to ensure that all disclosures and the financial statements notes are written carefully and in a manner that conveys the facts without expressing any personal views (Adediran *et al.*, 2013).

Completeness

For information to be reliable, it must be complete and thus must have full disclosures being presented. The International Financial Reporting Standards (IFRS)'s goal is to instil confidence to user that in financial reports all pertinent information is included.

Substance over form

Decisions about whether information about individual transactions should be reported must be based on the intention of presenting a true and fair picture of the company's results and financial condition. IFRS states that substance over form should involve reflecting an organisation's economic reality in its financial statements.

Prudence

The International Financial Reporting Standards (IFRS) maintains that there is need for the exercise of judgement by accountants when dealing with the inevitable uncertainties of valuation and materiality in the preparation of financial statements. A degree of caution must be exercised in making these judgments. Accounting professionals must be prudent in their approach by considering all the facts and information, both objective and subjective, to produce financial statements that meet the reliability requirement of IFRS. In the case of Border Timbers Pvt Ltd enough disclosures should be made in the financial reports revenue, expenses, profit, assets and liabilities should be clearly presented and disclosed in the financial reports of Border Timbers.

2.9 Empirical Literature Review

The empirical literature explores what other previous researchers have found out in conducting similar studies on the reliability of financial statements for decision making by users. Over the past decades, practitioners and academics have paid considerable attention to the issue of reliability of financial statements for decision making by users. This has been largely triggered by a synopsis of corporate failures and distresses have thus been witnessed in many sectors with the collapse of companies being linked to massive accounting related misstatements. This has made researchers to doubt the accounting numbers to certify the information needs of users. These studies include a study Onyekwelu (2010), Aroh *et al.* (2011), Otley (2012), (Duru, 2012), Michael (2013), Adebayo *et al.* (2013) and Popoola *et al.* (2014).

Anaja *et al.* (2015) conducted a study to ascertain the role of financial statements on investment decision making in a case of United Bank for Africa Plc. in Nigeria using

the secondary data from ten years' financial statements of the United Bank for Africa Plc and employed Ordinary least squares (OLS) regression method of analysis to test the hypotheses (Anaja *et al.*, 2015). The study concluded that when making investment decisions users rely largely on financial reports of an organization.

Duru (2012) carried a study that focused on the reliability of financial statements and their usefulness in decision making by investors and creditors and found out that that there was a general belief that published financial statements have failed in its responsibility of providing credible information for investors and other users of financial statements (Anaja *et al.*, 2015).

A study was also carried out by Popoola *et al.* (2014) who investigated on published financial statement as correlate of investment decision among commercial bank stakeholders in Nigeria using a correlation research design and a population of 180 users of published financial statements purposively sampled from Lagos and Ibadan (Anaja *et al.*, 2015). The study findings were that there is negative relation between the statement of financial position and investment decision, while there is a positive relation between the statement of comprehensive income, notes on the account, statement of cash flows, value added statement and five-year financial summary and investment decision making (Anaja *et al.*, 2015). The study findings also revealed that financial statements' components are significant in predicting good investment decision making for commercial bank stakeholders and recommended that there is need for instigation of programs that increase and improve stakeholder's knowledge on published financial reports by Nigeria banks and professional bodies (Anaja *et al.*, 2015).

Mercy (2014) carried a study to ascertain the role of financial statement in investment decision making. The study discovered that financial reports are useful for forecasting company's performance and relied upon in investment decision making by investors. The conclusion of the study was that corporate organizations have an obligation to disclose all information relating to their operations in order to assist users in making investment decisions as investors rely on information obtained from financial reports in predicting the future rates of return (Anaja *et al.*, 2015).

Otley (2012) in a related study argues that the effectiveness of financial reports is depicted by them providing information that satisfy the wide needs and requirements of the various users. The study further maintains that for financial statements to be effective they should systematically provide information which has a potential effective on investment decision making by the prospective investors (Otley, 2012). The study concludes that financial reports can are only useful when users can easily understand the information contained in the financial reports as they contain information that is of direct interest to investors (both potential and existing).

Onyekwelu (2010) in his study posits that the major objective of financial reports should be to satisfy the needs of the various users of accounting information. In his study he observed that it is through the use of financial reports that users can assess the project of receiving cash as dividend or interest and proceeds from sales, exemption or maturing securities or loans for instance, cash flow statement shows how cash is predicted to move around at a particular given period of time and thus financial statements needs to be reliable (Anaja *et al.*, 2015).

In a study by Aroh *et al.* (2011) emphasis was placed on the fact that there is need to inform investors and or shareholders on the financial status of the company, primarily

information relating to the organization's income status and financial position status. Aroh *et al.* (2011) further mentions that financial statements are important to investors as they assist them in assessing an enterprises ability to pay interest and dividends when due. The study further states that published statements help potential investors in deciding on the various types of security available for investment and the company to invest in. The study concluded that there is need for organisations' financial reports to provide information about the economic resources of a company, which are the sources of prospective cash inflows to the company. The study also points out that organisations' financial reports should reveal the organisations' obligation to transfer economic resources to others which are the source of prospective cash outflow from the company and its earnings which are the financial results of its operation (Anaja *et al.*, 2015).

An empirical evidence was also provided by Adediran *et al.* (2013) who investigated on the impact of quoted companies attributes on the reliability of financial reporting in Nigeria. The study found out that a significant relationship exists between company size, profitability, age and reliability of financial reporting and a negative relationship exists between size of audit firm and reliability of financial reporting in Nigeria (Adediran *et al.*, 2013). The study further mentions that the overall quality of financial reports reliability in Nigeria is influenced by profitability. The study recommends that there should be provisions in the law dealing with companies' attributes which have the potential to impair the quality of financial reporting (Adediran *et al.*, 2013).

Nattawut & Sirilak (2018) carried a study which examined the antecedents of financial reporting reliability of Thai-listed companies and found out that factors such as the professional ethics of the accountant, the quality of the AIS, the effectiveness of the audit committee, and the size of the audit firm as antecedents of financial

reporting reliability quality have a positive significant effect on financial reporting reliability (Nattawut *et al.*, 2018). The study also found out that in order to have a well built and reliable financial reporting there is need for organisations to continually develop professional ethics of the accountant, the quality of AIS, the effectiveness of the audit committee, and choose a better quality audit firm. Overall, the study places more emphasis on the development and support the generation of financial reporting reliability for financial reporting users (Nattawut *et al.*, 2018).

Ekwe (2013) conducted an investigation on the degree of reliance of the published financial statements by corporate investors employing a survey research design which used questionnaires as the main research instrument to collect data from 150 corporate investors and senior management officials of the selected banks (Ekwe, 2013). The results of the study results showed that one of the primary responsibility of management to the investors is to give a standardized financial statement evaluated and authenticated by a qualified auditor or financial experts (Ekwe, 2013). The study also found out that before making investment decisions, investors do understand the financial statements. The study also found out that investors largely depend on the auditors' credibility or the approval of financial reports by financial experts when making investment decisions and therefore financial reports, mainly published financial reports are crucial in making investment decisions. The study recommends that there is need to maintain due diligence and adequate care in the preparation of financial reports as this helps to avoid investors from making faulty investment decisions which could lead to loss of funds and possible litigations (Ekwe, 2013).

A study was also conducted by Soyinka *et al.* (2017) focusing on how the decisions of users of accounting information (the general public) can be influenced by the quality of financial. The study found out that the qualitative factors of reliability,

comparability, understandability, verifiability and timeliness of financial reports were insignificant for the general public's decision making. The study also found out that relevance and faithful representation were positively and statically significant for the general public's decision making. The conclusions drawn from the study was that because companies do not provide users with their information needs the users cannot rely on the financial reports provided by these companies. The study recommended that in order for the general public to benefit immensely from the financial reports the reports and the information contained must be reliable, comparable, understandable, verifiable and timely.

However, there has been little empirical research that investigates the extent to which financial reports can be relied on by users in Zimbabwe. Previous empirical work has mainly focused on the types of financial statements used in decision making ignoring the extent to which financial reports can be relied on. This forms the basis for the present investigation.

2.10 Chapter Summary

The chapter covered the theoretical and empirical studies which provided a snapshot of the factors which constitute to financial reports' reliability. The chapter has defined the concept of integrated reporting as reporting which includes both financial and non-financial information. The chapter has explained the qualitative characteristics of financial information which includes understandability, relevance, faithful representation, timeliness and completeness. Users' needs for financial information has also been explained and the organizations' capacity to provide reliable financial information has been explained by factors such as company size, profitability, age of

company, size of audit firm, quality of personnel and accounting professional ethics and Accounting information systems quality.

The chapter also provided the conceptual framework showing the variables (dependent and independent) of the study. The dependant variable was decision making by users while the independent variable was reliability of financial statements proxied by financial statements understandability, financial statements relevance, financial statements comparability and financial statements timeliness. The chapter has also provided a review of prior studies in an attempt to reveal the study gap. The next chapter presents the research methodology.

CHAPTER 3 METHODOLOGY

3.1 Introduction

This chapter presents the methodology of the study. Research methodology is a systematic manner of solving the research problem (Rajasekar *et al.*, 2008). It involves all the methods to be used by the researcher during the research. This chapter therefore describes the research design, target population, sampling techniques, research instruments, data analysis and presentation, ethical issues as well as validity and reliability.

3.2 The Research Design

A research design is a method that is used in the collection and analysis of data by the researcher (Saunders, Lewis & Thornhill, 2009). The research design outlines the overall plan for carrying out a research. The research design adopted by this study was a descriptive case study. Yin (2014) points out that a descriptive case study is advantageous in any study because it allows the researcher to get an in-depth understanding of the subject under study. By using a descriptive case study approach there is greater room to study the subject matter and inferences can easily be made about some characteristic attitudes or behaviours of the study population. In addition, a descriptive case study provides focused and valuable insights to phenomena that may otherwise be vaguely known or understood (Cooper & Schindler, 2006). Moreover, through descriptive case studies the entire organization can be investigated in depth and with careful attention to facts and this focus thus enables the researcher to study cautiously and to concentrate on identifying the relationships among functions, individuals or entities.

3.2.1 Research Approach

In this study, to yield the maximum benefits, the researcher used the mixed methods approach. A mixed approach combines both numeric information and text information as posited by Creswell (2014). Johnson, Onwuegbuzie, & Turner (2007) viewed the mixed research method as a class where both qualitative and quantitative methods and approaches are used in a single study. Creswell (2014) pointed that for a research to be effective, both approaches needed to be employed. Furthermore, Creswell, Fetters & Ivankova (2004) also concluded that the main aim to mixing is that neither qualitative nor quantitative methods are sufficient to capture trends of the situation. Brynard & Hanekom (2006) defined quantitative research as an analytical research and intends to reach a universal statement. This approach involves assignment of numeric numbers to various observations to measure objects. Qualitative research on the other hand is an approach aimed at developing theories and understanding and is defined by Brynard & Hanekom (2006) as a research which is analytical and intends to reach a universal statement. Denzin & Lincoln (2005) proclaimed that qualitative research is an approach which has a situated activity to locate the observer. Both methods can complement each other when used together.

3.3 Population and Sampling

Denzin & Lincoln (2005) defines population as all the items being considered for measuring some characteristic. Babbie (2011) describes population as ‘the theoretically specified aggregation of the elements in a study’, meaning people who suit the characteristics that the study needs. In this study, the population consists of 100 users being employees, creditors and shareholders.

Table 3.1 Target Population

Respondent Class	Population
Employees	53
Creditors	31
Shareholders	16
Population size	100

3.3.1 Sampling technique

Sampling is defined by Brynard & Hanekom (2006) as an approach used to select a particular sample with a view to determine the features of a large group. The researcher's used stratified sampling. Brynard & Hanekom (2006) posits that this sampling technique involves segmentation of the population into different strata before random samples are drawn from each stratum. Brynard & Hanekom (2006) also stated that stratified random sampling is the commonly used probability sampling method as it reduces sampling error which is prevalent with simple random sampling. Sample elements were drawn from different strata such as employees, creditors and providers of capital as well as other users of financial reports. The main advantages of this technique is that it is quick and cost-effective. Nevertheless, the advantages are challenged by the problem of bias (Hair, Bush, & Ortinau, 2003).

3.3.2 Sample Size

In this research, the sample size comprised of 43 BTL employees drawn from only those in the preparation, analysis and presentation of financial reports, 26 creditors from the supplier list were selected using systematic sampling that is every fifth supplier in the list was selected and the top 11 shareholders who account for 85% of the total BTL shareholding as per 2017 audited financial statements were selected for the sample.

Table 3.2: Sample Size

Respondent Class	Sample
Employees	43
Creditors	26
Shareholders	11
Sample size	80

To determine the size of the sample used, the Yamani Taro (cited in Yilma 2005) formula was used. It states that the desired sample size is a function of the target population and the maximum acceptable margin of error (also known as the sampling error) and is expressed mathematically thus:

$$n = N \frac{1}{1 + N e^2}$$

Where:

n = sample size

N = target population (100)

e = maximum acceptable margin of error (5%)

Sample size calculation

$$n = 100 \frac{1}{1 + 100(0.05)^2}$$

$$\mathbf{n = 80}$$

From the calculation the sample was 80 respondents drawn from the total population of 100 respondents. The sample size consisted of employees, shareholders and creditors who are the major users of BTL financial reports for decision making.

3.4 Data Collection Instruments

Milne (2012) defined research instruments as tools used to obtain information to be analysed in a study. These include questionnaire, interviews, focus groups, discussions and observation. Questionnaires and interviews were used in this research. Document Analysis of financial reports was also carried to identify the complexity of words used in financial reports.

3.4.1 Questionnaire

Bulmer (2004) defines a questionnaire as a research tool for collecting information on participant's social characteristics, behaviour, beliefs and reasons for action in relation to a topic under investigation. Monette, Bigras & Guay (2011) in addition defines a questionnaire as a research instrument containing recorded questions which are responded to directly by the respondents usually without the interviewer's interferences. In this study a questionnaire with four different sections was used to gather data where the first section consisted of demographic information such as the age, gender and education of the respondents and the other three sections (Section B-Section D) comprised questions on the reliability of Financial Reports of Border Timbers Pvt Ltd.

A five point Likert scale was used to capture the opinion of the respondents on a scale of one to five. The Likert scale was used because the research found it easy to be understood by respondents, easy to analyse data statistically, made question answering easier for respondents, responses were easy to be quantified, does not require respondents to provide a yes or no answer and was a quick, efficient and inexpensive method for data collection

The study used questionnaires because they give respondents the liberty to be honest in their responses by also allowing respondents to be anonymous. Questionnaires also give respondents time to review the questions and think through the questions before answering the questions. In addition, questionnaires are low cost data collection instruments and moreover, Mwambota, Njuki, Okoth, Rono, Haji, & Musyoka (2013) posits that a self-administered questionnaire assists in enhancing self-reporting on the samples opinions, attitudes, beliefs and values.

3.4.2 Interviews

Goure (2011) defined interview as a conversation between people where an interviewer ask question to the interviewee in order to get information about a certain subject. The researcher managed to get detailed information through the use of face to face interviews giving room for the interviewer to clarify some facts or information from the respondent. The researcher used this type of data collection because it allows the perceptions to be voiced out. Moreover, interviews provide a platform of clarification on ambiguous questions or answers therefore enabling the collection of relative and useful data. They also enabled the researcher to detect issues of concern through impromptu speeches by the interviewee as well as emotion or attitude towards certain questions. Continuous probing to get information could also be exercised on intricate matters unlike through other instruments such as questionnaires.

3.4.3 Documentary Analysis

Documentary analysis included inspection of financial reports such as the statement of comprehensive income and statement of financial position mainly. These were inspected to test for the complications in understanding the reports by users by

analysing the narrative disclosures for their comprehensibility. The comprehensibility of annual presentations therefore enhances the quality of information and helps ensure that the needs of both internal and external users of financial statements are met. Use of financial records was also an aid to data collection and countered problems obtained from interviews, where in interviews because of the sensitivity of this topic, truth may have been distorted by the interviewees, especially employees as they try to give a favourable impression of themselves and the organisations they serve.

3.5 Pilot Study

A pilot study is a preliminary study, usually on a small scale that is conducted in evaluating the time, feasibility, cost and any adverse events with the aim of improving the design of the study design before the performance of a full-scale research project (In, 2017). A pilot study is used to detect possible flaws or errors in the measurement procedures and to identify unclear or ambiguously formulated items. A pilot study was conducted to pre-test the practicability of the study and to detect flaws in the data collection process. This helped to discover errors on the issues raised such as ambiguous instruction or wording, inadequate time limit and measurability of variables defined.

3.6 Data Collection Procedure

A total of 80 questionnaires were distributed to the respondents who were given a maximum of forty-eight hours to complete the questionnaires since some were also committed to their work schedules. The researcher visited some respondents at their workplaces and homes and a follow up was done using telephone calls and emails to

the respondents. Ten interviews were scheduled with each session taking at least twenty (20) minutes.

3.7 Analysis and Organization of Data

Data analysis is the procedure of processing the raw data into information that can be used for decision-making (Sanders, 2015). The data was analysed through descriptive statistics which entail the use of frequency tables and summary measures, such as the average or mean to describe and analyse the data (Mann, 2011). In this research data analysis was also done through SPSS Version 25. Qualitative data was organized into categories based on the themes used in analysis. Descriptive analysis is important since they provide the foundation upon which correlation and experimental studies emerge.

3.7.1 Model Specification

Methodology for Objective 1.4.1, 1.4.2 and 1.4.3: To establish the magnitude to which integrated reporting has been incorporated in the financial reports of Border Timbers Pvt Ltd, to evaluate the extent to which the information in the financial reports of Border Timbers meets the needs of users mainly the providers of capital and to evaluate the company's capacity (Border Timbers) to provide useful information required by the users for decision making.

The researchers ought to answer objective **1.4.1, 1.4.2 and 1.4.3** by using primary data from questionnaires and interviews.

Methodology for Objective 1.4.4: To establish the relationship between the reliability of the financial reports provided by Border Timbers and decision making by users, mainly providers of capital.

The study sought to achieve objective **1.4.4** by using quantitative techniques namely the Pearson correlation and Regression analysis.

Regression

A multiple regression equation was set up to investigate the hypothesized relationships among the study's dependent variable and the independent variables.

The econometric form of the equation is given as:

$$\text{RAFSDM} = \beta_0 + \beta_1(\text{FSU}) + \beta_2(\text{FSR}) + \beta_3(\text{FSC}) + \beta_4(\text{FSFR}) + \beta_5(\text{FST}) + \mu$$

Where:

RAFS = Reliability of Financial Statements for Decision making by users (Dependent variable)

FSU-Financial Statements Understandability

FSR-Financial Statements Relevance

FSC-Financial Statements Comparability

FSFR-Financial Statements Faithful Representation

FST-Financial Statements Timeliness

β = Coefficient of Reliability of Financial Statements

μ = Stochastic error term

The researcher analysed the annual reports for Border Timbers for the years 2016, 2017 and 2018 and checked on the variables of understandability, relevance, comparability, faithful representation and timeliness.

3.7.2 The Fog Index

The Fog Index, developed by Gunning (1952), is a well-known and simple formula for measuring readability. Biddle, (2009) defines the Fog Index as "a measure of financial readability. Financial statements readability is a measure of understandability. The Fog index, assuming that the text is well-written and logical, captures text complexity as a function of syllables per word and words per sentence. The index indicates the number of years of formal education a reader of average intelligence would need to read the text once and understand that piece of writing with its word-sentence workload.

The mathematical formula used is:

$$\text{Grade Level} = 0.4 (\text{ASL} + \text{PHW})$$

where,

ASL = Average Sentence Length (i.e., number of words divided by the number of sentences)

PHW = Percentage of Hard Words

The underlying message of The Gunning Fog Index formula is that short sentences written in Plain English achieve a better score than long sentences written in complicated language.

The ideal score for readability with the Fog index is 7 or 8. Anything above 12 is too hard for most people to read. In using the gunning fog Index, an analysis was made to the financial statements of BTL to check the ease of readability of the annual reports.

3.7.3 Correlation

Correlation analysis examines the strength and direction of the variables under study. The study utilized Financial Statements Understandability, Financial statements Relevance, Financial Statements Comparability, Financial statements Timeliness i.e. FSU, FSR, FSC, FSFR and FST. A zero (0) value, denotes that there is no correlation amongst variables, a value of +1, denote that there is a strong positive correlation, which means that as the value approaches +1, it depicts that there is a stronger correlation and a value of -1 denotes that there is a negatively correlation amongst the variables, which depicts that, as the value approaches -1, there a weak correlation between the variables. Chizea (2012) argues that a value between 0 and 0.4 (0 and -0.4) indicates a weak positive (negative) linear correlation amongst the regressors. The author further posits that values between 0.4 and 0.7 (-0.4 and -0.7) represents a moderate positive (negative) linear correlation and values between 0.7 and 1 (-0.7 and -1) represents a very strong positive (negative) linear correlation amongst the variables. In this study, the researcher takes a look at the correlation between the independent variables on a two-tailed level to show the results of the correlation matrices of the variables (S compared). Pearson correlation provides an indication of the correlation between two variables and the Spearman's rho is used to indicate the correlation between the ranked variables.

3.7.4 Data presentation

Burns and Groove (2003) defined data presentation as the process of transferring data from the instruments used with the aim to qualify and quantify that information collected. Tables, pie charts, bar charts and graphs were used in the presentation of the data. Tables are good for presenting large amounts of data that would otherwise

be very unwieldy and confusing to be described in the textual format and graphs helps readers understand and remember the data, better (Bavdekar, 2015).

3.7.5 Validity and Reliability of Findings

Validity is defined by Brynard & Hanekom (2006) as the ability of the instrument to measure what it is supposed to measure. Validity is a measure of the soundness of the interpretation of scores from a test. On the other hand, Eachus (2002) posits that reliability is about the instrument being able to produce same data when the phenomena are measured at different times.

The study employed Cronbach's Alpha as a measure of the co-efficient of internal consistency and therefore assessing the reliability of the research instrument. In ensuring the reliability of the results from the study Cronbach's alpha methodology was employed, which measures the average of measurable items and its correlation and is based on internal consistency. A software, (SPSS) was used for verifying the collected data's reliability. The overall scales' reliability of the present situation and the desirable situation were tested by Cronbach's alpha, which should be above the acceptable level of 0.7 (Hair *et al.*, 1998). The Cronbach's alpha obtained from the instruments used to collect data was above the acceptable level which indicates that the research instruments were reliable.

Data triangulation, which involves the use of multiple data collection methods and use of both qualitative and quantitative approaches (Robson, 2002) was also used to enhance validity and reliability of data in this research.

3.8 Ethical Consideration

Ethics is defined by Resnik (2015) as the norms for conduct that distinguish between acceptable and unacceptable behaviour. The major ethical issues addressed in this study related to lack of informed consent, invasion of privacy, and deception (Bryman & Bell, 2011). To avoid lack of informed consent it is important to clearly state the purpose of the research, present how the data will be analysed and how it will be presented, as well as to whom and where. All the respondents were informed that the study is purely for academic purposes and participation to the study was voluntary. The researcher ensured that confidentiality and anonymity of the participants would be maintained and that no participants name or information that reveals their identity will be shared. Regarding the issue of invasion of privacy, the case study company was asked if it was willing to display their name in the study to which it consented. The researcher obtained an Ethics approval from Africa University Research Committee to conduct the study.

3.9 Chapter Summary

This chapter has detailed the research design used in this study, which is a descriptive case study. The study used mixed method research which was both qualitative and quantitative. The main research instrument used was a self-administered questionnaire although interviews and documentary analysis was also used. The chapter has also highlighted the use of the Gunning Fog Index as a measure to test for the comprehensibility of the reports of Border Timbers Pvt Ltd. The target population and its composition was also explained in this chapter which consisted of 100 users being employees, creditors and shareholders with the sample size consisting of 80 respondents drawn through stratified sampling.

Ethical issues were also discussed in this chapter where the major ethical issues addressed in this study related to lack of informed consent, invasion of privacy, and deception. To avoid lack of informed consent all the respondents were informed that the study is purely for academic purposes and participation to the study was voluntary. Data triangulation, which involves the use of multiple data collection methods and use of both qualitative and quantitative approaches was also used to enhance validity and reliability of data in this research. The next chapter provides a discussion and interpretation of the research findings.

CHAPTER 4 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the results and findings of the study based on the research objectives and study hypothesis. The first section covers the demographic information of the respondents. The second section focuses on the magnitude to which integrated report has been incorporated in the financial reports of Border Timbers Pvt Ltd, the extent to which information in the financial reports of Border Timbers meets the needs of users mainly the providers of capital, the company's (Border Timbers) capacity to provide useful information required by the users and on the reliability by users of financial information provided by Border Timbers.

4.2 Data Analysis and Presentation

4.2.1 Questionnaire response rate

Table 4.1 presents the results on the success rates obtained from the questionnaires administered.

Table 4.1: Questionnaire response rate

Instrument	Target respondents	Successful	Success rate (%)
Questionnaires	80	63	78

Eighty (80) questionnaires were distributed to respondents and sixty (63) questionnaires were returned, completely filled and thus were considered useful for analysis. Questionnaires completed and returned to the researcher signified a 78 %

response rate. Given such a response rate, it was possible to progress with data analysis.

4.2.2 Interview response rate

Table 4.2 Interview Response rate

Instrument	Interviews Scheduled	Interviews Conducted	Response rate %
Interviews	10	7	70

Of the 10 scheduled interviews 7 were successful giving a 70% response rate.

4.2.3 Gender of Respondents

The study took a consideration on the gender of respondents to incorporate the views of both male and female participants. Table 4.3 below shows the distribution of respondents' gender.

Table 4.3 Gender of Respondents

Gender	Frequency	Percentage
Male	33	53
Female	30	47
Total	63	100

Fifty-three percent of the respondents were male while female respondents constituted 47% of the respondents. The researcher notes that concluded that the gender imbalance would not affect the results as efforts were made to obtain a sample which was representative of the population.

4.2.4 Respondents Age

The study also looked at the respondents age and the results are presented in Figure 4.1 below.

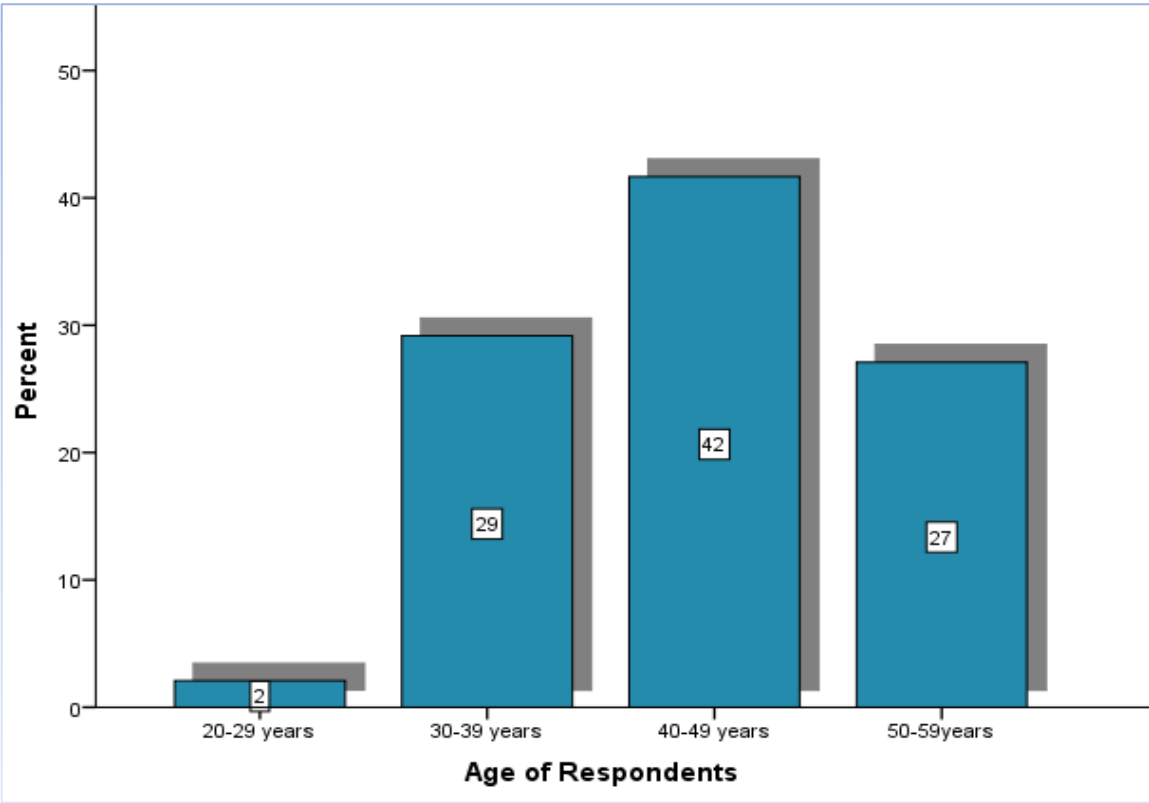


Figure 4.1 Respondents Age

The study notes that most of the respondents were in the 40 -49 age group, followed by those in the 30-39 ager category and 50-59. Two percent (2%) of the respondents were in the 20-29 age category.

4.2.5 Respondents’ User Category

The study looked also at the category of respondents in relation to their use of financial reports and the findings are presented in Table 4.4 below.

Table 4.4 Respondents' User Category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employees	40	63.49	63.49	63.49
	Creditors	15	23.81	23.81	87.30
	Shareholders	8	12.70	12.70	100
	Total	63	100.0	100.0	

The study findings show that employees form a greater proportion of the respondents (63.5%) with creditors and shareholders forming 24% and 13% respectively. The finding suggests that the researcher got a variety of information on the concept under study by hearing views from respondents from different respondents' category.

4.2.6 Respondents' Level of Education

The study also looked at the level of education of the respondents. The findings are presented in table 4.5 below.

Table 4.5 Respondents level of education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary level	11	17.5	17.5	17.5
	Diploma	25	39.7	39.7	57.2
	Degree	20	31.7	31.7	88.9
	Post graduate	7	11.1	11.1	100.0
Total		63	100.0	100.0	

The study findings revealed that diploma holders formed the majority of respondents (39.7%) followed by degree holders (31.7%) and secondary education (17.5%) with postgraduate qualification holders constituting 11.1% of the respondents. The study

interprets that as depicted by the statistics in table 4.5 above, all the respondents had sound basic education and were thus sufficiently qualified to interpret and address the research questions and meaningful conclusions and recommendations could be derived from the data gathered from qualified personnel hence the data could be relied upon.

4.2.7 Reliability Statistics

The Reliability statistics of the data used in this study are presented in table 4.15 below:

Table 4.6 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
0.729	0.787	63

Source: Authors Computations from SPSS Version 25

The respondents were given a scale of 1-5 indicating how they view a given variable. Reliability analysis was done on the 63 items of this study. An acceptable value is one that is above 0.7 which indicates that the respondents were indeed consistent with the information they provided. With this in mind the information analysed revealed a Cronbach alpha of 0.729 which is slightly above the acceptable mark thus indicating consistency in ratings.

4.3 Discussion and Interpretation

4.3.1 Magnitude to which the integrated reporting has been incorporated in the financial reports at Border Timbers

The study sought to examine the magnitude to which the integrated reporting has been incorporated in the financial reports at Border Timbers

Table 4.7: Magnitude of adoption of Integrated Reporting at BTL

INTERGATED REPORTING AT BORDER TIMBERS	N	Min	Max	Mean	S.D
Financial Reports show both financial and non-financial information (environmental, social and governance—ESG)	63	1	5	4.2	1.2
Information contained in the financial reports of Border Timbers help understanding its business model, strategies and performance	63	1	5	3.8	1.1
The integrated Reporting framework is well understood by staff at Border Timbers	63	3	5	4.3	0.6
Sustainability issues are clearly presented in financial reports at Border Timbers	63	1	5	4.1	1.2
Management at Border Timbers emphasize on sustainability Reporting	63	1	5	4.0	0.5
The Board and Audit committee supports Integrated Reporting at Border Timbers	63	3	5	4.1	0.5

The results of the study on financial reports containing both financial and non-financial information revealed that financial reports contains largely financial information as indicated by the mean of 4.2 in table 4.7 above. However, the study also revealed that most respondents had a wide variation as indicated by the high standard deviation of 1.2, meaning most respondents were subjective with respect to the financial reports contents.

The evidence from the study revealed management at Border Timbers Ltd do not emphasize on sustainability reporting 4.0 (0.5) respectively in table 4.6 above. The mean of 4.0 gives evidence that most respondents agreed that management do not emphasise on sustainability reporting and a standard deviation of 0.5 means that there was minimal variation on the respondents who ascertained that management at Border Timbers Ltd do not support sustainability reporting.

The findings also reveal that the Integrated Reporting framework is not well understood by staff at Border Timbers as shown by a mean of 4.3 (0.6). The mean of 4.3 gives evidence that most respondents do not agree to the fact that Integrated Reporting is well understood by the staff and also that sustainability issues are clearly presented in financial reports at Border Timbers (mean=4.1). However, there was a wide variation of the respondents as depicted by a higher standard deviation of 1.2 meaning respondents were subjective in their view of presentation of sustainability issues in financial reports.

The above results are in line with a study by Moyo (2016) who pointed out that while there is an ever increasing demand for increased downward accountability and transparency of listed companies and reporting on value creation is even more important in Zimbabwe, the uptake of integrated reporting (IR) is very slow, with many listed companies still to adopt integrated reporting. Moyo (2016) further opines that we are definitely a long way off as Zimbabwe in adoption of integrated reporting. Ndamba (2016) further pointed out the biggest challenge in Zimbabwe in that many institutions are still to do the basic thing right and well and thus are not yet prepared to adopt integrated reporting.

In an interview carried with Brett Chulu and Ernst Ligteringen, the Chief Executive of Global Reporting Initiative (GRI) on a number of issues regarding sustainability and integrated reporting in 2010, Ligteringen revealed that GRI believed that by 2015 regulators worldwide should have adopted the “report or explain” approach to reporting “Environmental, social and governance factors” (ESG). However, 5 years later the same interview revealed that the GRI was not currently aware of any Zimbabwean companies that had issued sustainability reports based on the GRI Guidelines. In totality it was observed that Zimbabwe as a whole is not ready for

integrated reporting (The Independent in Business, September 9, 2010). This study, carried in 2019 also finds out that a listed company has not yet done substantial progress towards integrated reporting.

The study findings on Integrated reporting also concurs with findings from the study by Lozano and Tirado (2016) who on investigating on whether industrial companies respond to the guiding principles of the Integrated Reporting framework found out that, despite the efforts of the analyzed companies to address the guiding principles, they still have a long way to go, especially in relation to the principle of “conciseness”. The study analyzed the level of attention to incorporating principles of Integrated Reporting in companies in the industrial sector according to the frequencies in the scores assigned to each of the 32 variables that make up the seven guiding principles of IR framework.

The study findings also concur with a similar study by Orobia (2017) who conducted a study to establish why firms in developing countries are slow to adopt integrated reporting (IR) and what needs to be done to ensure such firms embrace the practice of integrated reporting using evidence from Uganda (Orobia, 2017). Results indicate that of the 16 listed firms on USE, five (about 31 per cent) are already preparing integrated reports though only two firms have expressly indicated the title of the report as an integrated report. Of the five firms that had already prepared integrated reports, four firms were from the financial services sector while one firm is from the utilities sector. The adoption of IR in Uganda has been slow. Immediately, after the release of the King III report in 2009 in South Africa, which gave birth to IR, ICPAU organized the first FiRe awards and on the award categories, there was a special award for the best firm in preparing sustainability reports. The first FiRe awards were organized in 2011 and a firm from the financial services sector took the award

(ICPAU, 2017). Given that previous scholars such as Gunarathne & Senaratne (2017) have documented that, those firms that prepared sustainability reports before were found to have adopted IR. It can then be expected that for a period of seven years, more firms could have embraced IR, but this was not the case for Uganda as in Zimbabwe.

The study results on management's lack of support on Integrated Reporting also concur with Orobias (2017)'s study which revealed that the resources, culture and leadership, stakeholders demand, the regulatory requirement, the effect of globalization and the mind-set, lack of awareness about IR and the nature of the business and size are possible reasons as to why firms are slow at preparing integrated reports and these results tie together within the dimensions of the expanded perspective of the DOI theory (Orobias, 2017) . The decision to allocate the scarce resources lies with those charged with governance as DOI suggests (Orobias, 2017).

Van Zyl (2013) in a similar study on Sustainability and Integrated Reporting in The South African Corporate Sector with the aims to determine if the adoption of Integrated Reporting by large private sector companies in South Africa found out that The Integrated Reporting process is still in the development phase with many companies only now developing methodologies to measure their various impacts. The study found that, although many companies are attempting or claiming to be creating Integrated Reports, the level of integration is still very low. Few companies have incorporated or understood the importance of environmental and social sustainability in achieving long-term success (Van Zyl, 2013). Van Zyl's (2013) study results also concur with the findings of this study on the adoption of Integrated Reporting at Border Timbers which is still at infancy stage.

Analysis of Integrated Reporting Using Secondary Data

The study also sought to analyse the level of adoption of integrated reporting at Border Timbers Pvt Ltd by analysing its recent financial reports. The results of the study revealed the following:

Table 4.8 Distribution by Financial and Non-Financial Information

Distribution	Number of Annual Reports	Page Count	Percentage
Financial Information		374	82
Non-Financial Information		80	18
Totals	3	454	100

From the study findings in table 4.8 above an imbalance can be confirmed in the financial information disclosure with 82% of the information disclosed being financial and only 18% being non-financial. The extent of financial and non-financial reporting gives an indication that there is limited use of sustainability reporting practice at Border Timbers Pvt Ltd. Jere Ndamba & Mupambireyi (2016) in similar study found out that imbalance in financial information disclosure is largely attributable to lack of corporate reporting drivers, stock exchange requirements and other instruments that promote disclosure of non-financial information (Jere *et al.*, 2016). Jere *et al.* (2016) further points out that while non-financial information disclosure is voluntary in some capital markets (Bahn, 2012; ACCA, 2008; Yuen *et al.*, 2009), lack of technical capacity seem to be a major issue on the ZSE listed companies when considering using standards such as Global Reporting Initiative guidelines.

Proportion of Annual Reports Contents

The researcher also analysed the proportion of contents in the Annual reports of Border Timbers and the analysis was based on financial and non-financial information in terms of sections as presented in Table 4.9 below. The findings point out that 67% of the sections contained financial information while 33% contained non-financial information. The findings remained consistent with the results in Table 4.8 above and shows non-dominance of non-financial information disclosures in the reports of Border Timbers Pvt Ltd.

Table 4.9: Proportion of Financial and Non-Financial Information Content

Financial Information Section	Non-Financial Information Section
<ul style="list-style-type: none">• Financial Highlights and ratios• Directors Responsibility for financial statements• Independent Auditors Report• Group Statement of Comprehensive Incomes• Group Statement of Financial Position• Group Cash Flow Statement• Group Statement of Changes in Equity• Company Statement of Comprehensive Income• Company Statement of Financial Position• Summary of Significant Accounting Policies• Notes to the financial statements• Value added statement	<ul style="list-style-type: none">• Company Profile disclosure (products, services, brands and markets)• Narrative Performance reports• Corporate Governance• Employee welfare• Corporate Social Investment• Sustainable Development Report
Sections Counts = 12	Sections Count = 6
Percentage = 67%	Percentage = 33%

Table 4.8 above shows that 67% of the sections in company annual reports provide financial information while 33% provide non-financial information. Annual reports are expected to provide information to various stakeholders that include shareholders, investors, regulators, communities and others. Assumptions are that annual reports provide indications to corporate behaviour of reporting company and its ability to

improve the perceptions of accountability among its stakeholders and the wider community (KPMG, 2013). Therefore, the extent to which a balance of financial and non-financial information is provided, is an indication of the company's ability to meet stakeholder information needs (Healy & Palepu, 2001; Yuen *et al.*, 2009). This may not be the case in the results above. Observation from the company annual reports show that the company addressed their annual report to shareholders who are providers of financial capital since the reports shows predominant financial information provisions. It is notable that other stakeholders with interest in non-financial information are less regarded.

Non-Financial Information Topics Reporting

The researcher analysed the financial reports of Border Timbers Pvt Ltd to determine the proportions of environmental and social topics reported with the assessment meant to establish whether Border Timbers Pvt Ltd, as part of Integrated Reporting prefer to disclose more on environmental as compared to social issues.

Table 4.10: Initiatives on Environmental and Social Activities

Environmental Topics	Social Topics
<ul style="list-style-type: none"> • Conservation • Waste management and recycling • Effluent Management • Climate change • Energy Management • Environmental protection 	<ul style="list-style-type: none"> • Health and Safety • Art and Culture • Sport support • Youth support • Social support • Charity Donation • Community health • Social partnership
Sections Counts = 6	Sections Count = 8
Percentage = 42%	Percentage = 58%

Results indicated in table 4.10 above giving a summary of environmental social topics reported by show that 58% of the non-financial information topics were concentrated

on social issues as compared to 42% on environmental issues. The results provide an indication that the company may be concerned more about public relations or drawing media attention (Brown & Deegan, 1998; Steurer, 2010) than legitimate sustainability reporting. This position indicates a possibility that companies use non-financial disclosure for marketing. The analysis above shows that the company has been disclosing more on social than environmental issues. This provides an indication that the company follows a philanthropic business ideology. The results indicate that non-financial information disclosure is skewed toward social information than environmental.

These results concur with a study by Jere *et al.* (2016) on Corporate reporting in Zimbabwe as an Investigation of the legitimacy of corporate disclosures by major public listed companies in 2014 which found out that 86% of total page content from a total of 664 pages of financial reports was financial information while 14% were non-financial information. In addition, the results showed the extent of use of international standards for non-financial information reporting in corporate annual reports is rather limited. The results confirm a hypothetical position that corporate reporting in Zimbabwe is predominantly financial reporting rather than corporate reporting as widely known (Jere *et al.*, 2016).

4.3.2 Extent to which information in the financial reports of BTL meets the needs of users mainly the providers of capital

This section focus on the second objective which is; to evaluate the extent to which information in the financial reports meets the needs of users mainly the providers of capital. Table 4.11 below is a presentation of the findings.

Table 4.11 Extent to which Information meets users' needs

Extent to which information meets users' needs	N	Mean	Mode	Std. Dev
Revenue and its sources is clearly disclosed in the SOCI	63	3.82	5	0.71
Expenses and how they arose are clearly presented in the SOCI	63	3.62	5	0.42
Assets, both PPE and current assets are fully disclosed in the SOFP	63	3.52	4	0.39
Liabilities, both long term and short term obligations are clearly disclosed in the SOFP	63	3.63	4	0.45
Profit, both current year and retained is clearly presented and disclosed in the financial reports of Border Timbers.	63	3.86	4	0.98
Tax obligations are fully disclosed in the financial reports	63	3.26	5	1.23
Dividends declared and paid are clearly stated in the financial reports	63	3.11	5	1.38
All investment activities are clearly stated in the financial reports	63	4.56	4	1.32
The Statement of Cash flows shows all the cash and cash movements for the organisation.	63	3.26	5	1.34
Changes in equity and all shareholding movements are clearly highlighted in the financial reports	63	3.22	4	1.51

Most of the respondents agreed with the view that revenue and its sources is clearly disclosed in the SOCI (mean=3.82), expenses and how they arose are clearly presented in the SOCI (mean=3.62) and Assets, both PPE and current assets are fully disclosed in the SOFP (mean=3.52). Most respondents agreed with the fact that Liabilities, both long term and short term obligations are clearly disclosed in the SOFP (mean=3.63). Respondents did not agree that all investment activities are clearly stated in the financial reports(mean=4.56) but agreed that all tax obligations are fully disclosed in the financial records. The study interprets these findings to mean that the financial reports of Border Timbers Pvt Ltd meets the needs of user to a large

extent as all financial information is clearly presented. The study findings concur to the views of Ullah *et al.* (2014) who opines in their study that when all information is clearly presented in financial reports users can be able to make decisions as their needs can be met.

Soyinka *et al.* (2017) also found similar study results and pointed out that when reports have clearly presented information, they can be called quality reports and thus can meet the needs of users for decision making. Soyinka *et al.* (2017) further posits that users require clear information in terms of the revenue, obligations, assets and expenses as well as profit for the organisation in order to make rational decisions on whether to invest further, lend or downsize their ventures in an enterprise. The study findings are also consistent with the findings by Ekwe (2013) who observed that investors depend heavily on the credibility of financial statements for decision making and that adequate care and due diligence should be maintained in preparing financial statements to avoid faulty investment decisions which could lead to loss of funds and possible litigations (Ekwe, 2013).

Through in-depth interviews, some respondents cited that the financial information presented at Border Timbers is clear to understand and that users' needs can be easily met. The notes to the financial statements are also presented in readable language that can be understood by users with basic education.

Analysis of the Gunning Fox Index

In addition to the questionnaires and interviews the study also performed a gunning fox index on the Judicial Managers Report (Chairman's Report) made in the financial reports of Border Timber Limited to review the readability of these financial reports. Readability aids understandability.

The mathematical formula used is:

$$\text{Grade Level} = 0.4 (\text{ASL} + \text{PHW})$$

where,

ASL = Average Sentence Length (i.e., number of words divided by the number of sentences)

PHW = Percentage of Hard Words

The underlying message of The Gunning Fog Index formula is that short sentences written in Plain English achieve a better score than long sentences written in complicated language.

The ideal score for readability with the Fog index is 7 or 8. Anything above 12 is too hard for most people to read.

The results of the gunning fox index are presented below:

Table:4.12 Gunning Fog Index for 2016,2017,2018

Annual Report	Average Sentence Length	Number of Hard Words	Fog Index
2016	12.50	7.00	7.80
2017	16.67	6.00	9.07
2018	12.50	10.00	9.00

The results indicate that the financial reports of Border Timbers Pvt Ltd are readable and understandable as the score is below 12. Thus they are easily understandable and do not contain complicated words and thus users can easily make decisions based on the information contained in these reports.

4.3.3 Evaluation of the Company's capacity to provide useful information required by the users.

As part of the study topic, a general objective was derived which sought to evaluate the Company's (Border Timbers Pvt Ltd) capacity to provide useful information required by the users. Table 4.13 below presents the results that were obtained.

Table 4.13: Company's capacity to provide useful information

Company's capacity to provide useful information	N	Mean	Mode	Std. Dev
Qualified Finance and Accounting Staff	63	1.43	2	0.53
Qualified Management	63	1.45	1	0.33
Qualified Auditor	63	1.32	1	0.36
Staff at Border Timbers fully understands the IASs, IFRSs and the global regulatory framework	63	1.23	2	0.48
Proper Information storage to warrant the provision of complete and accurate financial reports	63	1.26	2	0.45
Presence of fully fledged committees such as the Audit and Finance Committee	63	1.36	2	0.47
Proper finance systems i.e. policies and procedures	63	4.86	5	0.47

The results show that most of the respondents agreed that there is qualified finance and Accounting Staff (mean=1.43), that there is qualified management (mean=1.45) and that the auditor is qualified (mean=1.32). The study therefore interprets the results in line with findings by Adediran *et al.* (2013) who mention that the presence of a qualified auditor is sufficient to warrant useful information to users as qualified auditors are usually thorough in their audit assignments and therefore, a positive relationship between auditor qualifications and the reliability of financial information is posited in this study.

A greater proportion of the respondents also noted that Staff at Border Timbers fully understands the IASs, IFRSs and the global regulatory framework (mean= 2.42) and that Proper Information storage to warrant the provision of complete and accurate financial reports (mean=1.26). Further, the respondents pointed out that there is presence of fully fledged committees such as the Audit and Finance Committee (mean=2.43). The findings of this study are also consistent with the findings by Nattawut & Sirilak (2018) who observed that accountant qualifications, AIS quality, audit committee effectiveness, and audit firm quality have a positive significant effect on financial information reliability.

There was a mixed feeling on the existence of proper finance systems i.e. policies and procedures (mean=2.97). The study results suggest some of the reporting policies are not documented with constant changes in the finance staff movements which may affect financial information reporting due to information loss. Nattawut & Sirilak (2018) on the other hand maintains that the absence of proper accounting systems affect the quality of financial statements generated by an organisation.

Furthermore, secondary data revealed that financial reports for Border Timbers are audited by a top auditing firm with properly qualified staff. This is important in providing quality financial information with no irregularities. As a result, the researcher interprets that Border Timbers Pvt Ltd has a larger capacity to provide useful information required by users for decision making.

4.3.4 Relationship between Financial statements reliability and Decision making

This section focuses on the fourth objective which was intended to Evaluation of the reliability of financial statements prepared by Border Timbers for decision making by users.

Descriptive Statistics and Correlation Matrix

The researcher analysed the data using the descriptive statistics to test for the normality of the data which was used in the study. Table 4.14 below shows the fitness of the regression model in explaining the variables under study. The findings show that decision making was adequately explained by the predictor variables; Understandability, Relevance, Comparability, Faithful Representation, Timeliness explained decision making. R square of 0.962 supported the findings. This implies that the predictor variables can explain 96.2% of the decision making and implies that 3.8% of decision making can be explained by other factors not captured by this study. The descriptive statistics of the respective variables are show below:

Table 4.14: Descriptive Statistics: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the
				Estimate
1	.962a	0.933	0.945	0.35600
a Predictors: (Constant), Understandability, Relevance, Comparability, Faithful Representation, Timeliness				

Table 4.15: Correlation Matrix

			RAFS	FSU	FSR	FSC	FSFR	FST
Reliability of Financial Statements for Decision making			1					
Financial Understandability	Statements	Pearson Correlation Sig (2 tailed)	.210** 0.552	1				
Financial Statements Relevance		Pearson Correlation Sig (2 tailed)	.378** 0.24	.279** 0.716	1			
Financial Statements Comparability		Pearson Correlation Sig (2 tailed)	.446** 0.00	0.062 0.398	.486** 0.002	1		
Financial Statements Faithful Representation		Pearson Correlation Sig (2 tailed)	.247** 0.00	0.843** 0.274	0.873** 0.006	.201** 0.00	1	
Financial Statements Timeliness		Pearson Correlation Sig (2 tailed)	.336** 0.00	.180* 0.064	.291** 0.014	.279** 0.00	.193** 0.008	1

* Correlation is significant at the 0.05 level (2-tailed)

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

The results of the correlation matrix shown in Table 4.2 above, indicates that financial statements understandability (FSU) has a positive correlation with decision making (0.210). This indicates that an increase in financial statements reliability increases decision making. The study findings as depicted in the above table also indicates that there is a strong correlation of Financial Statements Relevance (FSR) with decision making (0.378). The correlation matrix highlighted above shows that there is a very strong correlation between Financial Statements Comparability (FSU) and decision making (0.446). The results of the matrix also revealed that Financial Statements Faithful Representation (FFR) have a strong correlation with decision making (0.247). The matrix also revealed a positive correlation between Financial Statements Timeliness (FST) and decision making (0.336).

Regression Analysis

A pooled regression analysis was performed in the study based on the regression equations which were formulated. The dependant variables (decision making by users) was regressed with the independent variables (financial statements understandability, financial statements relevance, financial statements comparability, financial statements faithful representation financial statements timeliness). The results of the descriptive statistics and regression analysis are shown in table 4.16 below:

Table 4.16 Regression of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
1	(Constant)	0.536	0.423		-0.678	0.504
	FSU	0.835	0.144	0.966	8.705	0
	FSR	0.098	0.003	0.003	0.026	0.979
	FSC	0.423	0.223	-0.07	-0.355	0.725
	FSFR	0.069	0.423			
	FST	0.065	0.067			

a Dependent Variable: Decision Making

The resultant regression equation becomes;

$$Y = \beta_0 + \beta_1(\text{FSU}) + \beta_2(\text{FSR}) + \beta_3(\text{FSC}) + \beta_4(\text{FSFR}) + \beta_5(\text{FST}) + \mu$$

$$Y = 0.536 + 0.835X_1 + 0.098X_2 + 0.423X_3 + 0.069X_4 + 0.065X_5$$

Where Y is the Reliability of Financial Statements for Decision making by users and β_0 , β_1 , β_2 , β_3 , β_4 and β_5 are the regression coefficients and X1, X2, X3, X4 and X5 Financial Statements Understandability, Financial Statements Relevance, Financial Statements Comparability, Financial Statements Faithful Representation and Financial Statements Timeliness.

This implies that a unit improvement in Financial Statements Understandability, while all other factors held constant results in 0.835 increase in decision making, a unit increase in Financial Statements Relevance with other factors *ceteris paribus* leads to 0.098 increase in decision making of users and a unit increase in Financial Statements Comparability leads to 0.423 increase in decision making, a unit increase in Financial Statements Faithful Representation while other factors remain constant leads to 0.069 increase in decision making. Similarly, a unit increase in Financial Statements Timeliness while other factors *ceteris paribus*, translates to a 0.065 increase in decision making.

The regression results indicate that a positive relationship exists between Financial Statements Understandability, Financial Statements Relevance, Financial Statements Comparability, Financial Statements Faithful Representation and Financial Statements Timeliness and decision making by users at Border Timbers Pvt Ltd.

From these findings where all the elements of understandability, relevance, comparability, faithful representation and timeliness are positively related to decision making the study interprets that the financial statements at Border Timbers can be relied for in decision making by users. This means the null hypothesis (H₀) which states that Financial statements provided by Border Timbers can be relied on by users of financial statements in decision making is accepted.

4.4 Chapter Summary

This chapter looked into the presentation of findings, analysis and interpretation of results. The results of the study on financial reports containing both financial and non-financial information revealed that financial reports contains largely financial information. The findings also revealed that the Integrated Reporting framework is

not well understood by staff at Border Timbers. The chapter has also revealed an imbalance in the financial information disclosure with 82% of the information disclosed being financial and only 18% being non-financial.

The analysis of the Gunning Fog Index revealed that the financial information presented at Border Timbers is clear to understand and that users' needs can be easily met. The notes to the financial statements are also presented in readable language that can be understood by users with basic education. The next chapter provides a summary of the study, conclusions and recommendations emanating from the study.

CHAPTER 5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations of this study

5.2 Discussion

The objective of the study was to present an assessment on the extent financial reports can be relied upon by various users in decision making in the case of Border Timbers Limited. The study used the triangulation technique in which both the qualitative and quantitative techniques were adopted. The research used questionnaires and interviews to ascertain whether the financial statements at Border Timbers presents a true and fair view and thus fulfils the reliability concept of financial reports.

The study found out that integrated reporting has not been adopted to a large at Border Timbers Pvt Ltd with the financial reports containing predominantly financial information and minimum non-financial information. This was supported by a majority of respondents who pointed out that Integrated Reporting Framework is not well understood at Border Timbers and management do not emphasize reporting of non-financial information.

The study also found out that information contained in the financial reports of Border Timbers Pvt Ltd is presented clearly with all revenue, expenses, profit and all obligations being clearly presented. The study found out that the Annual reports of Border Timbers are readable and thus are easily understandable and thus meets the needs of users for decision making purposes.

The study also found out that Border Timbers Pvt Ltd is adequately equipped to provide useful information required by users as it has qualified Finance and Accounting Staff, qualified auditors and that Staff at Border Timbers fully understands the IASs, IFRSs and the global regulatory framework. Information storage at Border Timbers Pvt Ltd is done appropriately warranting the provision of reliable accounting information for decision making by users.

The study found out that a positive correlation exists between the qualitative factors of understandability, relevance, comparability, faithful representation and timeliness of information contained in the financial reports of Border Timbers and decision making.

5.3 Conclusions

5.3.1 The study concludes that Border Timbers Pvt Ltd is lagging behind in adoption of the Integrated Reporting Framework with more financial information being presented as compared to non-financial information. It can also be concluded that top management does not commit to the adoption of Integrated Reporting at Border Timbers.

5.3.2 The study concludes that information contained in the Financial reports of Border Timbers is sufficient to allow users to make decisions. Since the information presented is largely financial, shareholder, creditors and providers of capital can be able to make decisions based on that.

5.3.3 The study also concludes that Border Timbers has a greater capacity to provide useful financial reports for decision making by users as it has appropriate personnel and systems in place that ensure the provision of reliable information.

5.3.4 The study concludes that the information contained in the financial reports of Border Timbers fulfils all the qualitative characteristics of understandability, relevance, comparability, faithful representation and timeliness and thus is significant in users' decision making.

5.4 Implications

The study has made contributions to users of financial information mainly creditors, investors and other providers of capital on the reliability of financial statements for decision making. The study is of the opinion that Border Timbers must continue ensuring that the financial statements they produce are reliable and can be depended on by users in making economic decisions. Thus Border Timbers Pvt Ltd must continually train their staff for them to be abreast with current accounting standards as well as ensuring they have up to date ERPs for collection of Accounting Data.

5.5 Recommendations

Based on the study findings and conclusions, the researcher recommends that:

5.5.1 Management at Border Timbers should commit to Integrated Reporting and disclose a balanced proportion of both financial and non-financial information. In the modern society users prefer to understand the business philosophy by analysing the commitment of the organization to both financial and non-financial activities.

5.5.2 Management at Border Timbers must ensure that all Finance and Accounting staff well trained on the adoption of the Integrated Reporting Framework.

5.5.3 Despite that the information contained in the financial reports of Border Timbers fulfils all the qualitative characteristics of understandability, relevance,

comparability, faithful representation and timeliness and thus is significant in users' decision making there is to ensure that there is continuous improvement of the Accounting information system to ensure that at any given point in time the financial reports generated are reliable for decision making.

5.5.4 More and sufficient resources must be devoted to staff training and development and maintenance of Accounting systems in an attempt to improve employees' knowledge on Integrated Reporting and the provision of reliable Accounting information.

5.6 Suggestions for further research

This study focused only on an analysis of a single organisation and thus is not exhaustive in nature. A comprehensive study on a comparative basis of all companies in the similar line of business and ZSE listed companies must be carried. Moreover, a study should be carried out to investigate the reasons why there has been slow adoption and implementation of Integrated Reporting at Border Timbers and on all other ZSE listed companies. Further research also could be carried out to determine how the quality of financial reports of Border Timbers could be improved.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

AN ASSESSMENT OF THE EXTENT TO WHICH FINANCIAL REPORTS CAN BE RELIED UPON BY USERS IN DECISION MAKING: A CASE OF BORDER TIMBERS LIMITED (MUTARE, ZIMBABWE)

My name is Julius Tambeyi, and I am currently studying for an Executive Masters in Business Management, with Africa University. The objective of the questionnaire is to present an assessment on the extent financial reports can be relied upon by users with particular reference to providers of capital in decision making in the case of Border Timbers Limited.

The researcher assures that all information collected will be used for academic purposes only and will be treated in the strictest confidence. Your discretion and authenticity in answering these questions will be highly appreciated.

Please return the completed Questionnaire and send it to Julius Tambeyi at:
E-mail: jtambeyi@yahoo.co.uk
Whatsapp: 0026377 715 6733
By Hand To: Number 4 Mercury Mansion Haig Avenue, Mutare, Zimbabwe

Should you require additional information concerning this study, you may contact the researcher on: 0026377 715 6733

Section A: Demographic Variables

Please **tick** in the space provided to indicate your answer

No.	Variable	Response	Code	Tick
1	Gender	Female	1	
		Male	2	
2	Age	Years 20<years≤29	1	
		30<years≤39	2	
		40<years≤49	3	
		Years>50	4	
3	Respondents Class	Border Timbers Staff	1	
		Investors	2	
		Creditors	3	
		Other (Specify)	4	

5	Highest level of education	Secondary level	1	
		Diploma	2	
		Degree	3	
		Post graduate	4	

Section B: ASSESSMENT OF FINANCIAL REPORTS RELIABILITY

Using the five-point rating scale where 5 = strongly disagree, 4 = disagree, 3 = Undecided, 2 = Agree, 1 = strongly agree; indicate by ticking (✓) the appropriate box

a) To examine the magnitude to which the integrated reporting has been incorporated in the financial reports at Border Timbers.

	INTERGATED REPORTING AT BORDER TIMBERS	SA	A	NS	D	SD
1	Financial Reports show both financial and non-financial information (environmental, social and governance—ESG)					
2	Information contained in the financial reports of Border Timbers is presented in a way that help understanding of its business model, strategies and performance.					
3	The integrated Reporting framework is well understood by staff at Border Timbers					
4	Sustainability issues are clearly presented in financial reports at Border Timbers					
5	Management at Border Timbers emphasize on sustainability Reporting					
6	The Board and Audit committee supports Integrated Reporting at Border Timbers					

b) To evaluate the extent to which information in the financial reports meets the needs of users mainly the providers of capital.

Use the five-point rating scale where 5 = to a very large extent, 4 = A Large extent, 3 = Moderate extent, 2 = Small extent, 1 = Not at all; indicate by ticking (✓) the appropriate box

	EXTENT TO WHICH INFORMATION IN THE FINANCIAL REPORTS MEETS THE NEEDS OF USERS	Not at All Extent	Little Extent	Moderate Extent	Large Extent	Very large Extent
1	Revenue and its sources is clearly disclosed in the SOCI					
2	Expenses and how they arose are clearly presented in the SOCI					
3	Assets, both PPE and current assets are fully disclosed in the SOFP					
4	Liabilities, both long term and short term obligations are clearly disclosed in the SOFP					
5	Profit, both current year and retained is clearly presented and disclosed in the financial reports of Border Timbers.					
6	Tax obligations are fully disclosed in the financial reports					
7	Dividends declared and paid are clearly stated in the financial reports					
8	All investment activities are clearly stated in the financial reports					
9	The Statement of Cash flows shows all the cash and cash movements for the organisation.					
10	Changes in equity and all shareholding movements,(shares issued, redeemed, share options, earnings per share) are clearly highlighted in the financial reports					
10	Overall, the financial reports helps users to make decisions.					

c) Evaluation of the Company's capacity to provide useful information required by the users

	COMPANY'S CAPACITY TO PROVIDE USEFUL INFORMATION REQUIRED BY THE USERS	SA	A	NS	D	SD
1	Finance and Accounting Staff are fully qualified do ensure that financial information is not materially misstated					
2	Management is fully qualified to ensure that the preparation and presentation of financial statements is not biased					
3	The auditor for the company is qualified to sufficiently provide an unbiased opinion on financial statements of Border Timbers					
4	Staff at Border Timbers fully understands the IASs, IFRSs and the global regulatory framework					
5	Information storage at Border Timbers is sufficient to warrant the provision of complete and accurate financial reports					
6	There are fully fledged committees such as the Audit and Finance Committee to monitor the financial activities of Border Timbers					
7	Proper finance systems i.e. policies and procedures are in place at Border Timbers which ensure financial information reflects a true and fair view of the organisation's activities					

Any other comments

.....

End of questionnaire

Thank you for your time and effort

APPENDIX 2: INTERVIEW QUESTIONS

Interview sheet

[a] Does the financial reports of Border Timbers show both financial and non-financial information?

.....
.....

[b] Do you think the financial reports at Border Timbers reflects its strategies and business models of the organisation?

.....
.....

[c] Does the financial reports of Border Timbers fully disclose all information relating to revenue, expenses, costs, assets, liabilities, equity, investment and cash flow and shareholding movements to allow various users of these reports to make informed decisions on the company?

.....
.....

[d] Does the company has the capacity to produce financial reports which are reliable for users' decision making?

.....
.....

[e] Can the reports prepared by Border Timbers be relied on by users on making decisions?

.....
.....

(THE END)

APPENDIX 3: AUREC APPROVAL



AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE (AUREC)

P.O. Box 1320 Mutare, Zimbabwe, Off Nyanga Road, Old Mutare-Tel (+263-0202) 60075/60026 email: aurec@fricau.edu website: www.africau.edu

Ref: AU1115/19

24 October, 2019

Tambeyi Julius
Africa University
C/O CBPLG
Box 1320
MUTARE

RE: AN ASSESSMENT OF THE EXTENT TO WHICH FINANCIAL REPORTS CAN BE RELIED UPON BY USERS IN DECISION MAKING: A CASE STUDY OF BORDER TIMBERS LIMITED (MUTARE, ZIMBABWE)

Thank you for the above titled proposal that you submitted to the Africa University Research Ethics Committee for review. Please be advised that AUREC has reviewed and approved your application to conduct the above research.

The approval is based on the following.

- a) Research proposal
- b) Questionnaires/interview guide
- c) Informed consent form

- **APPROVAL NUMBER** AURECAU1115/19

This number should be used on all correspondences, consent forms, and appropriate documents.

- **AUREC MEETING DATE** NA
- **APPROVAL DATE** October 24, 2019
- **EXPIRATION DATE** October 24, 2020
- **TYPE OF MEETING** Expedited

After the expiration date this research may only continue upon renewal. For purposes of renewal, a progress report on a standard AUREC form should be submitted a month before expiration date.

- **SERIOUS ADVERSE EVENTS** All serious problems having to do with subject safety must be reported to AUREC within 3 working days on standard AUREC form.
- **MODIFICATIONS** Prior AUREC approval is required before implementing any changes in the proposal (including changes in the consent documents)
- **TERMINATION OF STUDY** Upon termination of the study a report has to be submitted to AUREC.

Yours Faithfully

MARY CHINZOU – A/AUREC ADMINISTRATOR
FOR CHAIRPERSON, AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE



APPENDIX 4: LETTER OF AUTHORITY FROM BORDER TIMBERS LTD

HEAD OFFICE
1 Aberdeen Road
P O Box 458
MUTARE
Telephone : 020-64224
Cell: 0772100710-11
Fax : 020-64142
www.riftvalley.com



11 September 2019

AFRICA UNIVESITY
College of Business, Peace, Leadership and Governance
Mutare

Dear Mr. Julius Tambeyi

RE: APPROVAL FOR CONDUCTING STUDY

The above matters refers, please note that we have approved your request to carry out your research at Border Timbers Limited, entitled "An assessment of the extent to which financial reports can be relied upon by users in decision making : a case of Border Timbers Limited (Mutare, Zimbabwe).

May you at end of the research share the results of your study as management is eager to know the results of the study.

Please contact the undersigned for more information.

Yours faithfully

Ernest Pfumbi
(Finance Manager)



Directors: E Hwenga (Chairman); E Kuhn (Managing Director); L Karimanzira (Finance);
M Manga; H B A J von Pezold; R W J Strong; E Mlambo; S Mattinson.
Passionate about developing resources in Africa

APENDIX 5: DATA FOR REGRESSION

	Variable	Reports Inspected	Number of Pages Inspected	Conformity to Variable	Non-Conformity to Variable	Usefulness to Decision Making %
1	Understandability	2016,2017,2018	45	43	2	96%
2	Relevance	2016,2017,2018	45	39	6	87%
3	Comparability	2016,2017,2018	45	40	5	89
4	Faithful Representation	2016,2017,2018	45	45	0	100
5	Timeliness	2016,2017,2018	45	45	0	100
6	Full Disclosures	2016,2017,2018	45	45	0	100

APPENDIX 6 URKUND REPORT

Urkund Report - JULIUS TAMBEYI.doc (D63691457).pdf - Adobe Reader

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URKUND

Urkund Analysis Result

Analysed Document: JULIUS TAMBEYI.doc (D63691457)
Submitted: 2/10/2020 12:20:00 PM
Submitted By: djeranyama@africau.edu
Significance: 3 %

Sources included in the report:

Thesis Final for checking.docx (D19076739)
CORPORATE REPORTING PRACTICES OF SELECT BSE SENSEX COMPANIESs.doc (D23397004)

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