

THE CORPORATE ANNUAL REPORT USAGE BY CREDITORS, INVESTORS AND FINANCIAL ANALYSTS: EVIDENCE FROM MALAYSIA

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Abstract

Most researchers explored the usage of corporate annual report by creditors, investors and financial analysts. This preliminary study explores the perception by Malaysian students. Therefore, the study presents a way in which external users view the annual report for the purpose of teaching and learning implementation. The study focused on the perceived importance, ability to read, difficulty in understanding, relevance, reliability and usefulness for each various section of Corporate Annual Report among the students. Our research samples consisted of 185 business students were required to answer a set of questionnaire. Data was analysed by using descriptive, cross tabulation and correlation test. The researchers also gathered information about the time spent and frequency in reading, purpose of using corporate annual report and the basic learning to read and understand corporate annual report. The results explained the usefulness of corporate annual report as indicated by the students in teaching and learning process.

Keywords: *Corporate Annual Report, Perception, Usage*

Introduction

Users of external financial reports have been the subject of a number of surveys (Anderso , 1981; Lee & Tweedie, 1975, 1977; Wilton & Tabb, 1978). However, most of researches have done survey on shareholders, bank loan offices, and stockbrokers. There is good reason to do this research of financial reporting usage among business students as one of external users.

According to Companies Commission of Malaysia (CCM) accounts of companies incorporated in Malaysia are required to be kept in a manner that will sufficiently explain its transactions and facilitate audit. Under the Companies Act, transactions must be recorded within sixty days of completion and be kept in Malaysia. The records must be retained for at least seven years. In respect of operations outside Malaysia, records relating to operations outside Malaysia, may be kept by the Company at a place outside Malaysia provided that all such statements sent to and returns with respect to the business dealt with are sent to and kept at a place in Malaysia.

Companies are required to present audited financial statements to shareholders annually. There is no specific date of which the financial statements must be drawn, but many companies choose 31st December to coincide with the tax year. Where a company is a subsidiary of another corporation incorporated in Malaysia, its accounting year end must be co-terminous with that of the holding company. In addition, public companies listed in the Kuala Lumpur Stock Exchange (KLSE) have additional disclosure requirements in the annual report over and above those required by the Companies Act (Companies Act, 1965).

Financial reporting in Malaysia is governed by both public sector legislation and private sector regulatory bodies. Public sector legislation principally consists of statutes promulgated by the Parliament. Compliance with the provisions of these statutes is legally enforceable. The statutes that have a significant impact on financial reporting in Malaysia are the Companies Act, 1965, the Income Tax Act, 1967, the Securities Commission Act, 1993, and the Financial Reporting Act, 1997.

Private sector regulatory bodies comprise professional bodies, statutory bodies and authoritative bodies. These private sector bodies do not have legal power to enforce compliance. However, professional sanctions and public reprimand are often strong deterrents against deviations from accepted practices. The principal private sources of regulation on financial reporting in Malaysia are the Kuala Lumpur Stock Exchange (KLSE) Listing Requirements, and the accounting pronouncements issued by the Malaysian Institute of Accountants (MIA).

The extent of influence of each of the regulatory bodies and Acts depends on the forms or types of companies; The requirements of the Companies Act are applicable only to companies incorporated under the Companies Act, The Requirements of the KLSE Listing Manual are applicable only to companies listed on the KLSE, The Approved Accounting Standards of the Financial Reporting Act are applicable to all reporting entities, regardless of whether they are incorporated or listed and The requirements of the Income Tax are applicable to every business organisation and individual with assessable income.

The Financial Reporting Act, 1997 provides that the Accounting Pronouncements issued by the MASE and the Approved Accounting Standards are to be regarded as opinions on best practice in financial reporting in Malaysia. These pronouncements are modeled primarily on auditing Guidelines issued by the International Federation of Accountants.

Besides that, according to Datuk Johan Raslan, as a Price Waterhouse Coopers (PwC) Malaysia Executive Chairman and Chairman of Financial Reporting Foundation, stated that Financial Reporting Standard (FRS) and corporate reporting is no longer just about balancing the books, it is a public responsibility with global impact (www.pwc.com) since the users need to know the reality of business performance of each organization to further understand their financial ability and management. Therefore, every business will have intent to the requirement of each financial reporting in order to give users a good understanding and really feel useful towards each annual report.

In addition, researches realize that business entity must really understand the purpose to organize annual report according to the requirement especially for public listed company because users not particularly shareholders will measure the performance of business and reflect the successful of each business according to the report. Nowadays, financial reporting not only focused on the number because this is no longer sufficient. Stakeholders will want to understand the reason for each profit, loss, inflows and outflows of money.

The objectives of the study are:

1. To indicate the extent to which users used corporate annual report for several purposes.
2. To indicate the users' perception towards corporate annual reports

The remainder of this paper is organized as follows: A review of related literature on financial reporting usage; The methodology employed in this study, research instruments used and data analysis method involved are described; The empirical results and discussion of the study.

Literature Review

In Jordan, Abu-Nassar and Rutherford (1996) examined the way in which users of external financial reports view those reports in a less-developed country with a moderately well-structured capital market particularly among individual shareholders, institutional

shareholders, stockbrokers, bank loan officers and academics. For the usage purposes of corporate annual reports, most users seem like to use annual reports for decision making. Bank loan officers appear to be the most frequent users and individual shareholders use to be the least frequent users. For the extent to which users read the annual reports, they conclude that most individual shareholders and academics read few reports (76.3%; 73.9%) and spend less than half-an-hour (72.3%; 78.2%) on each annual report. Users also rank reasons for not reading annual reports thoroughly and found that the lack of credibility is the most important reason.

Abu-Nassar and Rutherford (1996) asked to indicate to what extent users will read each eight main section in annual reports. Users were found to give more attention to the income statement and balance sheet. Then, users also were ask to rate the level of difficulty with each section in order to examine their understanding of the content thus found that all eight sections were considered easy to understand and the most difficult were statement of accounting policies. Next, users provide their views for relevance and reliability of each section hence found that the mean of relevance values were higher than reliability and consistent with the most important problem for not reading annual report. In term of adequacy of financial reporting, users viewed at least moderately useful, not sufficient information were provided and they believed that the adequacy of financial reporting was having improvement. Next, users also viewed nine qualitative characteristics of financial reporting and suggested that there are lack of comparability and consistency in accounting method and lack of reliability. Abu-Nassar and Rutherford (1996) found that corporate annual reports seem to be the most important source of information compared with the other alternative sources. Followed by visit to company and communication with management; financial market statistics; discussions with colleagues; advice of friends; newspapers, magazine and journals; stockbrokers' advice and tips and rumours. In addition, users present the most important reasons for using alternative sources were the information given was up-to-date and the relevant contain of information.

Based on research done by Abdelkarim et al., (2009), they assessed the availability, adequacy, and the perceived usefulness of information in annual report for investment decisions. They focused more toward individual investors, institutional investors, bank loan officers, stock brokers and academics. Thus, they found that users attached a higher level of importance to the profit and loss statement, balance sheet, cash flow statement, statement of shareholders equity, management commentary, and footnotes to the financial statements. They also considered other quality items such as adequacy, credibility, relevancy, and understand ability important for their investment decisions. Information users evaluated the company's level of disclosure as poor and weak. These results reflect the inadequacy of the information quantity and quality that companies listed usually disclose.

Previously, Mirshekary and Saudagaran (2005) examined the perceptions and characteristics of users of corporate financial statements in Iran based on survey of seven different user-groups. The research also provides evidence on financial information, the degree of influence of different sources of information in users' decision making, users' views of the importance of different sections of corporate annual reports and their opinion about the problems that restrict their use of annual reports. For usage, they found that more than 80% of the user-groups regularly turn to financial reports for making decisions and there is a difference among user-groups on frequency usage for annual reports. Next, annual report is the most important source of financial information compared with other sources (the second source is oral information, followed by published daily shared price, communication with managers, tips and rumours, stockbrokers' advice and advice offriends and acquaintances) for the influence of different sources of information based on Kruskal-Willis test. In addition, the results also showed that no different of important perception of each information item for annual report, oral information, published daily shared price and tips and rumors among user-groups. However, the different of perceptions only existed in advice of friends and acquaintances, stock- brokers' advice and communication with managers.

Futhermore, Mirshekary and Saudagaran (2005) found that there is a different in determined the importance for annual report's section for cash flow statement and directors' report. However, no different in rating for profit and loss account, auditor's report, balance sheet, notes to accounts, accounting policies and summary and historical information. There are three sections that rated the income statement, the auditor's report and the balance sheet as the most importance in annual report. In addition, they also measured the perceived importance of the information items to each user-group thus they found that the cost of goods sold, total revenue and breakdown of different sources of revenue and the breakdown of operating income and extraordinary gains and losses are the most important ranked. For ranked the problems in using annual report, they found that different perception among user-groups for lack of a comprehensive accounting system, lack of access to annual reports, lack of professional accountants and lack of public accounting standards. However, they found that all user-groups believed that delays in publishing annual reports, lack of trust in information and lack of adequate information were areas of concern.

In Saudia, Al Razeen and Karbhari, (2007) study examined the perceptions among user groups and focus on the use, importance and technicality of the different sources of corporate information contained in annual reports. They found that individual investors attached a higher level of importance to the income statement, balance sheet and the auditor's report. Then, most of user-group also perceived importance towards balance sheet and income statement. In addition, individual investor ranked statement of cash flow to be least importance. Beside that, individual investors also indicated that the language of the most sections of the annual reports is fairly complicated and believed to have had the least amount of formal accounting education.

Previously in South Africa, Myburgh (2001) compared and evaluated the perceptions of the users (stockbrokers, share portfolio holders, accounting academics, accounting conference delegates, members of professional accounting bodies and individual investors) and compilers (financial directors and chief accounting officer) of annual and interim reports on the importance of voluntary disclosure. They found that four the most important items were ranked from 32 items to compilers and users and no different in perception are reasons for changes in results addressed by the managing director or chairman, management's operating and financial review, turnover or revenue figure disclosed in the interim report and turnover or revenue figure disclosed in the table of comparative statistics. In addition, only 17 items were perceived importance and shown different perceptions among user-groups.

Next, Mack and Ryan (2003) assesses the importance of the annual report relative to other information sources and determines whether there is any variation across entities or among stakeholder groups as to the importance placed on the annual report among recipients of annual reports for government departments, local government authorities and government owned corporations. They found that recipients from local government authorities and government owned corporations rate annual reports in the 'very important' range. Furthermore, stakeholders of local government authorities and government owned corporations perceive the annual report to be significantly more important as information source and different perceptions compared with stakeholders from government departments. In Mack and Ryan (2003) also found that three (other resource providers, elected officials and oversight bodies) stakeholder categories perceived annual report as very important source of information compared with taxpayers, other recipients of services, internal management and other like entities. In addition, there are differences between views of the respondents from different entity types and different stakeholder categories with regard to the importance of the annual report for taxpayers and elected officials.

Research done among Indian companies' annual report by Chatterjee (2005) had investigates whether the financial highlights section of annual report satisfy the information requirements of investors. Hence, most of the companies do not disclose information that are

perceived by users of financial information in India as significant and only earning per share is disclosed by 50% of companies.

Stanton *et al.*, (2004) examined the outcomes of impression management in annual reports on stakeholders and suggest that by taking the case of a large Australian retailer that respondents who read the full annual report including financials gained a more favourable impression than who read only parts of annual reports.

Cook and Sutton (1995) stresses on the fact that companies should focus on the information requirements of shareholders so that the annual report satisfies their needs. Hence, companies should disclose main pieces of information in a clear and understandable format in a summary annual report that will increase the relevance and value of shareholder communication.

Ding (2002) compared the annual reports of large French and Chinese listed companies. Researcher found that French listed companies are more user friendly as regards information demands based on the Pearson chi-square value is 49.874 at significance level of 0.000. In term of volume and content of annual reports, French companies are bigger in volume (on average 120.71 pages) and fuller in content (on average 77.94), whereas Chinese companies tend to be more homogeneous both in volume (on average 50.62 pages) and content (on average 62.81).

In Hong Kong, Cortis (2004) had focused whether colour can influence perception formation and investment judgement among annual reports of Hong Kong public listed companies for the year ending 2000. They found that some colours are associated with more favourable perception formation and with more investment allocations. Moreover, the overall perceptions between genders were not different with regard to perceptions when exposed to different coloured backgrounds. However, females allocated investment more than males after exposure to different background colours.

Researches of this current study come out with few research questions based on the mixed on previous findings in order to achieve the main objective of this study:

RQ1: Which is the most preferable among 20 main sections in corporate annual report by users?

RQ2: Which is the most important section among 20 main sections in corporate annual report by users?

RQ3: Which is the most relevance section among 20 main sections in corporate annual report by users?

RQ4: Which is the most usefulness section among 20 main sections in corporate annual report by users?

RQ5: Which is the most difficult section among 20 main sections in corporate annual report by users?

RQ6: Which is the most possible reasons for not preferable to read corporate annual report thoroughly?

Research Methodology

The research methodology basically comprises of three sections i.e. research design, sampling and data collection procedures and data analysis.

Sample

This study relied on survey design as it deemed more appropriate compared with other designs of research. The population of this study was 420 business students from School of Business as external users for Corporate Annual Report particularly Malaysia Public Listed Company's (PLCs). However, based on Sekaran (2003), the sample size for 420 populations size is 201 respondents. Though, the usable questionnaire only 185 and represents about 93 % response rate.

Questionnaires

The instrument of this study was modified based on the instrument developed by Abu-Nassar and Rutherford (1996). It contained five factors of perceptions toward annual reports, which are read, importance, relevance, usefulness and difficulty. In addition, 11 problems were listed as reasons for not reading annual report were asked to the respondents. The questionnaires also sought information regarding gender, degree courses, and experiences of learning annual reports, usage purposes and usage frequency.

Finding and Discussion

Profile of Respondents

Table 1 below presents the percentage of respondents based on gender. The results consist of 65.4% female and 34.6% male, the composition of students according to gender in this campus

Table 1: Gender

| | Frequency | Percent |
|--------|-----------|---------|
| Female | 121 | 65.4 |
| Male | 64 | 34.6 |
| Total | 185 | 100.0 |

Table 2: Programme

| | Frequency | Percent |
|------------------------------------|-----------|---------|
| International Finance | 36 | 19.5 |
| International And Offshore Banking | 9 | 4.9 |
| International Marketing | 85 | 45.9 |
| International Financial Economic | 6 | 3.2 |
| Islamic Finance | 49 | 26.5 |
| Total | 185 | 100.0 |

Table 2 presents the programme for each degree in this Business area of respondents. 45.9% students are from International Marketing and the fewer respondents are from International Financial Economic (3.2%).

Table 3: Usage Purposes

| | Frequency | Percent |
|--------------------------|-----------|---------|
| Course learning material | 65 | 35.1 |
| Research material | 66 | 35.7 |
| Additional knowledge | 49 | 26.5 |
| Others | 5 | 2.7 |
| Total | 185 | 100.0 |

Table 3 shows most of respondents believed that the usages for corporate annual report especially for public listed companies are for the course learning and research material. However, 26.5% students perceived that this usage is for additional knowledge that be gathered from analysing the corporate annual report. We can assume that most of the student still realized the usage for each reading and understanding the annual report automatically bring the highest and excellent perceptions. According to Mirshekary and Saudagaran (2005), more than 88% of their respondents regularly turn to annual reports for making decisions.

Table 4: Usage Learning Experiences

| | Frequency | Percent |
|-------|-----------|---------|
| Yes | 166 | 89.7 |
| No | 19 | 10.3 |
| Total | 185 | 100.0 |

Table 4 shows most of the students have learning experiences (89.7%) compared with 10.3% do not have any experience in learning how to read and understand the corporate annual report. It can be assumed that the experience can be gathered directly from courses assignment in class and also indirectly when they doing additional referencing and reading the annual reports for the purpose of analysing business performance. It can be concluded that the experience of learning improved users' perception of understanding for each annual report.

Table 5: Usage Frequency of the Corporate Annual Report

| | Frequency | Percent |
|------------------|-----------|---------|
| always | 7 | 3.8 |
| usually | 10 | 5.4 |
| sometimes | 109 | 58.9 |
| seldom | 50 | 27.0 |
| never | 9 | 4.9 |
| Total | 185 | 100.0 |

Table 5 presents usage frequency for each annual report by students. Most of the students (more than 60%) shows always, usually and sometimes using the annual report compared to 31.9% preferred seldom and never to use the annual report. It can be concluded that the most frequent they used the annual report, the more they can improve their perception in annual report usage and understanding.

Table 6: Number of Corporate Annual Report Read

| | Frequency | Percent |
|---------------------------|-----------|---------|
| None | 3 | 1.6 |
| less than 5 | 139 | 75.1 |
| 6-10 | 26 | 14.1 |
| 11-15 | 8 | 4.3 |
| 16-20 | 3 | 1.6 |
| more than 20 units | 6 | 3.2 |
| Total | 185 | 100.0 |

Table 6 presents the number of corporate annual report that has been read by respondents. From this result, most of the student read less than five annual reports and represents about 75.1%. However, there are still having users that read more and its represent about 23.2%. According to Abu-Nassar and Rutherford (1996), most of individual investors and academician read fewer annual reports. It will be difficult to assume whether the user really understand each of the section based on the number of annual report since we must really understand their purposes and reasons to review, revise and analyze those financial information.

Table 7: Time Spent for Each Corporate Annual Report

| | Frequency | Percent |
|-----------------------------|-----------|---------|
| less than 10 minutes | 13 | 7.0 |
| 10-30 minutes | 56 | 30.3 |
| 31-60 minutes | 42 | 22.7 |
| 1-2 hours | 41 | 22.2 |
| 2-4 hours | 16 | 8.6 |
| more than 4 hours | 17 | 9.2 |
| Total | 185 | 100.0 |

Table 7 shows the time spent by users for each annual report. From the result, it shows 39.2% of users spent their time to read each annual report for about one until four hours and more. However, the other users only spent less than one hour. According to Abu-Nassar and Rutherford (1996), most of individual investors and academician read with little time. In fact, we can assume the users which read more than 1 hour shows thoroughly reading and understanding each section and it will take more time to capture and understand each word, numbers and analyzing each financial measurement.

Perception Factors toward Corporate Annual Reports

Table 8: The Extent to ,Which Users Read the M3.in Sections

| | Mean | Std. Deviation | Rank |
|----------------------------------|------|----------------|------|
| Corporate Information | 3.46 | 1.128 | 8 |
| Notice Of AGM | 2.76 | 1.161 | 19 |
| Chairman's Statement | 3.04 | 1.268 | 14 |
| Profile OfBOD | 3.19 | 1.290 | 10 |
| Statement On CG | 3.04 | 1.070 | 15 |
| Statement On Internal Control | 2.86 | 1.006 | 18 |
| Statement Of Directors | 3.00 | 1.133 | 17 |
| Audit Committee's Report | 3.06 | 1.114 | 12 |
| Group Structure | 3.03 | 1.182 | 16 |
| Director's Profile | 3.05 | 1.263 | 13 |
| Calendar Of Events | 2.56 | 1.169 | 20 |
| Financial Highlights | 3.62 | 1.127 | 6 |
| Statistical Performance | 3.57 | 1.117 | 7 |
| Auditors' Report | 3.31 | 1.098 | 9 |
| Statutory Declaration | 3.17 | 1.108 | 11 |
| Balance Sheets | 4.54 | .752 | 2 |
| Income Statements | 4.55 | .744 | 1 |
| Statement Of Changes In Equity | 4.11 | .961 | 4 |
| Cash Flow Statement | 4.07 | 1.006 | 5 |
| Notes To The Financial Statement | 4.18 | 1.061 | 3 |

The Research Question 1 (RQ1) is to determine the most preferable among 20 main sections in corporate annual report by users. Table 8 shows the extent to which they read each of 20 main sections of corporate annual report. This section is measured by not read until read thoroughly for each section. The income statement and balance sheet received most attention in read thoroughly by respondents which the mean shows the highest among the other main sections (4.55; 4.54). These results are consistent with the previous studies of developed countries like Australia, New Zealand and the UK (Anderson, 1981; Lee & Tweedie, 1975, 1977; Wilton & Tabb, 1978) and Abu-Nassar and Rutherford (1996) in Jordan. However, the last two sections that not preferable to read are Notice of AGM and Calendar of Events (2.76; 2.56). These results cannot be compared directly with the previous because they only focus on eight sections and most of the result found that auditors report is generally one of the least read sections in developed countries (Wallace, 1988). From the overall result, we can assume that users will read thoroughly these two sections because they really need to understand each of the item in Balance Sheets and Income Statements due to analyse and review the performance of each business thus they need to read and refer note to the financial statement too.

Table 9: Perception about the Importance of the main Sections

| | Mean | Std. Deviation | Rank |
|----------------------------------|------|----------------|------|
| Corporate Information | 3.62 | 1.174 | 9 |
| Notice Of AGM | 2.92 | 1.086 | 19 |
| Chairman's Statement | 3.01 | 1.106 | 17 |
| Profile Of BOD | 3.11 | 1.202 | 15 |
| Statement On CG | 3.28 | 1.020 | 12 |
| Statement On Internal Control | 3.23 | 1.023 | 13 |
| Statement Of Directors | 3.09 | 1.041 | 16 |
| Audit Committee's Report | 3.40 | 1.069 | 11 |
| Group Structure | 3.12 | 1.043 | 14 |
| Director's Profile | 3.01 | 1.142 | 18 |
| Calendar Of Events | 2.86 | 1.162 | 20 |
| Financial Highlights | 3.91 | 1.065 | 7 |
| Statistical Performance | 3.92 | 1.013 | 6 |
| Auditors' Report | 3.63 | 1.135 | 8 |
| Statutory Declaration | 3.50 | 1.054 | 10 |
| Balance Sheets | 4.62 | .764 | 2 |
| Income Statements | 4.66 | .696 | 1 |
| Statement Of Changes In Equity | 4.49 | .822 | 4 |
| Cash Flow Statement | 4.55 | .721 | 3 |
| Notes To The Financial Statement | 4.45 | .872 | 5 |

The Research Question 2 (RQ2) is to determine the most important among 20 main sections in corporate annual report by users. Table 9 shows the extent to which they perceived important each of 20 main sections of corporate annual report. This section is measured by least important until most important for each section. In this result, it shows that Income Statement and Balance Sheet is perceived the most important to be read by users (4.66; 4.62) hence similar with the result by Ba-owaidan (1994) and Abdelsalam (1990) whose surveys were based in Saudi Arabia, Abu-Nassar and Rutherford (1996) and Anderson (1981). In addition, Notice of AGM and Calendar of Events is perceived to be the least important (2.92; 2.86) from the overall 20 main sections in annual reports. This result cannot be compared directly with Baker and Haslem (1973) because they only focus on eight sections in annual report and previous researcher found that the individual investors a much lower degree of importance to information regarding dividends. In fact, it can be assumed that the two most important sections is preferable by users because most of the information for measuring and analyzing financial information for each business is from income statement and balance sheet thus indicate whether the business presents a good or bad condition.

Table 10: Perception about the Relevance of the Main Sections

| | Mean | Std. Deviation | Rank |
|----------------------------------|------|----------------|------|
| Corporate Information | 3.55 | 1.137 | 10 |
| Notice Of AGM | 3.00 | 1.093 | 20 |
| Chairman's Statement | 3.15 | 1.125 | 15 |
| Profile Of BOD | 3.09 | 1.187 | 18 |
| Statement On CG | 3.22 | 1.063 | 13 |
| Statement On Internal Control | 3.25 | 1.035 | 12 |
| Statement Of Directors | 3.15 | 1.057 | 16 |
| Audit Committee's Report | 3.42 | .981 | 11 |
| Group Structure | 3.15 | 1.188 | 17 |
| Director's Profile | 3.17 | 1.185 | 14 |
| Calendar Of Events | 3.04 | 1.151 | 19 |
| Financial Highlights | 3.82 | 1.061 | 7 |
| Statistical Performance | 3.85 | .941 | 6 |
| Auditors' Report | 3.68 | 1.075 | 8 |
| Statutory Declaration | 3.57 | 1.072 | 9 |
| Balance Sheets | 4.62 | .714 | 1 |
| Income Statements | 4.62 | .697 | 2 |
| Statement Of Changes In Equity | 4.48 | .788 | 4 |
| Cash Flow Statement | 4.53 | .715 | 3 |
| Notes To The Financial Statement | 4.44 | .852 | 5 |

The Research Question 3 (RQ3) is to determine the most relevance among 20 main sections in corporate annual report by users. Table 10 presents the extent to which users perceived relevance each of 20 main sections of corporate annual report. The relevance level is measured by not relevant at all until very relevant information. In this perceived relevance of information in annual report, we found that Income Statements and Balance Sheets information are relevance to most of the users. However, Calendar of Events and Notice of AGM are perceived not too relevance to most of the users. According to Abu-Nassar and Rutherford (1996), the relevance of each information is concurrently with the level to which the respondents will read. In fact, we can assume users will read the sections if they feel that section are the most relevance hence this result is consistent with the extent to which they read each of 20 main sections of corporate annual report.

Table 11: Perception about the Usefulness of the Main Sections

| | Mean | Std. Deviation | Rank |
|----------------------------------|------|----------------|------|
| Corporate Information | 3.55 | 1.264 | 10 |
| Notice Of AGM | 2.86 | 1.190 | 20 |
| Chairman's Statement | 3.03 | 1.186 | 15 |
| Profile OfBOD | 2.92 | 1.170 | 19 |
| Statement On CG | 3.14 | 1.059 | 13 |
| Statement On Internal Control | 3.16 | 1.054 | 12 |
| Statement Of Directors | 3.02 | 1.050 | 16 |
| Audit Committee's Report | 3.31 | 1.102 | 11 |
| Group Structure | 3.12 | 1.097 | 14 |
| Director's Profile | 2.97 | 1.186 | 17 |
| Calendar Of Events | 2.92 | 1.151 | 18 |
| Financial Highlights | 3.97 | 1.037 | 6 |
| Statistical Performance | 3.89 | 1.098 | 7 |
| Auditors' Report | 3.67 | 1.110 | 8 |
| Statutory Declaration | 3.57 | 1.126 | 9 |
| Balance Sheets | 4.71 | .685 | 2 |
| Income Statements | 4.74 | .634 | 1 |
| Statement Of Changes In Equity | 4.59 | .740 | 4 |
| Cash Flow Statement | 4.62 | .772 | 3 |
| Notes To The Financial Statement | 4.50 | .848 | 5 |

The Research Question 4 (RQ4) is to determine the most usefulness among 20 main sections in corporate annual report by users. Table 11 presents the extent to which users perceived usefulness each of 20 main sections of corporate annual report. This section is measured by not very useful to very useful information. The analysis found that most users perceived that Income Statements and Balance Sheets are very useful information to them (4.74; 4.71) compared with the less useful are Profile of BOD and Notice of AGM (2.92; 2.86). According to Anderson and Epstein (1995) found that their respondents did perceive the income statement to be more useful than directors' report in making an investment decision. In addition, Ba-owaidan (1994) also found that the profit and loss account to be the most influential part of the annual report followed by the balance sheet. In fact, we can assume that the usefulness of each section is depends with the purpose of users whether to make a decision for any buying and selling activities or investment. However, in this case most of the users' perceived usefulness in order to understand review and analyzed the ratio performance for each item in annual report.

Table 12: Perception about the Difficulty of the Main Sections

| | Mean | Std. Deviation | Rank |
|----------------------------------|------|----------------|------|
| Corporate Information | 4.02 | 1.205 | 1 |
| Notice Of AGM | 3.74 | 1.237 | 4 |
| Chairman's Statement | 3.83 | 1.162 | 2 |
| Profile OfBOD | 3.81 | 1.239 | 3 |
| Statement On CG | 3.37 | 1.091 | 9 |
| Statement On Internal Control | 3.21 | 1.099 | 14 |
| Statement Of Directors | 3.54 | 1.156 | 7 |
| Audit Committee's Report | 3.24 | 1.027 | 13 |
| Group Structure | 3.50 | 1.175 | 8 |
| Director's Profile | 3.74 | 1.260 | 5 |
| Calendar Of Events | 3.60 | 1.252 | 6 |
| Financial Highlights | 3.28 | 1.051 | 12 |
| Statistical Performance | 3.16 | 1.064 | 15 |
| Auditors' Report | 3.16 | 1.061 | 16 |
| Statutory Declaration | 3.03 | 1.040 | 20 |
| Balance Sheets | 3.34 | 1.258 | 10 |
| Income Statements | 3.28 | 1.218 | 11 |
| Statement Of Changes In Equity | 3.11 | 1.244 | 19 |
| Cash Flow Statement | 3.13 | 1.231 | 17 |
| Notes To The Financial Statement | 3.13 | 1.231 | 18 |

The Research Question 5 (RQ5) is to determine the most difficult among 20 main sections in corporate annual report by users. Table 12 presents the extent to which users perceived difficulties each of 20 main sections of corporate annual report. This factor is measured by very difficult to understand to very easy to understand. Here, shows that Corporate Information and Chairman's Statement are very easy to understand (4.02; 3.83) by users however Statutory Declaration and Statement of Changes in Equity are very difficult to understand (3.11; 3.03). In addition, in Ba-owaidan (1994) also found that the vast majority of respondents encountered some difficulty in understanding the content of the annual reports. Moreover, based on Al Razeen and Karbhari (2007) the technicality of the language of the annual report showed the auditor's report to be fairly complicated to the Saudi individual investors and to be more difficult to understand for individual investors in the USA based on Epstein & Pava, (1993).

Table 13: Perception about the Importance of Each Possible Problem

| | Mean | Std. Deviation | Rank |
|---|-------------|----------------|------|
| Lack of Credibility & Trust in Information | 3.11 | 1.044 | 10 |
| Lack of Interest | 3.28 | 1.061 | 6 |
| Lack of Time | 3.20 | 1.062 | 9 |
| Lack of Understanding | 3.38 | .988 | 1 |
| Lack of Access | 3.23 | .958 | 8 |
| Lack of Adequate Information | 3.35 | .995 | 3 |
| Delay In Publishing | 3.36 | 1.034 | 2 |
| The Difficulty in Understanding Language Used | 3.29 | 1.211 | 5 |
| The Financial and Accounting Term is not clear | 3.26 | 1.210 | 7 |
| The information is overload | 3.32 | 1.059 | 4 |
| Lack of Presentation | 3.09 | 1.226 | 11 |

The Research Question 6 (RQ6) is to determine the most possible reasons for not preferable to read corporate annual report thoroughly. Table 13 shows the extent to which users' perceived importance of each possible problem. Respondents were asked whether they strongly not agree to strongly agree with possible problem. Users strongly agree that lack of understanding and delay in publishing the annual reports will effect the overall perceptions toward annual reports (3.38; 3.36). Users need to read thoroughly all the information refer to the Notes of Financial Statements in order to improve their understanding. Moreover, the delay in publishing also plays the main role in this possible problem because timeliness is one of important principle in financial reporting. In fact, most of users need to use and refer to the accurate information on the precise accounting years. However, they seems do not agree that lack of credibility and trust in information and lack of presentation is the most importance of possible problem in annual report's usage (3.11; 3.09). This result can be compared with Mirshekary and Saudagaran (2005) because the first rank for problem regarding annual report usage is the delay in the availability of published annual reports. In overall, it can be assumed that these possible problems can reduce users' behaviour in using annual reports indirectly.

Conclusion

This study attempted to assess the extent to which business students used corporate annual report, and for what purposes. Most respondents believed that the usages for corporate annual report especially for public listed companies are for the course learning and research material. Most of the students have learning experiences (89.7%) compared with 10.3% do not have any experience in learning how to read and understand the corporate annual report which can help the student to understand how to read financial statements. In term of usage behaviour, most of the students (more than 60%) indicated always, usually and sometimes in using the annual report, 75.1% of students read less than five annual reports and 39.2% of users spent their time to read each annual report for about one until four hours and more. Students' usage behaviour in reading corporate annual report is expected to influence their perception towards the importance, ability to read, difficulty in understanding, relevance, reliability and usefulness for each various section.

Next, this study indicated the users' perception toward corporate annual reports. Research Question 1(RQ1) is to determine the most preferable among 20 main sections in corporate annual report by users. The Income Statement and Balance Sheet received most attention with the highest means compare to the other main sections. Research Question 2 (RQ2) is to determine the most important among 20 main sections in corporate annual report by users and it shows that Income Statement and Balance Sheet perceived as the most important to be read by users. Research Question 3 (RQ3) is to determine the most relevance among 20 main sections in corporate annual report by users. In this perceived relevance of information in annual report, it was found that Income Statements and Balance Sheets information are relevance to most of the users. Research Question 4 (RQ4) is to determine the most useful among 20 main sections in corporate annual report by users and it was found that most users perceived that Income Statements and Balance Sheets are very useful information. Research Question 5 (RQ5) is to determine the most difficult among 20 main sections in corporate annual report by users. Here, it showed that Corporate Information and Chairman's Statement are very easy to understand by users. Finally, Research Question 6 (RQ6) is to determine the most possible reasons for not wanting to read corporate annual report thoroughly, hence users strongly agree that lack of understanding and delay in publishing the annual reports will effect the overall perceptions towards the annual reports.

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