

An Empirical Investigation of Homogeneity of Information Needs for Diverse Users of Financial Statements: An Application of Data Expansion Approach to Enhance the Saudi Arabian Disclosure Standard-Setting

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ABSTRACT. General purpose external reporting is directed toward the common interest of various potential users. Variety of user needs are being satisfied by general purpose financial statements prepared under condition of neutrality. Unquestionably, there are a large number of diverse users of published financial statements. Heterogeneity of users by type as well as within groups could prove that user groups have different information needs. Since the possibility of diverse user needs is an untested proposition, the objective of this paper is to conduct an empirical investigation of homogeneity of information needs by diverse users of financial statements. The investigation surveyed six prime user groups in the Kingdom of Saudi Arabia (K.S.A.) in order to determine their perceptions of the importance of 59 items of financial and nonfinancial information which might appear in annual reports. Significant test results and extensive financial statements review were used to construct disclosure criteria. The criteria were then applied through data expansion approach to enhance the Saudi Arabian disclosure standard-setting.

I. Introduction

Communicating financial information to those outside an entity is achieved through financial reports. Information is provided through financial statements, supplementary information, notes to financial statements, and by other means of financial reporting ASOBAT [1966], APB statement 4 [1970], SATTA [1977], and accounting standards [1986] recognized the fact that many user groups depend on general purpose reporting to obtain information for decision-making purposes. Since decision models may vary between diverse users, the diversity in decision models implies diversity in needed information-there is some reason to question whether information needs for various types of objectives can be satisfied with a single set of general purpose reports.

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One of ASOBAT's reactions to this issue was to call for multiple measures. However, there are perceived limits to the ability of users to absorb additional information. Accordingly, data expansion approach raises questions regarding the data to be added and the process by which data are to be selected. The Trueblood report [1973] established the premise that while there are different user groups, they have a large commonality in terms of similar decisions and information needs.

A very limited number of accounting researches have focused on the issue of the validity of general purpose reporting to diverse user objectives. Wolk, Francis, and Tearney [1984] stated that the case of user heterogeneity of information needs (and heretogeneity proponents are totally a priori in nature). Empirical research is desperately needed to shed some light on this extremely important question. Moreover, until the hypothesis of diverse user needs becomes validated through empirical testing, the aim of the standard-setting organizations should be to produce general purpose financial statements where rules are determined in a neutral setting with adequate disclosure of knowledgeable users.

Three years ago the Saudi Ministry of Commerce issued a voluminous decree concerning "Statement of Financial Accounting Objectives, Concepts, General Disclosure Standards, and Auditing Standards [1985]. The conceptual section of the financial accounting standards stated that users of financial reporting are owners, lenders, suppliers, potential investors and creditors, employees, management, directors, and government agencies as taxing, planning and regulatory authorities. Moreover, this section determined the interests of prime user groups in the information provided by general purpose financial reports. The Saudi financial accounting standards (Exhibit 2) were developed after careful studies had been made of Tunisian, West Germany, and United States standards. However, Saudi and U.S. standards have a large commonality in terms of their conceptual framework. In fact, Saudi standards constitute a pioneer effort leading to formulating the first comprehensive Arabic standards.

The purpose of this paper is to conduct an empirical investigation of the issue of the homogeneity of information needs shown by prime users of financial statements. The investigation is based on surveying the general purpose disclosure needs, and testing the significance of their variances among user groups. The investigation results are then used to make an evaluation as to which extent the general disclosure needs were actually met by: (1) the Saudi disclosure standards; and (2) the recently published annual reports. The findings of the research are used to recommend relevant measures to enhance the K.S.A. disclosure standard-setting.

The second section of the paper presents a literature review of the issue of homogeneity of information needs for diverse users of financial statements and its relation to the standard-setting process. Research hypotheses, methodology used to collect data and the statistical procedures for analyzing the data are described in section III. Section IV presents results of testing the hypothesis of homogeneity of information needs for prime user groups. Section V deals with an application of the data expansion approach based on comparing the surveyed general purpose information needs to the Saudi disclosure mandates. Section VI evaluates the compliance of the corporate annual reports with the Saudi disclosure standards. The paper Appendix exhibits major descriptive statistics regarding characteristics of each disclosure item surveyed by various prime user groups.

II. Literature Review

Although accounting authorities feel that there is a large number of users of published financial statements, little research has attempted to identify and quantify the perceived differences of information needs shown by diverse users of financial statements. Variation in the decision models employed by statement users imply that the type and amount of financial information needed will also vary among users. Moreover, accounting reports prepared by using one measurement method may be highly relevant to one group of users and irrelevant to another. The existence of this possibility has caused Revsine [1966, 1973], and Hornbostel [1972] to question the utility of the general purpose philosophy. Beaver and Demski [1974] lean toward user heterogeneity on a priori basis. Dopuch and Sunder [1980] see potential heterogeneity among management, auditors and users. In turn, the user group itself is heterogeneous. The heterogeneity among these groups is seen at three different levels: desired information in financial statements, desired accounting principles and desired objectives. Accordingly, they see that the task of the standard-setting body as one of knowing how to mediate among competing interests.

On the empirical side, Brenner [1970] provided some evidence which questions the utility of general purpose reports through discovering financial statement users' views of the desirability of reporting current cost information. Several other studies attempted to measure the relative importance and/or the extent of disclosure of selected types of financial and nonfinancial information in annual reports, but without making any reference to the standard-setting process. For example, Singhvi and Desai [1971] developed an index of disclosure which was primarily based on work done by Cerf [1961]. The index consisted of 34 items of information which were used as a basis for a composite measure of the extent of disclosure in annual reports. Carpenter, Francia, and Strawser [1971] surveyed four user groups in order to determine their perceptions of importance, and information deficiencies for, several problems areas of accounting. Finally, Buzby [1974] used 38 items of financial and nonfinancial information to measure the relative importance of each of the items to a prime user group and to measure also a specific purpose (investment in common equities). The study constructed a weighted disclosure criteria for each of the items. Disclosure criteria was then applied to 88 annual reports to measure the extent of disclosure for each item and the overall disclosure in the annual report sample. As regards the international level, the issue of homogeneity of information needs for diverse users of financial statements has not been subject to empirical investigation especially in the Arab World. The paper addresses this issue within the U.S. and the Saudi standard setting-process.

III. Research Methodology

Research Hypotheses

The research is designed to test the following three hypotheses:

(1) Homogeneity of Information Needs for Diverse Users of Financial Statements:

There is a general agreement among prime user groups of Saudi financial statements regarding the importance of items of the general purpose reporting. In other words, there are no significant differences among prime user groups regarding their requirements of general purpose information.

(2) Validity of General Purpose Reporting to Diverse User Objectives: Saudi disclosure mandates (provisions) are sufficient to meet the information needs of diverse users of financial statements.

(3) Application of the Saudi disclosure standards to corporate financial statements: Saudi financial statements issued after the issuance of the disclosure standards comply with the Ministry of Commerce disclosure mandates.

Research Design

In order to test the research hypotheses, the following components are determined:

1. A survey of general purpose information needs for prime user groups.
2. Mandates (provisions) of the Saudi disclosure standards [1985].
3. Contents of financial statements of a sample of Saudi corporations that were published after the issuance of the disclosure standards.

Exhibit 1 shows the comparisons applied to those components to test the research hypotheses and to provide guidelines for enhancing the Saudi disclosure standards.

Saudi Financial Accounting Standards

Exhibit 2 shows a summary of the Saudi financial accounting standards. Reviewing these standards shows a large commonality between them and the U.S. conceptual framework standards (SFAC 1-3).

EXHIBIT (1)
Research Design: Major Components and Designed Comparisons
for Enhancing the KSA Financial Accounting Standard-Setting

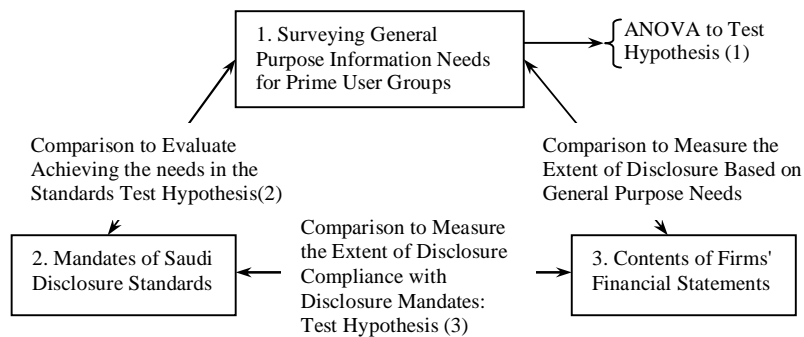


EXHIBIT (2)
Summary of the Saudi Arabian Financial Accounting Standards,
Ministry of Commerce Decree No. 692 - November 11, 1985

I. Objectives of Financial Accounting

- Objectives of Financial Accounting Standards (Par. 51-52)
- Information Needs for Prime Users (Par. 53-61)
- Nature of Information Provided by Financial Accounting (Par. 62-69)
- Objectives of General Purpose Financial Statements (Par 70-75)
- Characteristics and Limitations of the General Purpose Financial Statements (Par. 76-82)

II. Concepts of Financial Accounting

- Elements of Financial Statements of Business Enterprises and Their Definitions (Par. 234-257).
- Definitions of Events, Transactions, and Circumstances (Par. 258-265)
- Concepts of Accounting Measurement (Par. 266-309)
- Qualitative characteristics of Accounting Information: Relevance-Reliability-Neutrality-Comparability-Timeliness-Understandability-Materiality (Par. 310-333 and Par. 585-588).

III. General Purpose Disclosure Standards

1. Full Set of Financial Statements:
 - Balance Sheet or Statement of Financial Position (Par. 593-609)
 - Income Statement (Par. 610-618)
 - Statement of Sources and Applications of Fund (Par. 619-626)
 - Statement of Retained Earnings (Par. 628) or Statement of Changes in Owner's Equity (Par. 627 and 629)
2. Notes on Financial Statements:
 - Notes on the Nature of the Enterprise Operations (Par. 680)
 - Notes on Important Accounting Policies (Par. 681-690)
 - Notes on Changes in Accounting Methods (Par. 691-699)
 - Expected Gains and Losses and their Accounting Methods (Par. 700-707)
 - Financial Obligations (Par. 708-710)
 - Events Occurring Between the Date of Financial Statements and the Date of Their Issuance (Par. 711-713)
3. Disclosure of Consolidated Statements:
 - Bases of Preparing Consolidated Financial Statements (Par. 744-745)
 - Bases of Accounting when the Parent Fiscal Year differs from the Subsidiary Fiscal Year (Par. 746-748)
 - Bases of Calculating Consolidated Income (Par. 749)
 - Disclosure of Minority Interests (Par 750-751)

4. Disclosure for Enterprises under Construction:

- Financial Statements and Description of Construction Activities (Par. 772-774)
- Notes Related to Financial Statements (Par. 775)
- (Other Paragraphs Cover Appendices and Background Information)

Prime User Groups

Since the question of homogeneity of information needs for diverse users is related to both the user and the information relevant to this purpose, user groups and items of information were selected as the initial step of the study. Selected users consisted of prime user groups in KSA and US standards. The investigation surveyed the following groups:

1. Present and Potential Investors

There is no official capital market in the KSA. The Saudi laws require that securities are to be exchanged through commercial banks licensed by the Saudi Arabian Monetary Agency (SAMA). Since most of the private sector securities exchange consultations are performed by the "Saudi Consulting Center for Finance and Investment", the following users were used as surrogates for present and potential investors:

- Consulting Center for Finance and Investment: The major investment consultant to Saudi investors.
- Chamber of Commerce and Industry: The major federation of private sector firms owners.

2. Present and Potential Creditors

This user group is composed of all Saudi national banks and development fund (lending) institutions

- National Commercial Bank
- Riyadh National Bank
- Industrial Development Bank
- General Investment Fund

3. Firms' Management

This user group is composed of a sample of five Saudi corporations representing the largest firm in each sector of the KSA economy (based on paid in capital as shown in Table 8):

- Agricultural Sector: National Agricultural Development Company.
- Cement Sector: Yamamah Cement Company.
- Service Sector: National Shipping Company of Saudi Arabia (NSCSA).
- Electricity Sector: Saudi Consolidated Electric Company (SCECO)
- Industrial Sector: Saudi Basic Industries Company (SABIC).

SABIC is the major Saudi holding firm and prepares consolidated financial statements as mandated by Saudi disclosure standards.

4. Regulatory Authorities

- Ministry of Commerce: The Saudi standard setting body which is responsible for following up registering of corporations in Saudi economy and developing financial accounting standards.
- Department of Income Tax and Zakat: This agency is similar to the IRS in the US. It is the taxing authority for all types of firms operating in KSA.
- General Auditing Bureau: This agency is similar to the GAO in the US. It is responsible for auditing corporations where the Saudi government owns 25% of more of its shares.

The above order of user groups was used in performing the statistical analysis and tabulating the results of the empirical investigation. This is attributed to the fact that both Saudi and US standards stated that members and potential members of the first two groups-investors and creditors-have to contemplate having direct economic interests in particular business enterprises. They use information provided by financial reporting and generally lack the authority to prescribe the information they need. Managers and directors also have direct interest. On the other hand, members of regulatory authorities have indirect interests in addition to a statutory authority to obtain information needed [SFAC 1, 1978 and Saudi Standards, 1985]. The statistical analysis (Tables 3 and Appendix) followed the above order of prime user groups so as to provide meaningful coefficients of skewness and kurtosis regarding the importance assigned by user groups to each surveyed disclosure item mentioned in the questionnaire.

Items of Information and the Questionnaire

An extensive review of the accounting literature was conducted in order to select the initial list of disclosure items that can be included in the questionnaire. Selection of an item was based on five sources, First, items of the Saudi disclosure standards. Second; items that are being disclosed in annual reports of the Saudi corporations over the last three years. Third, items that deemed relevant to filing financial reports with the Saudi Ministry of Commerce, General Auditing Bureau, and Department of Income Tax and Zakat. Fourth, items that are required to file a 10-K report with SEC and regulation S-X. Fifth, disclosure provisions that were required by major SFAS (No.2, 14, 19,33 and 52) and are relevant to the Saudi business enterprises.

Items of information selected from the above survey were used to construct a pilot study questionnaire The questionnaire was distributed among the above user groups. Information from the pilot study questionnaire was used to refine and adjust the final form of the questionnaire. This final form consisted of 59 items or types of information distributed according to the following questionnaire categories:

- | | |
|--|-------------------|
| 1. External Financial Reports and Final Accounts | 6 items (1/1-1/6) |
| 2 Analysis of Income Figure | 3 items (2/1-2/3) |
| 3. Notes on Securities | 5 items (3/1-3/5) |

4. Notes on Operations and Sales	4 items (4/1-4/4)
5. Notes on Accounting for Major Statement Items	15 items (5/1-5/15)
6. Notes on Accounting Policies and Methods	5 items (6/1-6/5)
7. Notes on Inventory	3 items (7/1-7/3)
8. Notes on Manpower (Personnel)	4 items (8/1-8/4)
9. Other General Notes	6 items (9/1-9/6)
10. Notes on Forecasting (Prediction)	8 items (10/1-10/8)

Table (3) exhibits a full description of these items. The questionnaire required the user to rate each item on a "0" to "3" scale with a "3" to be assigned if it is very important to the user objective (it is essential for the item to be in the annual reports), a "2" to be assigned if it is important to the user objective, a "1" to be assigned if it is of a limited importance to the user objective and a "0" to be assigned if it is of no importance to the user objective (it is not necessary for the item to appear in annual reports). Assignment of the weights was to be made by judging the importance of a given item relative to other items in the list and regardless of the cost factor that might limit the amount of information that the corporation could disclose.

Table (1) exhibits number of questionnaires distributed among the above sample of Saudi prime user groups.

TABLE (1) Components of the sample of Saudi prime user groups and number of questionnaires distributed among them.

Prime user groups	Number of questionnaires	Remarks
Present and Potential Investors:		
Consulting Center for Finance and Investment	1	
Chamber of Commerce and Industry	1	
Present and Potential Creditors:		
National Commercial Bank	1	
Riyadh National Bank	1	
Industrial Development Fund	1	
General Investment Fund	2	(Two departments)
Firms' Management:		
National Agricultural Development Company (NADEC)	1	(Representing the
Yamamah Cement Company	1	five major
National Shipping Company of Saudi Arabia (NSCSA)	1	sectors of
Saudi Consolidated Electric Company (SCECO)	1	the Saudi
Saudi Basic Industries Company (SABIC)	1	economy
Regulatory Authorities:		
Ministry of Commerce	3	(Three departments)
Department of Income Tax and Zakat	1	
General Auditing Bureau	2	(Two departments)
Total	18	

The Annual Report Sample

Exhibit 1 showed that this study measures the extent of disclosure compliance with the Saudi disclosure mandates that were issued in late 1985. A sample of 26 corporations are covered in the study. These companies are chosen because they publicly disclosed their 1986/1987 financial statements in the local newspapers during

the first six months of 1988 (the research period). Corporations included in the sample are the largest Saudi firms as measured by paid in capital and total assets net of accumulated depreciation. They represent 61.9% of Saudi corporations whose shares are exchanged in the market, and had fiscal years which ended between June 30, 1986 and December 31, 1987. Table 2 shows the corporations included in the sample of annual reports classified by Saudi economic sectors.

TABLE (2) Number of corporations in the sample of annual reports classified by Saudi economic sectors, 1988.

Economic sector	Corporations in the sample		No. of all corporations whose shares are exchanged in the market (3)	% of (1)/(3)
	No. (1)	% (2)		
Agricultural Sector	5	19.2%	6	83.3%
Industrial Sector	8	30.9	9	88.9
Cement Sector	2	7.7	8	25.0
Service Sector	5	19.2	9	55.6
Electricity Sector	3	11.5	6	50.0
Others	3	11.5	4	75.0
Total	26	100.0	42	61.9

Statistical Procedures

Having surveyed the disclosure information needs by prime user groups, item score weights were tabulated as rows corresponding to six columns of prime user groups. The weight for a particular item was calculated by summing the integer values assigned to them and dividing by number of users in each prime user group. A mean was used to summarize the response scores of the items (rows) because it thus gave equal weights to each of the responses. A standard deviation was provided to exhibit the dispersion of user groups with respect to each disclosure item. Moreover, a descending order and mean and standard deviation ranks for each surveyed disclosure item are provided. The order of tabulating user groups from left to right was based on their direct economic interest in business enterprises and their lack of statutory authority to obtain information needs [SFAC 1, 1978 and Saudi standards, 1985]. This order is designed to provide meaningful coefficient of skewness for each disclosure item.

Correlation coefficients, two-way analysis of variance (ANOVA) and significance tests were applied to user group means (columns), for all surveyed disclosure items, to test the homogeneity of their information needs. All statistical measures and significance tests were performed using the Statistical Package for the Social Sciences (SPSS/PC +) [1986].

IV. Results of Homogeneity of Information Needs for Prime User Groups

Results of Surveying Users' Information Needs

Table (3). exhibits results of the relative importance assigned by user groups to 59 surveyed disclosure items and their major descriptive statistics.

TABLE (3) Relative importance of assigned by user groups of financial reporting to 59 surveyed items of the general purpose disclosure-K.S.A., 1988.

Surveyed items of general purpose disclosure	Prime user groups (1)							Statistical measures			
	Invest ors	Creditors		Firm's mgmt.	Ministry of commerce	Depart. Income Tax & Zakat	Gnr. Audit Buru.	Mean		SD	
		Banks	D. fund					M	R	S	R
I. External Financial Reports (1/1 - 1/6)											
Income Statement-2Yrs	2.5	3	2.67	2.75	2.34	2	3	2.6	3	0.36	52
Final Accounts-2Yrs	2.5	3	2.67	2.50	2.34	3	3	2.7	2	0.28	54
St. Fin. Position-2Yrs	2.5	3	2.67	2.75	2.34	1	3	2.5	6	0.69	17.5
St. Retained Earnings	3	2.5	1	2.75	3	2	2	2.3	9	0.72	14
St. Sourc. & Apl. Funds	2.5	3	2.67	2.75	2.67	1	1.5	2.3	10	0.75	12.5
Statmt. of Cash Flows	3	3	2.67	2	2.34	0	1.5	2.1	20	1.1	1
II. Analysis of Income Figure (2/1-2/3)											
Inc. Frm Cont. Operts	2.5	2.5	3	2.75	2.67	3	3	2.8	1	0.23	58
Inc. Frm Disc. Operts	2	2	2.67	2.5	2.34	2	2.5	2.3	11	0.29	53
Inc. Bfr Extrod Itms	2	2	1	2.75	2.34	0	3	1.9	26.5	1.1	2
III. Notes on Securities (3/1-3/5)											
No. & Type of Shares	2.5	2	2	2.5	2.34	1	3	2.2	15	0.63	25.5
Share Market Price	2	2.5	1	1.25	1.34	0	2	1.4	52	0.82	6
Avr. Earng per Share	2	2	0.67	1.5	1.67	0	.5	1.2	55	0.80	7
Forecast of EPS	2	1.5	0.34	1	.67	0	1	.9	59	0.68	20.5
Dividend Policy	2.5	2.5	1	2	2.34	3	3	2.3	8	0.69	17.5
IV. Notes on Operations and Sales (4/1-4/4)											
Physcl Levels of Output	1	2	1.67	2.5	2	1	1.5	1.7	40	0.55	37
Capacity Information	1	1	1.34	1.75	2	2	1.5	1.5	48	0.43	47.5
Sales by Product Lins	1	1.5	2	1.25	1.67	0	2	1.4	53	0.70	15
Sales by Customers	1	0.5	0.67	.75	2	1	1	.9	58	0.49	43
V. Financial Notes (5/1-5/15)											
Tngbl Asets & Acc Dep	2	1.5	2.34	3	2.67	3	3	2.5	4	0.59	33.5
Intngbl Asets & Amrtz	2	2	1.67	2.25	2	2	3	2.1	16	0.42	49.5
Alownc Doubtful Acnts	2	2.5	3	2.25	2.67	2	3	2.5	5	0.43	47.5
Reven by Product Lins	2.5	2	1.34	1.25	2	3	2.5	2.1	19	0.64	24
Reven of Foreign Oprt	2	1.5	1.34	1.75	1.67	0	2.5	1.5	45	0.78	9.5
Gain/Loss Forgn Oprt	1	2.5	1.67	2.25	1.67	2	2	1.9	26.5	0.49	43
Brekdown Expn Var/Fxd	2.5	1.5	1.34	1.25	1.34	3	1.5	1.8	34	0.69	17.5
Research & Devel. Exp.	2.5	0.5	1	1.75	1.67	1	2	1.5	49	0.69	17.5
Mainten. & Repar Exp.	2	2.5	1.34	2	2.34	1	2.5	1.9	22	0.58	35.5
Income Tax and Zakat	2	1.5	1.34	3	2.34	2	2.5	2.1	17.5	0.58	35.5
Price Level Adjustmt.	1	1	0.67	1.25	1.67	0	2	1.1	57	0.66	22.5
Assets Current Cost	1	2.5	1.34	2.25	1.34	2	2.5	1.8	29	0.62	27.5
Curent Cptl Expendtrs	2.5	2	3	2	1.67	3	2.5	2.4	7	0.52	39
Development Fund Loans	1	1.5	2.34	3	1.34	1	2	1.7	35	0.75	12.5
Government Subsidies	0.5	2.5	1.67	2	2	2	2.5	1.8	25	0.68	20.5
VI. Notes on Accounting Policies and Methods (6/1-6/5)											
Changes in Ac. Methods	1.5	2	2.34	2.25	2	2	2	2.0	21	0.27	55
Changes in Ac. Estimts	1.5	2	2	2.25	1.67	2	2	1.9	23	0.25	57
Subsdrs Invst Accountg	1.5	2	2	2	1.67	1	2.5	1.8	32	0.48	45
Bases of Conslid Stmtts	1	1.5	1.67	2.25	2	1	2.5	1.7	38	0.59	33.5
Previs Periods Corrects	1	1	2.34	2.25	2.34	2	2	1.8	29	0.60	32

Surveyed items of general purpose disclosure	Prime user groups (1)							Statistical measures				
	Investors	Creditors		Firm's mgmt.	Ministry of commerce	Depart. of Tax & Zakat	Income	Gnr. Audit Buru.	Mean		SD	
		Banks	D. fund						M	R	S	R
VII. Notes on Inventory (7/1-7/3)												
Inv. Accontg Methods	1.5	1.5	2	3	2.34	3	2.5	2.3	13	0.63	25.5	
Cost of Goods Sld Meds	1	1	1	2.75	2.34	2	2.5	1.8	33	0.78	9.5	
Inventory by Type	1	1	1	2.5	1.67	1	2	1.5	50.5	0.61	30	
VIII. Notes on Manpower (8/1-8/4)												
Recruiting Expenses	2	1.5	2.34	2.25	1.67	3	2	2.1	17.5	0.49	43	
Pension Plns & Atwncs	2	2	1.67	2.5	2.34	3	2	2.2	14	0.44	46	
Monetary & Frng Bnfts	1	1	1	1.75	1	3	2	1.5	45	0.77	11	
National & Forgn Mnpr	2	2.5	1.67	1.75	1.34	2	1.5	1.8	31	0.39	51	
IX. Other General Notes (9/1-9/6)												
Accusing Entity Changes	1.5	2.5	1.67	1.5	1.67	0	2.5	1.6	43	0.84	5	
Enterprise Objectives	2	2.5	2.34	2	2	0	2.5	1.9	24	0.87	4	
Organization & Dirctrs	1.5	1.5	1.34	1.25	1.67	1	1	1.3	54	0.26	56	
Computer Uses in Firm	2	1.5	1	1.75	1	0	1	1.2	56	0.66	22.5	
Macro Econ Fctrs Efct	2	1.5	0.67	1.5	2	2	1	1.5	47	0.53	38	
Marketing Activities	2.5	1.5	1.34	1.75	2	1	2	1.7	36	0.50	41	
X. Notes on Forecasting (10/1-10/8)												
Factrs Afctng Next Yr	3	1	1	1.5	1.67	0	2	1.5	50.5	0.94	3	
Capatl Expndr Next Yr	2.5	1.5	1.34	1.25	1.34	1	2.5	1.6	42	0.61	30	
Expt Loss (Contngncs)	2.5	3	1.34	1.25	1.34	1	2.5	1.8	29	0.79	8	
Gurnts Agnst Contngnc	2	2	1	1.25	1.67	2	2	1.7	38	0.42	49.5	
Expected Gains	2.5	2	1.34	1.25	1.34	1	2.5	1.7	38	0.62	27.5	
Expected Obligations	2	1	2.67	1.5	1.34	1	2	1.6	41	0.61	30	
Large Commitments	2.5	2.5	2.34	2.25	2.34	2	2	2.3	12	0.21	59	
Post Bince Shet Evnts	1.5	1	2.34	1.25	1.67	1	2	1.5	45	0.51	40	
Samples' Mean and Standard Deviation of the Seven Prime User Groups :												
Mean	1.88	1.88	1.693	2.0	1.902	1.475	2.153					
Standard Deviation	0.63	0.67	0.7	0.595	.481	1.023	0.611					
Average of the Samples' Means for the First (Left) Five User Groups: ^(*)												
$(1.88 + 1.88 + 1.693 + 2.0 + 1.902) / 5 = 1.87$												

(1) The Appendix shows descending order of survey weights by each user group, coefficients of skewness and kurtosis for each surveyed disclosure item.

M : disclosure item mean calculated for the seven user groups.

S : disclosure item standard deviation calculated for the seven user groups.

R : descending order of mean and standard deviation ranks over all items.

* : groups where significance tests showed that they constitute the users of the general purpose reports. Calculated average for these user group means are used to apply the Data Expansion approach for the purpose of enhancing the Saudi disclosure standards.

A summary of the table results are as follows:

1. Based on the means of disclosure items for the seven prime users, income from continuing operations reflected the most important item to users (first rank), then 2- year final accounts (the traditional trading, profit and loss accounts) showed the second important item. Income statement recently required by the Saudi disclosure standards reflected the third important item. On the other hand, forecast of EPS item showed the least important item to prime users. This finding reflects that the new standard statements are still not familiar to Saudi users generally.

2. An examination of Table 3 and the Appendix should give the reader an item-by-item feel for the current importance level of disclosure items by Saudi user groups, their importance within disclosure categories, the extent of importance diversity among direct interest users and indirect interest (authoritative) users and coefficients of skewness, kurtosis for each disclosure item.

Homogeneity of Information Needs for Diverse Users

The focus on the issue of the homogeneity of information needs, the paper presents in Table 4 the correlation matrix for the weights assigned by the seven users to all surveyed disclosure items. Furthermore, significance tests were performed to survey results to explain the degree of the homogeneity of information needs.

TABLE (4) Correlation matrix for the weights assigned by samples of Saudi prime user groups to all surveyed disclosure items.

	Investors	Banks	Development funds	Firms management	Ministry of Commerce	Department of Income Tax & Zakat	General Auditing Bureau
	J = 1	2	3	4	5	6	7
Investors	1	0.386*	0.155	0	0.226	0.035	0.171
Banks		1	0.401**	0.289	0.323*	0.084	0.342*
Development funds			1	0.479**	0.406**	0.289	0.422**
Firms management				1	0.639	0.369*	0.475**
Ministry of Commerce					1	0.322*	0.418**
Department of Income Tax & Zakat						1	0.296
General Auditing Bureau							1

* Significant at .01 ** Significant at .001

The table shows generally low correlation coefficients among the information needs of prime users. Insignificant and low coefficients are obvious between the information needs of department of income tax, investors and the rest of user groups. To test the homogeneity of information needs in the universe an analysis of variance is performed.

The bottom of Table 3 showed the sample means of the seven ($j = 1, 2, \dots, 7$) user groups. Based on these means homogeneity of information needs is tested in Table 5 as follows:

$$H_0 : \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5 = \mu_6 = \mu_7 \quad (\theta_j = 0 \text{ for all } j \text{ samples})$$

$$H_a : \text{at least two of the universe means, are equal } (\theta_j \text{ are not all } = 0)$$

$$d.f._1 = 7-1 = 6 \quad d.f._2 = 6 + (7 \times 59) - 7 - 15 - 54 = 343 \quad \alpha = 5\%$$

TABLE (5) Two-way analysis of variance, homogeneity of disclosure needs for Saudi prime user groups.

Source of variation	Sum of squares	DF	Mean squares	F
Main Effects	48.149	15	3.210	8.891
User Groups	16.770	6	2.795	7.741
Disclosure Groups	31.379	9	3.487	9.657
2-way Interactions	38.285	54	0.709	1.964
User Groups Disclosure Groups	38.285	54	0.709	1.964
Explained	86.434	69	1.253	3.470
Residual	123.836	343	0.361	
Total	210.270	412	0.510	

Since the computed F for the source of variation between user groups (7.741) is greater than the computed F (6,343.05 = 2.12), the null hypothesis is rejected.

To focus on user group(s) that have significant different information needs, two-tail t-test procedures are performed for testing the significance of the difference between the means of each pair of user groups.

TABLE (6) Paired samples C-test statistics calculated between means of relative importance assigned by user groups to 59 disclosure items.

Prime user groups	Present and potential creditors		Firms' management	Ministry of Commerce	Department of Income ax and Zakat	General Auditing Bureau
	Banks	D. fund				
Present and potential Investors	0	1.67	1.05	0.23	2.64*	2.60*
Presnt & Potn. Creditors: Banks		1.94	1.21	0.23	2.66*	2.84*
Devlp. Fund			3.54*	2.40*	1.58	4.98*
Firms' Management				1.61	4.14*	1.90
Ministry of Com.					3.35*	3.21*
Dprtm. Incm. Tax						5.08*

* computed t-statistic greater than the tabulated t ($\alpha = 0.05$) = 2

Table (6) shows that there are significant differences for most t-statistics calculated between Department of Income Tax, the General Auditing Bureau and the rest of prime users. These test results suggest that special purpose reporting is required for satisfying the statutory functions of these users. Such a special purpose reporting should be based on the detailed final accounts (e.g. detailed trading, and profit and loss accounts) rather than the financial statements mandated by the general purpose disclosure standards. Moreover, this funding suggests that the first research hypothesis (homogeneity of information needs by diverse users) is rejected.

V. Evaluation of Achieving the General Purpose Information Needs for the Saudi Disclosure Standards: An Application of Data Expansion Approach

Statistical tests applied in section IV suggested that the general purpose disclosure items are relevant to the first five user groups: Investors (present and potential investors), Banks, Development Fund Institutions (present and potential creditors), Firms' Management and Ministry of Commerce. On the other hand, surveying the general purpose needs for prime user groups used the following weighting items scheme.

- 0 : it is not necessary for the item to be in the general purpose reports.
- 1 : the item is of a limited importance to user's objectives.
- 2 : the item is important to user's objectives.
- 3 : it is essential for the item to be in the general purpose reports.

In order to determine whether the surveyed disclosure items should be included in the Saudi disclosure standards for their enhancement, or not, the assigned weights by the FIVE proven general purpose groups can be summarized as follows:

- 0-1 : indicates that the importance of the item ranges from no to a limited importance.
- 2-3 : indicates that the importance of the item ranges from an important to an essential.

Accordingly, one can say that the criterion for choosing (or not choosing) the item to be included in disclosure standards - will be in the critical range from greater than 1 to less than 2. The latter range is attributed to the fact that if the computed mean is in this range, it indicates that the item has a weight greater than a limited importance but still less than important to the five general purpose user groups.

The bottom of Table 3 showed the sample means of all seven ($j = 1, 2, \dots, 7$) user groups. Based on the findings of the significance tests calculations in section IV, Table 3 also showed the computed average of the means for the first five user groups (after excluding the statutory users $j = 6$ and 7). This average (mean) of the means is usually used in ANOVA procedures and equals 1.87 in our case. The latter measure was selected as an objective criterion for choosing items of general purpose disclosure because it is based on the needs of the tested general purpose users and lies in the critical range.

Based on the research findings, the data expansion approach is applied to the surveyed items of general purpose disclosure according to the following criteria:

1. If the surveyed disclosure item has a mean based on the needs of the five user groups greater than or equal 1.87, the item should be included in the general purpose disclosure requirements.

2. If the surveyed disclosure item has a mean based on the needs of the five user groups less than 1.87, the item is of a limited or no importance to general purpose needs. Since the mid-point of the critical range is 1.5, it was selected to apply the following criteria:

- a - If the disclosure item has a mean in the range greater than 1.5 but less than 1.87 it is considered a marginal (M) item, i.e. it is not currently needed in the Saudi disclosure requirements but it is expected to be needed in the future with the increasing awareness of the recently developed disclosure standard requirements.

- b - If the disclosure item has a mean equal or less than 1.5, it is not necessary to be in the Saudi disclosure requirements currently or in the near future.

In this respect, section IV showed that the second disclosure item of the External Financial Reports category (2 Years Final Accounts) is relevant to special purpose reporting required by Department of income Tax and the General Auditing Bureau. Accordingly, the remaining 58 surveyed items associated with the general purpose

disclosure are presented in Table 7. For each item the Table shows its calculated mean for the five general purpose user groups, an evaluation to whether it is currently required in the Saudi disclosure standards (1 Required, 0 = Not Required), and the research evaluation of its need to the K.S.A. disclosure requirements based on the above criterion of data expansion approach (1 = Currently Required, M=marginal or currently not required but needed in the near future, 0 = Neither currently required nor in the near future).

TABLE (7) Fifty-eight surveyed items relevant to general disclosure: calculated importance means for the five user groups of general purpose reporting, their existence in Saudi standards, and the research evaluation of their disclosure needs.

Surveyed items relevant to general disclosure	Mean of five General purpose user groups	Saudi disclosure Standards ^(*)	Evaluation of item Needs ^(**)
Financial Statements			
1 Income Statement- 2 Years	2.65	1	1
2 Stmt of Financial Position-2 Yrs	2.65	1	1
3 Stmt of Retained Earnings-2 Yrs	2.45	1	1
4 Stmt of Sources & Apl. of Funds	2.72	1	1
5 Statement of Cash Flows- 2 Years	2.60	0	1
Analysis of Income Figure			
6 Income from Continuing Operations	2.69	1	1
7 Income from Discontin. Operations	2.30	1	1
8 Income before Extraordinary Items	2.02	1	1
Notes on Securities			
9 Number and Types of Shares	2.27	1	1
10 Share Market Price	1.62	0	M
11 Average Earnings per Share	1.57	0	M
12 Forecast of EPS	1.10	0	0
13 Dividend Policy	2.07	0	1
Notes on Operations and Sales			
14 Physical Levels of Output Products	1.83	0	M
15 Summary of Capacity Information	1.42	0	0
16 Sales Volumes by Product Lines	1.48	0	0
17 Sales Volumes by Major Customers	0.98	0	0
Financial Notes			
18 Tangible Assets & Accum. Deprctn.	2.30	1	1
19 Intangible Assets & Amortization	1.98	1	1
20 Allowances for Doubtful Accounts	2.48	0	1
21 Breakdown of Revenues by Products	1.82	0	M
22 Revenues of Foreign Operations	1.65	0	M
23 Gains/Losses of Foreign Operations	1.82	0	M
24 Breakdown of Expenses Var/Fixed	1.59	0	M
25 Research and Development Expenses	1.48	0	0
26 Maintenance and Repair Expenses	2.04	0	1
27 Income Tax and Zakat	2.04	1	1
28 Price Level Adjustments	1.12	0	0
29 Assets Current Cost	1.69	0	M
30 Current Capital Expenditures	2.23	1	1
31 Development Fund Loans	1.84	0	M
32 Government Subsidies	1.73	0	M
Notes on Accounting Policies and Methods			
33 Changes in Accounting Methods	2.02	1	1
34 Changes in Accounting Estimates	1.88	1	1

Surveyed items relevant to general disclosure	Mean of five General purpose user groups	Saudi disclosure Standards ^(*)	Evaluation of item Needs ^(**)
35 Subsidiary Investments & Actg Mthds.	1.83	1	M
36 Bases of Consolidated Statement	1.68	1	M
37 Previous Periods' Corrections	1.79	1	M
Notes on Inventory			
38 Inventory Accounting Methods	2.07	1	1
39 Cost of Goods Sold Methods	1.62	1	M
40 Breakdown of Inventory by Type	1.43	0	0
Notes on Manpower			
41 Recruiting Expenses	1.95	0	1
42 Pension Plans and Allowances	2.10	0	1
43 Monetary and Fringe Benefits	1.15	0	0
44 Numbers of National & Foreign Mnpw	1.85	0	M
Other General Notes			
45 Accounting Entity Changes	1.77	1	M
46 Enterprise Objectives	2.17	0	1
47 Information on Organizt. & Dirctrs.	1.45	0	0
48 Computer Utilization in the Firm	1.45	0	0
49 Macro Economic Factors Effects	1.53	0	M
50 Discussion of Marketing Activities	1.82	0	M
Notes on Forecasting			
51 Factors Affecting Next Year Oprtns.	1.63	0	M
52 Capital Expenditures for Next Year	1.59	0	M
53 Expected Losses (Contingencies)	1.89	1	1
54 Guarantees Against Contingencies	1.58	1	M
55 Expected Gains	1.69	0	M
56 Expected Obligations	1.70	1	M
57 Large Commitments	2.39	1	1
58 Disc. of Post Balance Sheet Events	1.55	1	M

*1 : Required by the Saudi standards.

0 : Not required by the Saudi standards.

**1 : Currently required based on the research survey (Mean \Rightarrow 1.87).

M : Marginal currently not required but needed in the near future (1.5 < Mean < 1.87).

0 : Neither currently required nor in the near future (Mean \leq 1.5).

Table (6) results can be summarized as follows:

1. The Saudi disclosure standards covered 25 items out of the above 58 surveyed items. These items can be classified into two groups:

a. Items covered by the Saudi disclosure standards and the research survey showed that the general purpose users need them:

- Financial Statements: (1) Income Statement, (2) Statement of Financial Position, (3) Statement of Retained Earnings, (4) Statement of Cash Flows.
- Analysis of Income Figure: (5) Income from Continuing Operations, (6) Income from Discontinuing Operations, (7) Income before Extraordinary Items.
- Notes of Securities: (8) Number and Types of Shares.
- Financial Notes: (9) Tangible Assets and Accumulated Depreciation, (10) Intangible Assets and Amortization, (11) Income Tax and Zakat, (12) Current Capital Expenditures.

- Notes on Accounting Policies and Methods: (13) Changes in Accounting Methods, (14) Changing in Accounting Estimates.
- Notes on Inventory: (15) Inventory Accounting Methods.
- Notes on Forecasting, (16) Expected Losses, (17) Large Commitments.

b. Items covered by the Saudi disclosure standards and the research survey indicated that the general purpose users might need them in the near future, with the increasing awareness of the recently developed disclosure standards:

- Notes on Accounting Policies and Methods: (1) Subsidiary Investments and their Accounting, (2) Bases of Consolidated Statements, (3) Previous Periods' Corrections.
- Notes on Inventory: (4) Cost of Goods Sold Methods.
- Other General Notes: (5) Accounting Entity Changes.
- Notes on Forecasting: (6) Guarantees Against Contingencies, (7) Expected Obligations, (8) Disclosure of Post Balance Sheet Events.

2. The Saudi disclosure standards did not cover 33 items of the above 58 surveyed items. These items can be classified into three groups:

a. Items not covered by the Saudi standards and the research survey showed that the general purpose users currently need them:

- Financial Statements: (1) Statement of Cash flows.
- Notes on Securities: (2) Dividend Policy.
- Financial Notes: (3) Allowances for Doubtful Accounts, (4) Maintenance and Repair Expenses.
- Notes on Manpower: (5) Recruiting Expenses, (6) Pension Plans and Allowances.
- Other General Notes!: (7) Enterprise Objectives.

These items are generally related to the current operations.

b. Items not covered by the Saudi standards and the research survey showed that the general purpose users might need them in the near future with the increasing awareness of the recently developed standards:

- Notes on Securities: (1) Share Market Price, (2) Average Earnings per Share.
- Notes on Operations and Sales: (3) Physical Levels of Output Products.
- Financial Notes: (4) Breakdown of Revenues by Products, (5) Revenues of Foreign Operations, (6) Gains/Losses of Foreign Operations, (7) Breakdown of Expenses Var/Fixed, (8) Assets Current Cost, (9) Development Fund Loans, (10) Government Subsidies.

- Notes on Manpower: (11) Numbers of National and Foreign Manpower.
- Other General Notes: (12) Macro Economic Factors Effects, (13) Discussion of Marketing Activities;
- Notes on Forecasting: (14) Factors Affecting Next Year Operations, (15) Capital Expenditures for the Next Year, (16) Expected Gains.

These items are generally related to advanced issues in accounting and there are no Saudi standards to regulate them. Furthermore, the above items' findings suggest that the second research hypothesis (sufficiency of Saudi disclosure standards to meet the information needs of diverse users) is rejected. Considering the situation of the above disclosure items in future Saudi mandates can enhance the general purpose reporting in K.S.A.

c. Items not covered by the Saudi standards and the research survey showed that the General purpose users do not need them currently or in the near future:

- Notes of Securities: (1) Forecast of Earnings per Share.
- Notes on Operations and Sales: (2) Summary of Capacity, (3) Sales Volumes by Product Lines, (4) Sales Volumes by Major Customers.
- Financial Notes: (5) Research and Development Expenses, (6) Price Level Adjustments.
- Notes on Inventory: (7) Breakdown of Inventory by Type.
- Notes on Manpower: (8) Monetary and Fringe Benefits.
- Other General Notes. (9) Information on Organization and Directors, (10) Computer Utilization in the Firm.

Most of the items in this group are related to internal matters inside the firm which might be of a very limited importance to Saudi general purpose users. Moreover, the limited role of the capital market in K.S.A. has degraded the weights of other items in this group as the disclosure of price level adjustments.

VI. Evaluation of the Application of the Saudi Disclosure Standards to Published Corporate Annual Reports

To test the third research hypothesis, this section presents a general evaluation of the compliance of published annual reports with the Saudi disclosure standards. The evaluation covers the contents of the financial statements that were publicly published during the first six months of 1988 (Saudi standards were effective in late 1985). Compliance evaluation is based on the following criteria:

- The Saudi disclosure standards required four financial statements (statement of financial position, income statement, statement of retained earnings, and statement of sources and application of funds) according to specified proforma. One point is assigned to the corporation for disclosing each of the standard statements.

■ One point is assigned to the corporation if it disclosed major notes to financial statements as specified by the standard provisions, half point is assigned if the corporation disclosed limited notes (notes less than specified by the standard provisions as shown in Exhibit 2), and a zero is assigned otherwise.

■ Based on the above criteria, 5 points are assigned to the corporation that applied all the disclosure provisions. Since some corporations disclosed additional statements to the major statements (balance sheet and income statement) as statement of operations, a half point is assigned for each additional statement disclosed provided that the corporation disclosed the two major statements mandated by the standards.

■ The evaluation calculated the overall percentages of meeting the standard mandates by Saudi economic sectors. Although the research can use the weights derived from the survey of the general purpose needs (section IV) to evaluate the detailed disclosure items, limitations on the paper sized forced the author to present an overall evaluation. This evaluation is more relevant to the Saudi Ministry of Commerce to recognize corporation(s), sector(s) and standard provision(s) that are not meeting its new accounting regulation objectives.

Table (8) shows the results of evaluating the application of the Saudi disclosure standards to the research sample of corporate annual reports (1986/87).

TABLE (8) General evaluation of the application of the Saudi disclosure standards to the research sample of corporate annual reports, 1986/87.

Sample corporations classified by (1) economics sectors	Paid-in capital		Saudi standard discl. mandates							Total points		
	(2)		Financial statements							Notes to Fin. stm.	Total	(Total/5) *100
	SR(000)	%	Binc Shet.	Inc- ome	Ret. Erng.	Sorc. Aplc	Others	Totl. pints				
Agricultural Sector (5 Corporations):												
National Ag. (NADEC)	399,974	5.8	1	1	1	1	-	4	1	5	100%	
Qaseem Agriculture.	222,710	1.1	1	1	-	1	-	3	1	4	80	
Hail Ag. Dv. (HADCO)	300,000	1.4	1	1	1	1	0.5	4.5	1	5.5	110	
Tabouk Agr. (TADCO)	200,000	0.9	1	1	1	1	0.5	4.5	1	5.5	110	
Saudi Fisheries	100,000	0.5	1	1	-	1	-	3	.5	3.5	70	
Total Agr. Sctr	1,222,685	5.8	5	5	3	5	1	19	4.5	23.5	94%	
Industrial Sector (8 Corporations):												
Saudi Basic Indus.	5,000,000	23.9	1	1	1	-	-	3	1	4	80	
Saudi Fertilizers	200,000	1.0	1	1	-	-	-	2	-	2	40	
Saudi Ceramic Co.	150,000	0.7	1	1	-	-	-	2	1	3	60	
Saudi Vegetable Oil	90,000	0.4	1	1	1	1	-	4	1	5	100	
National Industries	300,000	1.4	1	-	-	1	-	2	1	3	60	
Saudi Pharmaceutical	150,000	0.7	1	-	-	1	-	2	1	3	60	
National Gas & Inds	500,000	3.4	1	1	1	1	-	4	1	5	100	
National Gypsum Inc.	72,000	0.4	1	-	-	-	-	1	1	2	40	
Total Inds. Sctr	6,462,000	30.9	8	5	3	4	-	20	7	27	67.5%	
Cement Sector (2 Corporations):												
Yamamah Cement	885,000	4.2	1	-	-	-	-	1	1	2	40	
Southern Cement	70,000	0.4	1	-	-	1	-	2	1	3	60	
Total Cement Sctr	955,000	4.6	2	-	-	1	-	3	2	5	50%	
Electricity Sector (3 Corporations):												
SCECO (Central)	8,000,000	38.2	1	-	-	-	-	1	-	1	20	
Doma jundal Elec.	8,192	.04	1	-	-	-	-	1	-	1	20	

Tiema Region Elec.	1,440	.01	1	-	-	-	-	1	-	1	20
Total Elec. Sctr	8,009,632	38.3	3	-	-	-	-	3	-	3	20%
Services Sector (5 Corporations):											
Saudi Hotels & Rst.	500	0.01	1	1	1	1	-	4	1	5	100%
Saudi Real Estate	600,000	2.9	1	1	-	-	-	2	-	2	40
National Shipping	1,250,000	6.0	1	1	1	1	-	4	1	5	100
Livestock Trade	309,223	1.5	1	1	1	1	-	4	1	5	100
Saudi public Trns	1,000,000	4.8	1	1	-	1	-	3	1	4	80
Total Srv. Sctr	3,159,723	15.2	5	5	3	4	-	17	4	21	84%
Others (3 Corporations):											
Arab Drilling Co.	20,000	0.1	1	-	-	-	-	1	-	1	20
Arab Oil & Mrt Const	500	0.01	1	1	1	-	-	3	-	3	60
Dar El-Mal Islami	1,061,572	5.1	1	1	1	1	-	4	1	5	100
Total Others	1,082,072	5.2	3	2	2	1	-	8	1	9	60%
Grand Total	20,891,111	100%	26	17	11	15	1	70	18.5	88.5	68.1%
Overall Percentages (%) of Applying the Standard Mandates All Sample Corporations ^(***)			100	65.4	42.3	57.7			71.1		68.1%

(1) Based on the Saudi Arabian Monetary Agency (SAMA) Classifications.

(2) Current exchange rate in US\$ 1.0 = SR 3.75.

* Percentage of applying standard mandates in each sector = [Total sector points / (Number of sector corporations × 5)] × 100. Five represents 4 points assigned to standard statements and 1 point assigned to standard notes to financial statements.

** Overall percentage = (total points of each column / 26 or the maximum possible points per column) × 100.

Table (8) shows the following summary results:

■ Sixty-eight (68.1%) percent of disclosure mandates are achieved in the published annual reports of all sample corporations. This percentage ranged from a minimum of 20% in electricity sector to a maximum of 94% in the agricultural sector. Nine firms (34.6%) only applied all the standard mandates and some of them disclosed additional financial statements.

■ Forty-two (42.3%) percent of the sample corporations disclosed the standard statement of retained earnings, (57.7%) of the sample corporations disclosed the standard statement of sources and uses of fund and (65.4%) of the sample corporations disclosed the standard statement of income.

■ Seven corporations in the sample (26.9%) did not disclose any notes to financial statements.

Based on these findings the third research hypothesis is rejected, i.e. not all the Saudi corporations are complying with the Ministry of Commerce disclosure mandates.

Conclusion

Since the proposition of the homogeneity of information needs for diverse financial statement users has not been tested in the United States and in the Arab World; this paper provided an empirical investigation on the characteristics of information needs by prime user groups in the K.S.A.

The paper tested three research hypotheses given that the K.S.A. issued standard of accounting regulation three years ago. Significant tests suggested that both hypotheses of homogeneity of information needs for diverse users of financial statements and the sufficiency of the Saudi disclosure standards to meet user needs-are rejected. Data expansion approach was applied to the survey results in order to determine relevant measures to enhance the K.S.A. disclosure standard-setting. Moreover, comparing disclosures provisions to published annual reports showed that not all the Saudi corporations were complying with the Ministry of Commerce disclosure mandates.

Based on the empirical findings, the research recommends the followings:

- Special purpose reporting is required to statutory prime user groups.
- The Saudi disclosure standards should include mandates for statements of cash flows, dividend policy, allowance for doubtful accounts, maintenance and repair expenses, pension plans and their allowances, and expenses of recruiting and training manpower.
- The Ministry of Commerce should urge the Saudi public accounting firms to report on applying all disclosure mandates. Special emphasis should be given to disclosing major categories of income as mandated by the disclosure standards.
- The Ministry of Commerce should take all necessary measures to complete its current project of developing the rest of the Saudi financial accounting standards. All standards should be mandatory.

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Appendix

Coefficients of skewness, kurtosis, and descending ranks for weights assigned by user groups of financial reporting to 59 surveyed items of the general purpose disclosure-K.S.A., 1988.

Surveyed items of general purpose disclosure	Coef. of skewness	Coef. of kurtosis	range	Investors	Descending rank for each user group					
					Creditors		Firm's mgmt	Ministry of commerce	Deprt. Income Tax & Zakat	Gnr. Audit Buru.
					Banks	D. Fund				
I. External Financial Reports (1/1-1/6)										
Income Statements-2 Yrs	-.61	-0.22	1	11.5	3.5	7	8	13	20.5	5.5
Final Accounts-2 Yrs	.04	-2.19	.67	11.5	3.5	7	14.5	13	6	5.5
St. Fin. Position- 2 Yrs	-2.0	4.44	2	11.5	3.5	7	8	13	38.5	5.5
St. Retained Earnings	-1.1	0.81	2	2	13	49	8	1	20.5	37.5
St. Sourc. & Apl. Funds	-1.2	0.01	2	11.5	3.5	7	8	3.5	38.5	50.5
Statmt. of Cash Flows	-1.4	1.98	3	2	3.5	7	31	13	53.5	50.5
II. Analysis of Income Figure (2/1-2/3)										
Inc. Frm. Cont. Operts.	-.15	-2.14	.5	11.5	13	2	8	3.5	6	5.5
Inc. Frm Disc. Operts.	.05	-2.15	.67	29	26.5	7	14.5	13	20.5	19
Inc. Bfr Extrord Itms	-1.0	0.49	3	29	26.5	49	8	13	53.5	5.5
III. Notes on Securities (3/1-3/5)										
No. & Type of Shares	-1.1	2.04	2	11.5	26.5	21	14.5	13	38.5	5.5
Share Market Price	-.65	0.51	2.5	29	13	49	52	52	53.5	37.5
Avr. Earng. per Share	-.45	-1.64	2	29	26.5	56.5	44	39.4	53.5	59
Forecast of EPS	-.29	-0.35	2	29	41	59	58	59	53.5	56
Dividend Policy	-1.3	2.08	2	11.5	13	49	31	13	6	5.5
IV. Notes on Operations and Sales (4/1-4/4)										
Physcl Levl of Outpt	0.07	-0.89	15	52	26.5	27.5	14.5	26	38.5	50.5
Capacity Information	-.09	-1.78	1	52	53	37.5	38	26	20.5	50.5
Sales by Product Lins	-1.3	1.81	.2	52	41	21	52	39.5	53.5	37.5
Sales by Customers	1.8	3.90	1.5	52	58.5	56.5	59	26	38.5	56
V. Financial Notes (5/1-5/15)										
Tngbl Asets & Acc Dep	-.88	-0.40	1.5	29	41	14.5	2.5	3.5	6	5.5
Intngbl Asets & Amrtz	1.75	3.98	1.3	29	26.5	27.5	22.5	26	20.5	5.5
Alownc Doubtful Acnts	0.08	-1.8	1	29	13	2	22.5	3.5	20.5	5.5
Reven by Product Lins	-.07	-0.04	1.8	11.5	26.5	37.5	52	26	6	19
Reven of Foreign Oprt	-1.3	2.98	2.5	29	41	37.5	38	39.5	53.5	19
Gains/Loss Forgn Oprt	-.75	0.96	1.5	52	13	27.5	22.5	39.5	20.5	37.5
Brekdown Expn Var/Fxd	1.34	0.22	1.8	11.5	41	37.5	52	52	6	50.5
Research & Devel. Exp.	-.01	-0.84	2	11.5	58.5	49	38	39.5	38.5	37.5
Mainten. & Repar Exp.	-.85	-0.66	1.5	29	13	37.5	31	13	38.5	19
Income Tax and Zakat	0.21	-0.50	1.7	29	41	37.5	2.5	13	20.5	19
Price Level Adjustmt	-.31	0.28	2	52	53	56.5	52	39.5	53.5	37.5
Assets Current Cost	-.24	-2.02	1.5	52	13	37.5	22.5	52	20.5	19
Curent Cptl Expendtrs	0.01	-1.47	1.3	11.5	26.5	2	31	39.5	6	19
Development Fund Loans	0.76	-0.42	2	52	41	14.5	2.5	52	38.5	37.5
Government Subsidies	-1.6	3.28	2	59	13	27.5	31	26	20.5	19
VI. Notes on Accounting Policies and Methods (6/1 - 6/5)										
Changes in Ac. Methods	-1.1	2.32	.84	42	26.5	14.5	22.5	26	20.5	37.5
Changes in Ac. Estimts	-.73	0.20	.75	42	26.5	21	22.5	39.5	20.5	37.5
Subsdrs Invst Accontg	-.47	0.73	1.5	42	26.5	21	31	39.5	38.5	19
Bases of Conslid Stmt	-.01	-1.45	1.5	52	41	27.5	22.5	26	38.5	19
Previs Perids Corects	-1.0	-1.05	1.3	52	53	14.5	22.5	13	20.5	37.5

Surveyed items of general purpose disclosure	Coef. of skewness	Coef. of kurtosis	range	Investors	Descending rank for each user group					
					Creditors		Firm's mgmt	Ministry of commerce	Deprt. Income Tax & Zakat	Gnr. Audit Buru.
					Banks	D. Fund				
VII. Notes on Inventory (7/1 - 7/3)										
Inv. Accounting. Methods	-0.9	-1.62	1.5	42	41	21	2.5	13	6	19
Cost of Goods Sold Meds	-0.8	-2.40	1.8	52	53	49	8	13	20.5	19
Inventory by Type	0.96	-0.60	1.5	52	53	49	14.5	39.5	38.5	37.5
VIII. Notes on Manpower (8/1 - 8/4)										
Recruiting Expenses	0.80	1.03	1.5	29	41	14.5	22.5	39.5	6	37.5
Pension Plns & Alwncs	0.88	0.71	1.3	29	26.5	27.5	14.5	13	6	37.5
Monetary & Frng Bnfts	1.35	1.22	2	52	53	49	38	57.5	6	37.5
National & Frng Mnpr	0.70	0.53	1.2	29	13	27.5	38	52	20.5	50.5
IX. Other General Notes (9/1 - 9/6)										
Acctng Entity Changes	1.15	2.28	2.5	42	13	27.5	44	39.5	53.5	19
Enterprise Objectives	-2.3	5.52	2.5	29	13	14.5	31	26	53.5	19
Organization & Dirctrs	-0.2	-1.33	0.7	42	41	37.5	52	39.5	38.5	56
Computer Uses in Firm	-0.72	0.88	2	29	41	49	38	57.5	53.5	56
Macro Econ Fctrs Efect	-0.7	-0.89	1.3	29	41	56.5	44	26	20.5	56
Marketing Activities	-0.09	-0.22	1.5	11.5	41	37.5	38	26	38.5	37.5
X. Notes on Forecasting (10/1-10/8)										
Factrs Afectng Next Yr	0.18	0.88	3	2	53	49	44	39.5	53.5	37.5
Capital Expndr Next Yr	0.96	-0.96	1.5	11.5	41	37.5	52	52	38.5	19
Expt Loss (Contngcs)	0.47	-1.97	2	11.5	3.5	37.5	52	52	38.5	19
Gurnts Agnst Contngcs	-1.1	-0.60	1	29	26.5	49	52	39.5	20.5	37.5
Expected Gains	0.48	-1.87	1.5	11.5	26.5	37.5	52	52	38.5	19
Expected Obligations	0.61	-0.44	2.7	29	53	7	44	52	38.5	37.5
Large Commitments	-0.48	-1.31	0.5	11.5	13	14.5	22.5	13	20.5	37.5
Post Blnce Shet Evnts	0.51	-0.89	1.3	42	53	14.5	52	39.5	38.5	37.5
First Rank (Order) Assigned ^(*)				2	3.5	2	2.5	1	6	5.5
Last Rank (Order) Assigned				59	58.5	59	59	59	53.5	59
Number of Ranks (Orders) Assigned				6	6	9	10	8	4	6

(*) Ties are broken by averaging the ranks that would have occurred had there been no ties, and the mean values are assigned as the ranks for the tied items.

اختبار تجريبي لتجانس احتياجات قطاعات مستخدمي القوائم المالية للمعلومات المحاسبية: دراسة لتطبيق منهج التوسع في البيانات المحاسبية المعروضة في القوائم المالية لزيادة فعالية معيار العرض والإفصاح العام بالملكة العربية السعودية

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معهد الإدارة العامة - الرياض - المملكة العربية السعودية

المستخلص: يعني هذا البحث بإجراء دراسة اختبارية لتجانس احتياجات مستخدمي القوائم المالية في المملكة بشأن المعلومات المحاسبية. وقد استخدمت نتائج البحث مع منهج "التوسع في البيانات المحاسبية" في بيان سبل تطوير معيار العرض والإفصاح العام الذي أصدرته وزارة التجارة بالقرار رقم ٦٩٢ بتاريخ ١٤٠٦/٢/٢٨هـ.

ويشمل البحث الأقسام التالية:

- القطاعات المستخدمة للقوائم المالية ذات الغرض العام والمعلومات اللازمة لها.
- تقييم نتائج الدراسات السابقة وتبين منها عدم وجود أبحاث سابقة تناولت قياس الاحتياجات الفعلية للمستخدمين.
- صياغة فرضيات البحث (١) تجانس متطلبات مستخدمي التقارير المالية بشأن المعلومات المحاسبية (٢) كفاية اشتراطات معيار العرض والإفصاح العام للوفاء باحتياجات المستخدمين (٣) التزام القوائم المالية للشركات المساهمة السعودية الصادرة عقب ١٤٠٦هـ باشتراطات المعيار. وشمل هذا القسم أيضاً تصميم قائمة الاستقصاء لتجميع البيانات الميدانية لتصميم عينة البحث بشأن قطاعات المستخدمين والشركات المساهمة والاختبارات الإحصائية لتحليل التباين.
- نتائج الاختبارات الإحصائية لتحليل التباين ومعنوية معاملات الارتباط بين متطلبات المستخدمين من المعلومات المحاسبية.
- تطبيق منهج "التوسع في البيانات المحاسبية" على نتائج الدراسة الميدانية لدعم العرض والإفصاح العام بالملكة.
- تقييم مدى التزام الشركات المساهمة بمتطلبات معيار العرض والإفصاح العام. النتائج والتوصيات.
- وجود فرق معنوي بين متطلبات المستخدمين الحكوميين وباقي قطاعات المستخدمين.
- عدم كفاية المتطلبات الحالية للمعيار للوفاء بكافة الاحتياجات، واقتراح البحث الإضافات الواجبة على المعيار.
- لا تلتزم التقارير المالية للشركات المساهمة بمتطلبات المعيار.
- يوصي البحث بأن تستكمل وزارة التجارة بناء معايير المزاوالات المحاسبية وإصدارها بصفة إلزامية، مع مطالبة المحاسبين القانونيين بالتقرير عن مدى التزام تقارير الشركات بمتطلبات المعيار.