The usefulness of accounting information: evidence from the Egyptian market.

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1. Introduction

This study contributes to the current literature by investigating financial analysts' ratings of accounting information and different types of disclosure in the context of an emerging capital market. The importance of this study arises from the key role played by the Egyptian market. The Egyptian equity market capitalization was $ 26.1 billion in 2002. It was the second largest market in the Middle East and North African region in terms of absolute size after the Saudi Arabia market (ROSC, 2004).

Egypt is an emerging capital market which applies IAS, but where divergence from full compliance with mandatory disclosure is the norm and voluntary disclosure is limited (Hassan et al., 2006). Potential explanations for this non-compliance are: unfamiliarity with IAS and language barriers (Abd-Elsalam and Weetman, 2003); the deep-rooted tendency towards secrecy in the Egyptian culture (Dahawy et al., 2002); and the lack of an effective enforcement policy for non-compliant companies (ROSC, 2002). Dahawy and Conover (2007) argue that although mandatory disclosure requirements in the Egyptian market are comprehensive and detailed, they are based on IAS rather than the users' information needs. This might also explain the divergence from full compliance with mandatory disclosure in the Egyptian context. In addition, Ragab and Omran (2006) find that accounting information is value-relevant in the Egyptian market compared to more mature markets, which (in their opinion) might indicate that other sources of information are less common in the Egyptian context; such as earnings forecasts, firm research by financial analysts, and management conference calls.

The purpose of the current study is to investigate whether financial analysts in Egypt view accounting information (whether disclosed or not) in corporate annual reports as valuable for investment decision-making, and whether they value different types of information differently. Although this issue is examined via a questionnaire instrument, the

analysis employs mainly descriptive statistics to form an impression of how the respondents rated different items of information; a detailed quantitative analysis of the responses was not conducted because the sample size did not permit such an examination and because the authors were more interested in a qualitative investigation of an issue which has not been studied within the Egyptian context previously. The findings suggest that the perceived importance of different types of information is subject to market development in terms of how rich the information environment is and how effective any disclosure policies are.

The remainder of this paper is organised as follows. A review of prior studies from both developed and emerging markets is provided in Section 2. The research method which involves a questionnaire is outlined in Section 3. Section 4 provides a discussion of the results from the questionnaire. Finally, the research conclusions and suggestions for future work are presented in Section 5.

2. Literature review

The current study examines financial analysts' preference for information in the context of an emerging capital market. Financial analysts' views and usage of information are of particular interest perhaps because other user groups such as individual investors and fund managers depend either directly or indirectly on their advice for investment decision-making (Dhaliwal, 1980; Dimson and March, 1984). Traditionally, financial analysts have tended to attach a great level of importance to historical accounting data (Benjamin and Stanga, 1977; Buzby, 1974, 1975; Chandra, 1974; Firth, 1979; Chang and Most, 1985). Non- financial information on the other hand has typically only received limited attention from the financial analyst community (Previts et al., 1994; Rogers and Grant, 1997). Over time, the use of non-financial information has increased (e.g., Nielsen, 2005; García-Meca and Martínez, 2007) in response to several changes in the business environment such as rapid developments in

information technology, globalisation and the emergence of new businesses with a sizeable proportion of intangible assets.

Although conventional accounting information implicitly includes some forecasts about the future, for example, estimating the expected economic life of non-current assets when accounting for depreciation, research suggests that more explicit forecasts about firms' prospects are needed. Reports from the Association for Investment Management and Research (AIMR, 1993) and the American Institute of Certified Public Accountants (AICPA, 1994) have suggested that users need more information of a strategic, forward-looking and non-financial nature to aid their evaluations of company performance. In addition, prior studies conducted mainly in developed markets, where lots of information is published and disclosure policies are effective, emphasize the importance of strategic and forward-looking information (both financial and non-financial) for decision making (see for example, Beattie and Pratt, 2002; Hussainey et al., 2003; Orens and Lybaert, 2007). They highlight limitations of information included in the financial statements; a lack of timeliness, (some) inaccuracy, and a limited ability to convey details about the prospects and risks facing the firm (García-Meca and Martínez, 2007). Forward-looking data as such does not replace the historical financial information provided in corporate annual reports but tends to be seen as complimentary when analysts attempt to predict share prices as it gives more insights about future corporate performance.

Whether or not financial analysts really use forward-looking strategic information in company valuations is an issue that has been investigated in the substantive literature. For example, García-Meca's (2005) and Orens and Lybaert (2007) studied corporate disclosure of voluntary non-financial information and financial analysts' use of this information. Results suggest that financial analysts use less non-financial information in their reports than that published by companies. In addition, whether or not forward-looking information is value

relevant is still an issue. For example Orens and Lybaert's (2007) examined the association between (i) financial analysts' forecast accuracy and (ii) financial analysts' use of forward-looking information. Financial analysts' use of forward-looking information was measured via a content analysis of their reports and via a questionnaire. The results showed a positive association between financial analysts' forecast accuracy and financial analysts' use of forward-looking information obtained from the survey. By contrast, the content analysis of analyst reports showed no significant relationship with analysts' forecast accuracy. In addition, prior studies (see for example, Botosan, 1997; Richardson and Welker, 2001) indicate that analysts tend to give more weight to quantitative information compared to non-quantitative information, because it is generally seen as more precise and more useful (Botosan, 1997).

For the purpose of the current study, accounting information (both provided and not currently included) in the corporate annual reports of Egyptian companies is examined to see if it is a useful input for investment decision making. This usage could be particularly important within the context of a developing capital market where secrecy is the norm (Dahawy et al., 2002). For example, in Egypt, companies tend to view information as a private asset owned by the firm; hence, the voluntary disclosure of information is rare and compliance with mandatory disclosure is often problematic. In this context, market participants might value the mandatory information available; they might focus on historical quantitative financial information.

Prior studies on financial analysts' need for and use of information can be classified into two strands based on the research methodology employed. The first strand of research uses interviews and questionnaires (see for example, Bartlett and Chandler, 1997; Chang and Most, 1985; Chandra, 1974; Lee and Tweedie, 1975). The second strand of research performs a content analysis on the reports produced by analysts (see for example, Pervits et al., 1994;

Rogers and Grant, 1997; Breton and Taffler, 2001; Garcı´a-Meca, 2005) to uncover the frequency with which certain items of information are mentioned.

It is the first of these two strands that is relevant for the current study. Within this strand, studies employ interviews or questionnaires in order to investigate different issues: such as the views of a user group (or user groups) in relation to a set of information (see for example, Coleman and Eccles, 1997; Beattie and Pratt, 2002); the appraisal methods employed by financial analysts in valuing ordinary equities (see for example, Arnold and Moizer, 1984; Barker, 1998; Carsberg and Dey, 1984; Lee and Tweedie, 1975; Pike et al., 1993) and corporate disclosure practice (Buzby, 1975; and Firth, 1979; Choi, 1973; Chow and Wong-Boren, 1987; and Naser and Nuseibeh, 2003). Studies examining the appraisal methods employed in share valuations have investigated how investors use financial statement information in developed markets such as the UK (Arnold and Moizer, 1984; Barker, 1998; Carsberg and Dey, 1984; Lee and Tweedie, 1975; Pike et al., 1993) and the US (Arnold et al., 1984; Belkaoui, et al., 1977). One of the main conclusions of these studies is that financial analysts pay a great deal of attention to the income statement and balance sheet figures when valuing ordinary shares with priority given to income statement figures. This finding is not unique to developed capital markets, since studies on emerging capital markets in Saudi Arabia (Al-Abdulqadar et al., 2007), China (Wang et al., 2007), Nigeria (Tijjani et al., 2009) and Central and Eastern Europe (Middleton et al., 2007) have reached similar conclusions.

One of the survey studies which is relevant to the current research was conducted by Coleman and Eccles (1997). They investigated the views of a sample of 209 financial analysts and investors regarding the value of 21 different financial and non-financial performance measures. They conducted face-to face interviews with 102 investors and telephone interviews with 107 financial analysts. Participants' perceptions about whether

British companies disclosed performance measures were also ascertained. The results indicated that financial analysts had a greater need for information than their investor counterparts. However, financial analysts and investors found some financial measures (e.g. earnings and cash flow) to be especially valuable when arriving at decisions. Both financial analysts and investors had little interest in certain non-financial measures such as employee satisfaction information and employee turnover rates. The results also highlighted some differences between financial analysts and investors in the perceived importance of various measures of corporate performance especially non-financial measures. Within the investor group, non-financial performance measures were not regarded as particularly useful.

Recently, Beattie and Pratt (2002) investigated the views of 538 different user groups in the UK; expert users, private shareholders, finance directors and audit partners were surveyed in relation to a set of 130 items of information categorised into eleven groups. The results showed similar views across the four user groups in terms of the ranking of items of information according to their usefulness for investment decision-making. Their results also indicated that financial information was ranked first followed by objective and strategic management information. Employee value drivers and environmental, social, and community items were ranked very low.

Content analysis studies (see for example, Pervits et al., 1994; Rogers and Grant, 1997; Breton and Taffler, 2001; Garcı´a-Meca, 2005) that investigate financial analysts' use of information generally argue that this approach compliments the findings of investigations that employ the interview /questionnaire method because it investigates financial analysts actual usage of information (Dhaliwal, 1980)). However, the extent to which financial analysts use information in their reports could be driven by other factors. For example, García-Meca and Martínez (2007) found that financial analysts provided more information in their reports on profitable firms and firms with high growth opportunities. In addition, using the content

analysis technique does not allow researchers to uncover details about the value or the sort of information that financial analysts use but do not report on. For example, Orens and Lybaert (2007) compared financial analysts' views about a set of voluntary non-financial information obtained via a survey with their actual use of the same set of information via a content analysis of their reports. Their findings indicated that financial analysts did employ some of this information, even though they did not discuss it in their report. Also a content analysis of financial analysts' reports does not allow us to find out about the sort of information that analysts need but which is not available (Previts et al., 1994). Using an interview /questionnaire approach might provide us with more detailed views about the importance of different items of information for shares valuation process. For this reason, the questionnaire approach is adopted in the current study.

3. Methods

In order to investigate financial analysts' perceptions regarding accounting information, a list of items of information was constructed. This list of items of information was drawn from the Guidelines Manuals published in 2002 by the Capital Market Authority in Egypt (CMA) on its website[1], it constitutes the mandatory disclosure that is required in Egypt. The reason for including mandatory disclosure in our list is to check whether financial analysts find the current information requirements useful, since these items are based on IAS rather than users' views. In addition, a careful review of the disclosure literature was undertaken to select items of information (not included in the checklist of the CMA) that Egyptian companies might disclose voluntarily. The checklist used by the Center for

[1]It informs companies issuing financial securities and their auditors of the procedures followed by the CMA when ensuring that companies have complied with disclosure and transparency requirements according to Egyptian Accounting Standards (IAS).

International Financial Analysis and Research (CIFAR) (1995) to evaluate corporate disclosure levels for leading non-financial companies in a number of emerging and developed countries was thought to be a reasonable starting point for the voluntary list. It included not only some fundamental information that sometimes overlapped with that mandated by the CMA but also other voluntary disclosure items.

This process led to the inclusion of 115 items of information in the initial list: 71 items from the CMA checklist and 44 items from the CIFAR checklist. This list of items was grouped under seven categories[2]: general information; income statement information; balance sheet information; cash flow statement information; details about accounting policies; shareholders' information and supplementary information.

The list of items was sent out to a sample of Egyptian analysts in order to ascertain their views regarding the usefulness of these items of information. Specially, they were asked to indicate their views about the usefulness of these items of information when making an investment in ordinary shares. An unbalanced five-point scale[3] was employed for this purpose, ranging from one (not useful) to five (very useful). In addition, the respondents were asked to order seven different categories of information[4] according to their relative importance; thus respondents had to rank these categories from one (the most important) to seven (the least important) allowing the relative usefulness of these items to be determined.

A postal questionnaire was used as the research instrument, despite of its limitations (e.g., its low response rate), because it was thought to be efficient in terms of time and cost

2 This categorising is derived from the CIFAR with one exception where we replaced the funds statements by the cash flow statements.

3 Both words and numbers were used in this five-point scale to avoid the weakness of using one rather than the other of these approaches (Gillham, 2000). We decided to put the negative end (not useful) of the scale first for the content question in this questionnaire, although deciding which end of the scale should be placed first is considered to be less important for a postal questionnaire than for face-to-face interviews (Fink, 1995).

4 The seven categories of information are: general information, income statement, balance sheet, funds flow statement, accounting policies, shareholders' information and supplementary information.

when contacting a large number of professional investors in Egypt. The sample consisted of 200 brokers and investment analysts in banks and insurance companies within Egypt. This sample was drawn from the brokers' directory obtained from the CMA, the insurance sector directory and the banks directory.

The questionnaire contained three sections[5]. The first section included a covering note and a set of instructions. The second section dealt with the usefulness of financial statement information. The final section sought additional details about the user: the nature of their employment, their level of education and their years of experience. Closed-end questions were mainly employed because they were considered to be easier to answer, code and analyze, thereby saving time for both the researcher and the respondents (see, for example, Gillham, 2000; Frazer and Lawley, 2000; Bourque and Fielder, 1995). Moreover, closed-end questions were thought to be more efficient and reliable than their open-ended counterparts when questionnaires are mailed to the respondents (Fink, 1995; Bourque and Fielder, 1995). However, as 15 of the questionnaires were collected by one of the authors in person, she was able to conduct follow-up interviews. Specially, she asked for any additional information that a financial analyst might find useful but which was not included in the questionnaire. The answer to the question was normally no. The only feedback regarding the items of information included in the questionnaire from one of the respondents was that the cash flow statement information was incomprehensible; hence he did not use it for stock valuation purposes.

The questionnaire was pilot tested on thirteen people and feedback was used to revise and improve the research instrument before it was posted. Reminders were sent after 21 days to those who did not return the original copy of the questionnaire. A second request together

5 A copy of the questionnaire is available from the authors upon request.

with another copy of the questionnaire was sent after a further 21 days in order to maximise the response rate.

4. Analysis and results

A total of 23 responses out of 200 were received (Table 1), giving a response rate of 11.5%. This low response rate was disappointing but not atypical of questionnaires in the finance area (Collier and Wallace, 1992). The replies were tested for non-response bias to see if the results obtained from the questionnaire were representative of the whole sample. The results[6] indicate the absence of a material non-response bias; hence, chance alone was a reasonable explanation for any difference in the scoring of items of information between early and late responders.

<insert table 1 about here>

The 23 responses were classified according to the respondent's level of education and experience in order to explore whether either of these characteristics affected their rating of the relative usefulness of the items of information included in the questionnaire. According to the data obtained from the questionnaire, respondents were classified into two main groups: those with a University level (15 respondents) or a postgraduate level of education (7 respondents). The range of experience among respondents differed from 0 to 15 years. The respondents were therefore classified into two groups according to the median years of experience (5.5 years): less than or equal to 5.5 years of experience (13 respondents), and more than 5.5 years of experience (10 respondents). We then examined whether respondents attached different ratings to different items of information according to their level of

[6] Full results of this non-response bias test are available from the authors upon request.

education or experience. We found that there was no significant difference in the usefulness of items of information among respondents according to their level of education. In addition, we discovered that there was no significant difference in the rating attached to different items of information among respondents according to their level of experience. Therefore, we excluded these two variables as reasonable explanations of the differences between the groups' scores.

The descriptive analysis of the data collected from the questionnaire shows that 46 out of 115 items of information included in the questionnaire were found to be useful or very useful (they were awarded a mean rating of at least 4 out of 5). Table 2 shows items of information that have been awarded a mean of more than 4 sorted in a descending order. Table 3 shows items of information that have been awarded a mean of less than 3.5 sorted in an ascending order.

<insert table 2 about here>

From Tables 2 and 3 we can extract the top and bottom ten items of information in terms of mean scores awarded for their usefulness in investment decision-making. The top ten items (extracted from Table 2) in terms of the highest mean awarded (4.5 or higher) for their usefulness are: operating income, dividends per share, net income, comparative financial statements, purpose of the company's activity, earnings per share, total dividends, sales revenue, number of issued shares and par value per share and statement of earnings distribution respectively. These results indicate that financial analysts rated historical financial statement information relating to earnings and dividends as the most useful items. This result is consistent with Coleman and Eccles' (1997) findings where they discovered that earnings data were of most interest to investors. This result is also consistent with a finding cited in Abd-Elsalam (1999: 37) where "in one of the very few empirical studies on

Egyptian investors, it was suggested that they (respondents) are more interested in the profit figure than any of the other ratios". In addition, our results support Ragab and Omran's (2006) findings that earnings information in particular is value-relevant in the Egyptian market.

<insert table 3 about here>

The ten least important items of information in terms of the lowest means (3.13 or lower) were: pension costs, outside manager of pension funds, reasons for extraordinary items, contingent liabilities, geographical segment data, acquisition method used, remuneration of directors and officers, number of employees, and cash flow representing increase in operating capacity disclosed separately from that representing maintenance of current operating capacity[7]. These results highlight the low levels of interest among the financial analyst community in information about pension details perhaps because this item was not disclosed in Egypt at the time of the survey. However, the low interest shown for other items which are currently included in the Egyptian financial statements might indicate that financial analysts are not interested in details such as geographical segment data and minority interest information. Alternatively, such information may have been available to financial analysts on an informal basis via contacts with the company, so that the analysts might have been less interested in seeing details about these items disclosed in the annual report.

By contrast, the lowest standard deviation values were awarded to the following items: operating income, purpose of the company's activity, and dividends per share respectively, which might reflect consistency among financial analysts' perceptions regarding the

[7] It is worth noting that minority interest and the treatment of intangible assets have been awarded a mean of 3.13 as well.

usefulness of these items of information. These results suggest that investors in Egypt paid a great deal of attention to income and dividend figures when making investment decisions. This finding is supported by an analysis of the ranking of the categories of information according to their relative importance in decision-making (Table 4).

<insert table 4 about here>

The income statement was ranked first (the lowest mean) followed by the balance sheet and the cash flow statement. These findings are consistent with results obtained in Arnold et al. (1984) where the income statement and balance sheet were found to be the most important sources of information for UK and US analysts when valuing shares based on company fundamentals. The last four categories of information (in terms of highest mean) were: supplementary information, general information, accounting policies and shareholders information respectively.

The highest standard deviation reported for individual items of information (about 1.5) was for the list of board members. This result reflects inconsistency among financial analysts regarding the importance of such information in Egypt. Further, inconsistency among financial analysts regarding the importance of another eight items of information was reported where the standard deviation was about 1.4; acquisition method; earnings per share numerator; a physical count and valuation of inventory; number of employees; business segment; outside manager of pension funds; events after the balance sheet date; the policy used for determination of cash and cash equivalents.

We also looked at the results in terms of the importance of different types of information: mandatory vs. voluntary information; historical vs. forward-looking information and quantitative vs. non-quantitative information. An analysis for the mean score awarded to each type of information and standard deviation information is reported in Table 5. An

inspection of this table reveals that financial analysts tended to value mandatory disclosure slightly more than voluntary disclosure in terms of mean score awarded to mandatory information. This could be due to the fact that voluntary disclosure in the Egyptian context is limited (Hassan et al., 2006). Financial analysts also tended to value historical information slightly more than forward-looking information; the mean score for the former category was 3.84 while the average score for the latter category was 3.71. This small difference could be explained by the dearth of forward-looking information in Egypt. This result is consistent with prior studies; for example Firth (1979: 275) found that historical accounting information tended to receive fairly high scores when users were asked to rank information according to the importance that they attached to it. Firth (1979) also discovered that forecasts of the future (forward-looking information) received moderate to important scores, suggesting that financial analysts were in some doubt about the accuracy of such forecasts. In addition, consistent with prior studies (see for example, Botosan, 1997; Richardson and Welker, 2001) financial analysts in Egypt tended to give more weight to quantitative information (mean score 3.94) compared to non-quantitative information (average score 3.66), presumably because it is seen as less ambiguous.

<Insert Table 5 about here>

The results were then analyzed in terms of the most and least useful items of information according to each type of disclosure individually. When the results are analyzed in terms of the most and least useful items of historical information, they show that information such as operating income, dividend per share and net income appeared to be important for analysts in the Egyptian context. By contrast, information about pensions, extraordinary items and geographic segment detail seems to be viewed as less important perhaps because this information was not disclosed by listed companies; they are not

mandatory disclosure and might explain why financial analysts rated their usefulness as law for valuation purposes.

Table 6 focuses on future orientated information. It shows that financial analysts in Egypt were also interested in forward-looking information as indicated by the high mean score awarded to items such as: future plans, qualitative and quantitative forecasts of revenues, expenses, profits, and cash flows and assumptions underlying forecasts; these items were awarded an average score of 4.00 or more. Consistent with Meeks' (1998) views, Egyptian financial analysts attached a great deal of importance not only to forecasts but also to the underlying assumptions on which these forecasts were based. Other future oriented information was found to be less useful in a share valuation setting; such as contingent liabilities, long-term contracts, long-term leases, capital leases, sales on installments and related interest. Although information about contingent liabilities is voluntary in Egypt, information about long-term contracts, long-term leases, capital leases, sales on installments and related interest is mandatory. Given that full compliance with mandatory disclosure is an issue in the Egyptian market, the availability of this type of information might be responsible for the lower ratings awarded to it by financial analysts.

<Insert Table 6 about here>

When the results are analyzed according to the usefulness of mandatory items of information a number of findings emerged. Information about net income, comparative financial statements, the nature of company activities, sales revenue, the number of shares issued and their par value, were considered to be essential for stock valuation purposes with ratings of 4.5 or above out of 5. Other mandatory information was found to be less useful for stock valuation purposes such as remuneration paid to directors and officers and cash flow details about operating capacity. Financial analysts in Egypt were found to be less concerned

in general about the cash flow statement, given that all items of information included in this part of the annual report were awarded a rating of less than 4 out of 5.

An inspection of the average scores awarded to voluntary information reveals that the analysts emphasized the importance of earnings and dividend information for stock valuation, i.e., operating income; dividends per share; earnings per share; total dividends; earnings distribution statement. This type of voluntary information was seen as essential for investment decision making since it was awarded a rating of 4.5 or more. This result could be of interest to market regulators who are seeking more transparency in the Egyptian market. They might regulate this type of information if it is seen as essential from market participants' points of views. It could be also of interest to companies who want to discover the voluntary information which is found most useful; it may guide them when they are contemplating the disclosure of detailed information for analysts.

When the results are analyzed in terms of the quantitative vs. non-quantitative items of information, the importance of quantitative information about the profitability of the business is apparent: operating profits, net income, earnings per share, earnings distribution statement, dividends, sales revenue, information about past performance (comparative financial statements) and the number of shares in issue along with their and par value. This quantitative information seems essential for investment decision making in Egypt. However, some quantitative information seems to be less relevant for stock valuation such as geographic segmental data, remuneration details of directors and officers, the number of employees, cash flow information about the operating capacity disclosed separately from that representing maintenance of current operating capacity.

The analysis also revealed that non-quantitative information that seemed useful for investment decision making relates to general information about the business (e.g., purpose of company activities, its legal status, the period covered by the financial statements, its

name, the currency used for the preparation of financial) and the auditors' report. The auditors' report seems to be useful (mean score is 4.30) but not essential (awarded score is less than 4.50) for stock valuation in the Egyptian context. The least useful non-quantitative information is related to information about pensions, reasons for extraordinary items, contingent liabilities acquisition method. All these non-quantitative items of information are voluntary; some of them have never been actually disclosed in Egyptian financial statements (e.g., pension's funds). The current lack of such information in the Egyptian market might lead financial analysts to underestimate their importance for stock valuation.

5. Concluding remarks

This study contributes to the current literature on the usefulness of accounting information in the context of emerging markets. It has investigated the views of a small sample of financial analysts in the Egyptian market with regard to the usefulness of a number of items of information for investment decision making. In addition, a comparison of the level of importance of different types of disclosure has been carried out; namely: historical vs. forward-looking information; mandatory vs. voluntary information; and quantitative vs. non-quantitative information.

The results show the relative importance awarded to different items of information, with the highest scores being given to net income and dividends figures consistent with prior studies (for example, Coleman and Eccles,1997; Ragab and Omran, 2006). In addition, the results highlight that investors in Egypt pay more attention to mandatory, historical, and quantitative information, with priority being given to the income statement data consistent with results from prior studies on the appraisal methods used by financial analysts in valuing ordinary shares. These perceptions reflect the type of information available to financial analysts in the context of the Egyptian market. However, the findings do also indicate that

financial analysts view forward-looking information such as future corporate plans, qualitative and quantitative forecasts of revenues, expenses, profits, and cash flows and assumptions underpinning these forecasts as useful inputs for investment decision making. This result suggests that companies might provide more forward-looking information voluntarily.

Moreover, our analysis reveals the most and least useful items of information under each disclosure category, which should inform market regulators and companies in Egypt about useful information for stock valuation from a user perspective. Our findings could be of useful in informing companies and market regulators about the types of information that financial analysts find useful for investment decision making and the areas of disclosure where financial analysts suggest that improvement is needed. Moreover, the results show that there are no differences among the professional users in Egypt in evaluating this list of items of information with respect to their level of education or experience.

Although we have tested for non-response bias, the low response rate to this survey calls for more future research in order to be able to conduct a quantitative analysis and generalise the results. In addition, future research could increase the sample size by investigating the views of other users groups such as private shareholders, finance directors and auditors. Future research could also compare the importance of different types of disclosure such as historical and forward-looking information in different emerging markets with varying levels of maturity in order to draw a firm conclusion. Nonetheless, the current study provides a useful starting point for future investigators in this area.

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Table (1) Descriptive Information about the Respondents

Respondent	Employment Business	Education	Experience (years)
Res1	Broker	University	NA
Res2	Broker	University	NA
Res3	Broker	University	3
Res4	Broker	University	3
Res5	Broker	Diploma	3
Res6	Broker	University	4
Res7	Broker	University	7
Res8	Broker	University	8
Res9	Broker	University	7
Res10	Broker	Diploma	5
Res11	Broker	PhD	10
Res12	Broker	University	5
Res13	Broker	University	2
Res14	Broker	University	8
Res15	Broker	University	5
Res16	Broker	University	3
Res17	Broker	University	11
Res18	Broker	PhD	7
Res19	Bank	Master's degree	6
Res20	Broker	Master's degree	5
Res21	Insurance company	University	15
Res22	Insurance company	Diploma	5
Res23	Bank	University	10

This table provides background information about the respondents. Specifically, it shows the type of employment business, respondents' level of education and experience.

Table (2) Items of Information that Were Found to be Most Useful with a Minimum Average Rating of More Than 4.00.

Items of information	M/V	Q/NQ	Mean	STD
Operating income.	V	Q	4.87	0.34
Dividends per share.	V	Q	4.74	0.54
Net income.	M	Q	4.65	0.78
Comparative financial statements.	M	Q	4.64	0.79
Purpose of the company's activity.	M	NQ	4.61	0.50
Earnings per share	V	Q	4.61	0.99
Total dividends.	V	Q	4.61	0.66
Sales / total revenue.	M	Q	4.57	0.95
Number of issued shares and par value per share.	M	Q	4.50	0.67
Earnings distribution statement.	V	Q	4.50	0.74
Stock split / dividend / right issues.	V	Q	4.48	0.79
Company legal status (private sector or privatisation companies).	M	NQ	4.39	0.72
The period covered by financial statement	M	NQ	4.35	0.71
Future plans.	V	Q	4.30	0.70
Interest expense.	M	Q	4.30	0.82
The un-paid amount of capital.	M	Q	4.30	1.11
Stock price.	V	Q	4.30	1.02
Qualitative and quantitative forecasts of revenues, expenses, profits, and cash flows.	V	Q	4.30	0.93
Auditor's report.	M	NQ	4.30	0.82
Non-operating gains or losses.	M	Q	4.27	1.03
Appropriation of retained earnings.	M	Q	4.27	0.98
Credit interest.	M	Q	4.26	1.10
Depreciation & amortization expenses.	M	Q	4.23	0.75
The currency used for the preparation of financial statements.	M	NQ	4.18	1.26
Financial ratios disclosed.	V	Q	4.18	1.14
Company name.	M	NQ	4.17	1.15
Owners' equity separated from liabilities.	V	NQ	4.17	1.03
Accounts receivables.	M	Q	4.17	1.11
Changes in equity accounts during the year.	M	Q	4.17	0.98
Trading volume.	V	Q	4.17	1.03
Selling, general and administrative expenses.	V	Q	4.14	1.04
Non-operating expenses.	M	Q	4.14	1.08
Cash and cash equivalents.	M	Q	4.14	0.94
Foreign exchange gains / losses.	V	Q	4.09	1.04
Classification of assets into current assets and fixed assets (long-term assets).	V	NQ	4.09	1.00
Other investments and their market values if different from book value.	M	Q	4.09	1.04
Priorities to preferred shares as to dividends.	M	NQ	4.09	1.20
Assumptions underlying forecasts.	V	NQ	4.09	1.00
Non-operating revenues.	M	Q	4.04	1.02
Cost of goods sold.	M	Q	4.04	1.30
Classification of liabilities to long-term liabilities and short-term liabilities	V	NQ	4.04	0.98
Accumulated preferred dividends due.	M	Q	4.04	1.07

M/V: M is mandatory information and V is voluntary information; Q/NQ: Q is quantitative information and NQ is non-quantitative information.

Table (3) Items of Information that Were Found to be Least Useful with a Maximum Average Rating of Less than 3.50.

Items of information	M/V	Q/NQ	Mean	STD
Pension costs.	V	NQ	2.52	1.27
Outside manager of pension funds.	V	NQ	2.65	1.37
Reasons for extraordinary items.	V	NQ	2.86	1.32
Contingent liabilities.	V	NQ	2.87	1.25
Geographic segment.	V	Q	2.95	1.16
Acquisition method.	V	NQ	2.96	1.43
Remuneration of directors and officers.	V	Q	3.09	1.08
Number of employees.	V	Q	3.10	1.37
Cash flow representing increase in operating capacity disclosed separately from that representing maintenance of current operating capacity.	M	Q	3.13	0.92
Treatment of intangible assets.	M	NQ	3.13	1.25
Minority interest.	V	NQ	3.13	1.25
Address / telephone / fax.	V	NQ	3.14	1.32
List of board members and their affiliations.	V	NQ	3.18	1.53
Total assets can be derived.	V	Q	3.22	1.24
Inventory physical count & valuation.	M	Q	3.22	1.38
Long-term contracts, long-term leases, capital leases, sales on instalments and related interest.	M	NQ	3.22	1.24
The policy used for determination of cash & cash equivalents.	M	NQ	3.22	1.35
Cash outflow for taxes.	M	Q	3.26	1.18
Deferred taxes.	M	NQ	3.35	1.27
Treatment of investments.	M	NQ	3.39	1.31
Events after the balance sheet date.	M	NQ	3.39	1.37
Research & development costs.	M	NQ	3.41	1.01
The value of each item of fixed assets and its accumulated depreciation.	M	Q	3.43	1.20
Classification of short-term liabilities.	M	NQ	3.48	1.27
Disclosing the necessary reconciliation if the balances appearing in the cash flow statement are different from the corresponding balances appearing in the balance sheet.	M	Q	3.48	1.27

M/V: M is mandatory information and V is voluntary information; Q/NQ: Q is quantitative information and NQ is non-quantitative information.

Table (4) Descriptive Analysis for Categories of Information

Groups of information	Mean	STD	Rank
Income statement	1.87	0.968	1.00
Balance sheet	1.96	1.261	2.00
Cash flow statement	3.70	1.460	3.00
Shareholders' information	4.35	1.799	4.00
Accounting policies	4.65	1.071	5.00
General information	4.87	1.890	6.00
Supplementary information	6.04	1.107	7.00

Table (5) Descriptive Analysis for Average Analysts' Rating for Different Types of Information

Type of information	Mean	STD
Mandatory- voluntary split		
Mandatory information	3.85	0.39
Voluntary information	3.79	0.58
Historical- forward-looking split		
Historical information	3.84	0.47
Forward-looking information	3.71	0.47
Quantitative- non-quantitative split		
Quantitative information	3.94	0.43
Non-quantitative information	3.66	0.49

Table (6) Descriptive Analysis for Forward-looking Information

	Mean	STD
Future plans.	4.30	0.70
Qualitative and quantitative forecasts of revenues, expenses, profits, and cash flows.	4.30	0.93
Assumptions underlying forecasts.	4.09	1.00
Chairman's or CEO's statement.	4.00	0.95
Disclosure of subsequent events.	3.78	1.00
Schedule of interest and principal due on long-term debt in future years.	3.65	0.93
Amount of facilities available for the company but not used yet.	3.52	1.08
Events after the balance sheet date.	3.39	1.37
Long-term contracts, long-term leases, capital leases, sales on instalments and related interest.	3.22	1.24
Contingent liabilities.	2.87	1.25