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THE USEFULNESS OF MANAGEMENT REPORT ON INVESTMENTS DECISION-MAKING IN EGYPT

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DEDICATION

To my beloved parents, my siblings and parents in law for their never ending-sacrifices

To my beloved wife for her support, sacrifices, and patience

To my dearest daughters: Nesreena and Farida

To my supervisor, Professor Alessandra Allini, for kindness and co-operation

DECLARATION

At no time during the registration for the degree of Doctor of Philosophy, the author has been registered for any other University award without prior agreement of the PhD Committee at University of Naples Federico II.

Relevant conferences were regularly attended in order to present and discuss this research project, namely:

1- *The 41st Annual Congress of the European Accounting Association (EAA)*, Milan, Italy 30th May to 1st June 2018.
2- *The British Accounting and Finance Association (BAFA) Annual Conference with Doctoral Masterclasses*, Westminster, London 9th to 11th April 2018.
3- *The International Accounting Symposium XIII - Current Trends on Accounting Research*, Madrid, Spain from 3rd to 7th of July 2017

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IN THE NAME OF ALLAH, THE GOD, THE MERCIFUL, THE COMPASSIONATE

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ABSTRACT

The main aim of this study is to investigate the investors' perceptions on the usefulness of disclosure provided in the Management Report in supporting their investment decisions, in the context of the 2014 new listing rules' requirements in the Egyptian market.

Thus, the users' preferences were compared with the disclosure level in the MRs prepared by the listed companies in order to understand the level of coherence.

Prior literature suggested that the financial crisis in 2008 has highlighted the inadequacy of the financial report in matching the users' needs, while the narrative and commentary sections in MR can play an important role in maximizing the usefulness of accounting information.

A mixed method approach was adopted in accordance with the following steps;

In the first step, a survey was carried out by formulating questions that cover both mandatory and voluntary disclosures items in the MR. The targeted sample of respondents included all Egyptian banks and insurance companies (as institutional investors) along with the financial analysts who worked at the stockbrokerage firms. The collected responses consisted of thirty-six of respondents who were working in institutional investors firms, and seventy-eight of respondents who were working as financial analysts. The main findings of the survey revealed that some voluntary information was more useful than the mandatory information, which highlights a gap between the regulation requirements and the users' information needs. Moreover, the respondents considered the information related to ownership structure to be more important than the information on risks and forward-looking performance, while the information related to board composition, audit committee, and CSR and environmental performance were regarded as less useful items in the MR.

In the second step, we analysed 782 MRs that cover five years; two years under the old regulation and three years under the new regulation. This analysis was aimed to compare the users' needs (as obtained in the previous model) with disclosure level provided in MRs.

The findings showed that the general level of disclosure in MR has increased significantly after switching to the new regulation. However, the results indicated that the companies do not fully commit to requirements of the mandatory disclosure, as that listed companies do not disseminate that many of the 'very useful' information in MR, even if voluntarily. While the results clearly showed that level of mandatory disclosure has increased after applying the new regulation, the contrast was noticed in the voluntary disclosure. These contrasts in the findings refer to the initial role of regulatory bodies in matching the users' needs through increasing the extent of mandatory disclosure to include much of the items seen to be very useful to them.

Lastly, to provide further understanding, an additional regression model was carried out to examine the impact of firm-characteristics on disclosure level in MRs. The results showed that the presence of state ownership, cross-listing, and manufacturing activities have significant positive impacts on the disclosure provided in MR and its main sections and subsections. On the other hand, the age, size, profitability, and leverage had mixed findings throughout the different sections and subsections of MR

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LIST OF ABBREVIATIONS

AICPA	The American Institute of Certified Public Accountants
ASA	The Egyptian Accountability State Authority
ASB	Accounting Standard Board
CA	The Egyptian Companies' Act 159/1981
CAO	The Egyptian Central Auditing Organisation
CMA	The Egyptian Capital Market Authority
CSR	Corporate Social Responsibility
e.g.	exempli gratia (for example)
EGX	Egyptian Capital Market (Egypt Exchange)
FA & I	Financial Analysts and Institutional Investors
FASB	Financial Accounting Standards Board
FLPD	Forward-Looking Performance Disclosure
FRA	The Egyptian Financial Regulatory Authority
IASB	International Accounting Standards Board
ICAEW	The Institute of Charted Accountants of England and Wales
IFRS	International Financial Reporting Standards
KPIs	Key Performance Indicators
MD&A	Management Discussion & Analysis
MC	Management Commentary
MR	Management Report
OLS	Ordinary Least Squares
SOX	Sarbanes-Oxley Act
UAS	The Egyptian Uniform Accounting System
UK	United Kingdom
US	United States

THE USEFULNESS OF MANAGEMENT REPORT ON INVESTMENTS DECISION-MAKING IN EGYPT

INTRODUCTION

In the stock capital markets, every listed company has to present the financial annual report that illustrates its performance and financial situation to external users. As a part of the annual report, the financial report represents the main financial statements and their main notes, which were prepared in accordance with the requirements of the accounting standards. Patel and Dallas (2002) argue that the current practice of accounting reporting includes preparing the financial reports in compliance with a set of standards with limited disclosure requirements, while many important nonfinancial information are unrequired to be included in the financial report. Therefore, an additional narrative report, "The Management Report", is required to be disseminated along with the financial report. The increased criticisms on the content of the financial report have highlighted the important role played by the management report (hereafter, MR) as a complementary document that covers the weakness of the financial report, particularly in matching the needs of both the investors and financial analysts (Hüfner 2007). Therefore, MR focuses on narrative information; as it includes different kinds of information e.g., operations, risks, key performance indicators, forward-looking performance (Clarkson et al. 1999). The usefulness of information provided in the MR has been questioned recently, after the financial crisis in 2008, with suggestions that the disclosure is incompatible with users' needs of information in making risk evaluations and investment decisions (Caplan and Dutta 2016). However, according to other authors, there is lack of studies on this issue, especially after the financial crisis (Ballwieser 2004; Hüfner 2007).

The regulatory bodies and standards setters have played vigorous efforts to improve the quality of the information disclosed in MR. Indeed, in The U.S., Sarbanes-Oxley Act (SOX) demanded drastic changes to the content of annual reports with forcing listed companies to provide more information in their annual reports, under the Management Discussion and Analysis section (Sarbanes-Oxley Act, 2002, sections 401:409). In addition, the Securities and Exchange Commission (SEC) added new requirements under the Regulation S-K 303 to increase the trust and the usefulness in the information disseminated by the companies in order to make the annual reports more comprehensive. Regulation S-K 303 aims to increase the disclosure on different kinds of information, such as liquidity, forward-looking performance, and the internal control disclosure (SEC 2003; Hüfner 2007).

Likewise, in the UK, wide amendments were made in the Companies Act in 2013 as precaution against any financial crisis. According to the new changes in this Act, all listed companies have to prepare a new report called "the strategic report", as a separate part of the directors' report, which is affected also by the Corporate Governance Code disclosure. For example, the listed firms in London Stocks market must report its future strategy, risks, employees, corporate social responsibility (CSR), and environmental disclosure. Specific sections of these requirements must be disclosed in the board of directors' report, while the remains must be included in the strategic report (FRC 2012). Furthermore, in 2010, the International Accounting Standards Board has issued guidelines that represent useful and comprehensive information in the management commentary. All these efforts reflect the high concern given to the role that MR plays in enhancing investments decisions.

Many studies on accounting disclosure suggests that MR is a useful source of information for investments decision-making compared to other sections in the annual report (e.g., Barron et al. (1999); Tavcar (1998)). This is mainly because MR represents a variety of information that covers several issues related to the firm' performance and any going concerns. However, so far, evidence regarding the usefulness extent of MR is still inconsistent.

On one hand, some studies documented that MR has a moderate or slight relevance for investors (e.g., Anderson (1981); Anderson and Epstein (1995); Baker and Haslem (1973); Bartlett and Chandler (1997); Hines (1982); Lee and Tweedie (1975a);Wilton and Tabb (1978)). On the other hand, some studies provided evidence suggesting that the value-relevance of the financial information has decreased by time, while non-financial information has become more relevant to the users (e.g., Bartlett and Chandler (1997); Beretta and Bozzolan (2004); Robb et al. (2001). For example, Orens and Lybaert (2007) reported that the accuracy of the financial analysts' forecasts is positively associated with the extent of non-financial information availability. However, many previous studies mainly attempted to test the usefulness of MR against the market model, supposing that the usefulness of information will be reflected automatically on the securities prices. Instead, users' views, in this matter, remain underexplored.

Furthermore, the majority of the studies that were conducted in the developing countries show how several differences related to the legal and cultural environment can exist in the developed countries (e.g., Acedo-Ramírez and Ruiz-Cabestre (2014); Antonczyk and Salzmann (2014); Belkhir et al. (2016)). For example, Perera (1989) referred to the effect of cultural differences between developed markets and emerging markets; therefore, empirical evidence from the developed countries may not be applicable to the emerging ones (Dahawy et al. 2002; Gray 1988). The current study aims to address this gap in the literature with giving the financial statements' users the opportunity to say what they think about the content of the MR. As far as we know, there has not been any previous study that aimed to investigate the usefulness of MR from the users' standpoint in Egypt, as an example of an emerging market.

This market is distinguished by two features, which may prevent the generalization of the prior research. Firstly, it is a relatively less efficient market compared to the developed markets (Allini et al. 2018). Secondly, as Egypt has a civil-law system, the information asymmetry is more stringent than it is within the developed markets (Ebaid 2009; Eldomiaty and Ismail 2009). La Porta et al. (2006) found that the common-law based-countries oblige the companies to disclose more information than the civil-law based-countries, which increases the markets' transparency.

In Egypt, the MR is a mandatory report and it includes information basically regarding corporate governance structure, firms' past and future performance, risks, and sustainability. This report is subject to two different regulations; the Companies' Act (159/1981) and the 2002 listing rules in the Egyptian Stock Market (hereafter, EGX). Consequently, the MR is an official tool to disclose mandatory financial and non-financial information, in addition to any voluntary disclosure. The Egyptian Financial Regulatory Authority (hereafter, FRA) has realized the increased importance of the MR as an effective tool in enhancing transparency and, in particular, attracting domestic and foreign investors. Thus, in January 2014, new listing rules have been issued by the FRA to replace the old ones that were issued in 2002. The new regulation added new mandatory information requirements. This information is integrated with other mandatory disclosure required by the Regulation of the Companies' Act (159/1981) on operations, forward-looking performance, and corporate social responsibility (CSR).

Since the new regulation requires disclosing more information comparing with the previous version, it is expected that the usefulness of MR in decision-making is improved. However, this expectation requires empirical evidence, which the current study aiming to achieve. This study aims to explore whether financial analysts and institutional investors (hereafter FA&I) perceive the information provided by Egyptian listed firms in the new MR to be useful for their investments decisions. More specifically, this study focused on FA&I,

as they are the primary users of the accounting information. This study adopts mixed methods to investigate the usefulness of MR in the Egyptian market; we employed a survey-questionnaire and an analysis of the content of MR over a period (before and after switching to the new listing rules) to present a rigorous comparison between what the users need and what the practical disclosure in MR provides. In addition, in order to investigate the effect of firm-characteristics on the volume of information disclosed in MR, if any, a regression model based on content analysis was undertaken.

This study provides two main contributions to the knowledge. First, while prior studies have focused on the usefulness of the MR in the developed markets (especially in US), this study represents the first investigation made on the perceived usefulness of the MR content in an emerging market. Second, prior studies have focused mostly on the usefulness of several sections of the annual report, whilst this study provides greater understanding about the usefulness of the different kinds of information included in the MR in particular. Our investigation can add to the body of knowledge in the voluntary disclosure theory by providing the users' views. More specifically, this study addresses the gap in the literature regarding giving the opportunity to the financial statements' users to say what they think about the content of the MR.

Furthermore, the current study provides two practical contributions. Findings of this study should be considered by regulators in order to improve the current weaknesses of the disclosure to meet the users' information needs. What should be noted is that this study can also benefit other emerging markets that have similar cultural, social, and economic features (i.e., Middle-East region and North African countries). Thus, our results could also be useful for the managers and accountants in encouraging them to increase the degree of voluntary information that is perceived to be useful by investors.

This thesis is structured in four chapters as follow;

First chapter explains the most relevant theories in illustrating the usefulness of accounting disclosure from the users' perspective; Accountability theory, and Decision-Usefulness theory. The chapter also provides a review on the literature of the usefulness of information, while distinguishing between studies in the developed markets and studies in the emerging and developing markets. It could be argued that the majority of prior studies focused on assessing the usefulness of different sections in the annual report through asking the users to indicate the impact of every section on investments decision-making. Furthermore, empirical evidence from these studies indicates that most users disagree on the usefulness of annual report's sections, which means that these sections have different levels of usefulness in making economic decisions. However, the evidence regarding the usefulness of the narrative sections in the annual reports is full with mixed results, which can considered a research gap to be filled by an evidence from an emerging market in the current study.

The second chapter focuses on the management report. First, the definition and importance of MR are presented, in addition, the role of MR as a complement to the financial report is highlighted. Previous literature suggests that the role of MR in enhancing the accounting disclosure has significantly increased, particularly after the financial crisis in 2008. Second, this chapter also discusses the main elements that should be considered in MR based on the views of regulatory bodies in developed markets such as the UK and the U.S, in addition to the framework on management commentary presented by IASB in 2010. Then, we examine the essential kinds of information that are required/suggested to be disseminated in MR, while comparing that information with the requirements of the Egyptian regulation. This comparison showed that the mandatory disclosure in MR in Egypt still far from its counterparts in the developed markets and the IASB's framework. Finally, the research questions were developed and a full description of the Egyptian context has been presented.

According to the previous review, this thesis aims to investigate the usefulness of MR through examining three research questions covering three main aspects:

- The perceived usefulness of MR as a complement to the financial report;
- The perceived usefulness of the different kinds of information provided in MR; and
- The perceived usefulness of mandatory disclosure and the suggested voluntary items to be disclosed in MR.

The chapter concludes with addressing a gap between the regulation requirements and the users' needs of information.

The third chapter is devoted to the research design and collecting data regarding the users' perceptions. A questionnaire survey is designed; it includes thirty-nine financial and nonfinancial information divided into eight sections and sub-sections, in addition to eight general information on MR. The sections and sub-sections namely are Ownership Structure, Board Structure, Audit Committee, Risk Management and internal Control, Key Performance Indicators, Changes on Fixed Assets, Forward-Looking performance, and CSR and Environmental performance. The financial analysts (hereafter FA) and institutional investors (hereafter I) have been chosen as two user-groups who are targeted by survey.

Results of chapter three revealed that FA&I consider that the new regulation has improved the disclosure in MR slightly, and that they still of need more information in order to be able to make investment decisions. Especially, results documented that information on ownership structure, internal control and risk management, forward-looking performance, and financial performance indicators are perceived useful or very useful, while information on CSR is a less important section. Surprisingly, the ownership structure is ranked first by both user-groups, which suggests that the political connections of the blockholders may affect the firm performance and market prices as it is suggested by Maaloul et al. (2018). The findings confirm that some mandatory information is perceived of moderate usefulness, while several individuals indicated that voluntary information is of high usefulness. These findings also highlight the shortcoming of the new regulation in determining the content of the MR.

At last, Chapter four focusses on measuring the disclosure level provided in MR. This chapter aims to present two different empirical evidence regarding that matter. The main objective of this chapter is to compare the disclosure level under both the old regulation and the new one and identify to what extent the new regulation has increased the volume of information in MR. Then, the chapter represents a comparison between the users' needs, that were concluded from chapter three, and the actual disclosure practices in MR. This comparison aims to highlight the level of coherence between the users' needs and what the listed companies provide in their MRs. Therefore, a disclosure index is performed using the same items included in the survey in chapter three, which includes thirty-nine items. The sample of collected management reports included only MRs issued by the nonfinancial listed companies for five fiscal years from 2011 to 2016, while taking into consideration the exclusion of 2013. The final sample included 782 report-year of which have been collected.

The findings illustrate that the disclosure level in MR has increased significantly under the new regulation issued in January 2014. The level of mandatory disclosure increased from 17%, under the old regulation, to 76%. Despite this major improvement in the disclosure level, this finding indicates a weak commitment to the regulations' requirements. Furthermore, the disclosure on the suggested voluntary items is very weak and doesn't exceed 9.3% under the old regulation, while this level has decreased again, when switching to the new regulation, to only 8%. The disclosure on the very useful items recorded 39%, while that on the moderate useful items recorded 35%, which suggests that more efforts still needed to enhance usefulness of the MR's content. To summarise, the current disclosure in MR does not provide enough useful information to the users.

Secondly, a linear regression model has been designed to examine any effect to firm-characteristics on the disclosure level in MR. The regression model included the disclosure level as a dependent variable, and five independent variables; Ownership structure, Cross listing, Industry sector, Age, and Size, and three control variables; the Regulation type, ROE, and Leverage. The results revealed that the ownership structure (the presence of state-ownership), cross-listing, and the industry type all have significant impact on the overall disclosure level in MR. Other regression models were also developed in order to identify the effect of firm-characteristics on mandatory and voluntary disclosure, disseminating useful information, and disseminating moderate useful information. As well as, a regression model was employed to investigate what drives the disclosure on every kind of information in MR.

The last section of the thesis is devoted to make conclusions on the research.

CHAPTER ONE: The Usefulness of Accounting Information: Overview

1. 1 Introduction

The accounting disclosure is an essential tool to provide information to the external parties. The need of information emerges from the uncertainty condition that probably should be reduced by the disclosure (Wagenhofer 2004). Therefore, the disclosure increases the user's ability to better understand and assess the firms' performance and risks. Both of the disclosure literature and the professional bodies support a common thought that the investors are the main users of the accounting reports (Elliott and Elliott 2011). Understanding the accounting disclosure from the users' aspect is an important issue that can indicate the success of the communications made between the entities (via their reports) and the users (through knowing how they perceive these reports).

The users' views about the entities' disclosure depend on the purpose behind using the information. In that point, there are two primary objectives of the financial reporting, the accountability and decision-making. Each objective is considered as independent theoretical approach that is can be used in assessing and explaining the users' needs of information. This chapter presents a discussion around these objectives and highlights the theoretical framework of the current study, in addition to developing the research questions.

1.2 Framing the Accounting information

In the users' perceptions strand, a theory helps in understanding and explaining why the disclosure on specific information is important to the users and the effect of a specific information on the users' decisions. Understanding the importance of accounting information correlates primary with the purpose of using it, which also indicates why some information is needed, while other information is considered less important or even useless. According IFRS's framework (IFRS 2018), the financial reporting is the most important tool that is available to the vast majority of the investors, lenders, and creditors. As it known, many of these parties do not have the prerogative to demand the entities to disclose specific information directly; instead, they depend heavily on the general-purpose reports. Therefore, IFRS's framework considers that the essential objective of the accounting report is to provide useful information to these parties (IFRS 2018).

The usefulness is the primary objective of the accounting information, whatever the purpose of using this information was. The usefulness means that the external users desire adequate and understandable information that covers the firm's performance. Indeed, the financial report provides information about the entity to the contracting parties and the current, potential, and other shareholders as well. Ballwieser (2004) argues that the accounting reporting highlights the firm performance and future planning, this manner, however, indicates the management's accountability and enables the investors and the lenders to make their investments' decisions. However, the importance of providing useful information is not only limited to the direct investors and lenders, but it also extends to their advisors too (FASB 1978).

In the disclosure literature, the debate on the main objective of presenting the accounting reports still unresolved; whether it would be the decision usefulness, accountability (Stewardship), or both together. In an interview-based study, Hjelström et al. (2014) document that financial analysts find that the accounting reporting is useful in making investment decisions, which means that they consider the decision-usefulness to be the main objective of representing accounting information. While, others think that the content of the accounting reports differs depending on the objective of presenting them (i.e., for decision-usefulness or for accountability) (Ijiri 1983). However, Cascino et al. (2013) argued that both objectives should be considered in the preparation and representation of the accounting reports. While the accountability objective focuses more on the information related to the past performance and transactions, decision-usefulness objective requires more information on the forward-looking performance (Cascino et al. 2013).

However, the main purpose of using the accounting information seems to be variable by the time. Indeed, according to the IASB's conceptual framework, the accounting report has several objectives, but the priority concerns are always on providing useful information that helps users make economic decisions, and on enhancing the management's accountability to the investors (IFRS 2018). Each of these objectives has a theoretical background that helps in explaining the relevance of the accounting information based on the purpose of using it. Therefore, choosing a specific theory in the disclosure research is very important because this theory will influence the structure of the study, the design of the relevant methods, and the explaining of the final findings.

Collison et al. (1993) explain the relationship between the understanding and analysis of the annual report on one hand, and the specific purpose of them on another as follow:

“Any deductive analysis of financial reporting ideally starts with specification of the purpose that financial statements serve. Such specification is problematic, because there appear to be two major alternatives, which could generate different analyses and conclusions. These are "decision usefulness" and "accountability". The latter might be alternatively described as "control" or "stewardship".

The next section discusses the two common theories in the usefulness of accounting disclosure studies; the accountability (stewardship) theory and decision-usefulness theory.

1.3 The Accountability theory

The roots of accountability “stewardship” theory are inherited in psychology and sociology research, as its main concern is on the human behavior that takes place when one person manages the utilities of others (Davis et al. 1997). Hence, the main aim of the accountability approach is to improve the efficiency of the contracting agreements. The accountability is used as a means to justify the behaviors of one party to another, according to the responsibility principle. In other words, the true accountability means that the first party is believed to be responsible for the second party's interests, and that all the decisions and the outcomes, of these decisions, should be presented fairly to the other party in order to aid it in assessing the efforts carried out by that first party (Lerner and Tetlock 1999; Vance et al. 2015). A number of scholars define accountability as “a process in which a person has a potential obligation to explain his/her actions to another party who has the right to pass judgment on those actions and to administer potential positive or negative consequences in response to them” (Vance et al. (2015), p: 347).

In the fields of accounting and finance, accountability is a common concept that refers to organizing the agreements between the managers and the investors. In a joint-stock entity, the owners, as principles (accountee), have the right to elect managers, as the stewards (accountor) (Gray et al. 1991; Ijiri 1983). On the one hand, the owners delegate the management of the entity’s assets and resources, and, in return, they expect that the managers will do their best to make returns on the shares, as well as, to safekeep and maximize the entity’s value in the mid-term and long-term. On the other hand, the management’s responsibilities include protecting the enterprise’ resources and setting strategies and plans to guarantee more resources to face the unfavorable economic fluctuations (FASB (2006): OB27).

As a result of the accountability view, the accounting reports have to include comprehensive and useful information to aid the investors in assessing the success of the company over the long term, which can directly highlight the stewards' efforts (FRC 2012). Therefore, the accountability objective requires a fair accounting system to share information between the accountor and the accountee; thus, the accounting report should not include any subjective information (Ijiri 1983).

From a pragmatic point of view, in its report on the *Objectives of Financial Statements*, the AICPA (1973) defines the accountability as:

> ***Stewardship refers to the efficient administration of resources and the execution of plans for conserving and consurrting them"*** Page: 25.

The relationship between the contracting parties (the stewards and the owners) is based on confidence. The accounting standards and regulations should enhance this confidence by obligating managers to present comprehensive information within the accounting reports that can enable the investors to assess their performance (Roberts 2009). The accountant, in the accountability system, plays a third-party role as he prepares the accounting report that has accurate contents, which the owners might use in assessing the management's efforts (Ijiri 1983). However, as the accountants are employers of the entity's management, the accounting report, sometimes, could include fraud or incomplete disclosures. The financial crisis and the financial scandals since 2001 onward have shown that the managers have the power to coerce the accountants to avoid/withhold disclosure of some information that could indicate a poor or negative performance that swerves from the targeted performance and returns (Messner 2009). Therefore, the success of accountability system relates more to the moral hazards[1].

Ijiri (1983) mentioned that the disclosure under the accountability principle must be agreed upon by three parties; the accountee, the accountor, and the accountant. This process starts with the accountee, who demands certain information in order to assess the accountor performance. Then, the management, as an accountor, have to agree to disclose what the accountee demanded. The accountant is the third party who is supposed to prepare the information to the accountor, for internal use, and for the accountee, for external use. However, four main challenges could face the accountee desire in receiving the needed

[1] The current study uses the agency theory only to support the theoretical framework on the usefulness of accounting information as the main aim of this study.

useful information. The first challenge relates to the accountor's willingness to disclose what the accountee needs, which is considered a moral issue. The second challenge relates to the capability of the accounting system to produce information that typically matches with what the accountee requires, which is considered a technical accounting issue. Third, the accountee right to know information is not always guaranteed especially if the accountor believed that disclosing such information can threaten the privacy of the company or its competitive benefits (Ijiri 1983). Lastly, identifying who the accountee is/are is, in itself, a dilemma. More specifically, the accountee concept can be a wide one that includes all the shareholders, even those who own one single share, while it can also refer to the blockholders who have the interest or the power to question the managers. These challenges should be considered by both the accountee and the accountor.

Since the managers are the ones to decide what information to be disclosed, the accounting report should include information that reflects their efforts in achieving profits and growth, which can influence the users' ability to favorably assess the stewardship and management performance (FASB (2006): OB27). To achieve this goal, the accounting report should provide enough information to answer several clear questions such as: Are the assets protected? Were the plans achieved? Did the plans affect the performance positively? Are the returns reasonable? How the entity will expand its activity in the future? (Elliott and Elliott 2011). The answers to these questions help the investors in evaluating the management's efforts. Therefore, the owners can decide whether the managers are trusted stewards and can lead the enterprise successfully, or there is a necessary need to replace the current management very soon.

It could be argued that the major conflict in the accountability system takes place when the managers decide to avoid disclosing useful information to the accountee. Ijiri (1983) argues that disclosure for accountability purposes does not necessarily mean that the management disseminates all information the owners require. Furthermore, the stewards can avoid the disclosure on specific information when this information threatens the interests of the management regardless of the usefulness of that information for the owners (Ijiri 1983). Respecting the managers' interests in that way puts their interests over the interests of the owners, who entrusted the managers to control the entity hoping that they will lead it to better performance and growth. However, the claim of giving the managers the right to determine what information will or will not be disclosed is still a problematic issue; since, this notion would provide a loophole to the managers to protect their interest even if it would be against the interests of the entity that they work for.

Consequently, to establish a successful accountability system, the regulatory bodies should adopt more strict rules that protect the accountants and auditors and prohibit any managerial fraud. Ijiri (1983) also suggests that building accountability-based framework should include both the accounting reports and the accounting records, which help in verifying the independence of the accounting information. Indeed, the British Companies Act takes into consideration the special type of relation between the owners (the investors), and steward (the management) (Elliott and Elliott 2011). This act enforces the managers to disclose information that would help the owners in assessing the steward decisions regarding the firm's resources, and whether the steward's strategy considers any going concern or not.

More recently, Lennard (2007) claimed that the debate about the accountability approach should be steered toward a different matter. While the traditional view that the accountability focuses on assessing the stewards' performance and protecting the resources, Lennard 2007 (p.52) suggests that the accountability should be seen as "the provision of information that provides a foundation for a constructive dialogue between management and shareholders". As the traditional thought focuses on the accountability role as a control mechanism that utilizes the voting rights to change the management, the modern form of the accountability focuses on the conservations between the investors and the management regarding the risks, opportunities, strategies, and corporate governance, which means that the owners can play an important role in presenting valuable suggestions and advices to the management (FRC 2012).

1.4 Decision-Usefulness Approach

The decision-usefulness approach states mainly that the disclosure affects the shares' prices in the capital markets (Scott 1997). This effect, generally, comes from the messages that the users perceive by reading and analyzing the accounting report. The process of reading and analyzing the report depends on some factors which includes: a) Whether the report provides enough and clear information?; b) What is the general trend on the entity's performance? ; c) Are the same conditions will continue in the future?; and, probably the most important factor, d) Is the user qualified to understand the messages that can be concluded from the report?. This means that making the right decisions requires providing information that has a significant influence on the user's perception, which should be reflected on making the decisions of buying, selling, or holding the shares or the bonds.

According to Edwards (1989) and Scott (1997), the decision-usefulness has become the prevalent approach in accounting research since 1968. This could be due to the rapid changes in the business environment in the last five decades; for example, the following changes (e.g., AICPA (1994); Elliott and Elliott (2011); FEE (2015); Hjelström et al. (2014)) can be noted :

- The wide prevalence of the joint-stock firms and the existence of some foreign investors who cannot attend every year's general assembly yet they desire information to make investment decisions.
- The increased complexity in the business environment has reflected on the users' needs to know some information about the challenges and the opportunities.
- The growth of the entities' activities and its effect on the society has attracted new users-groups who seek additional types of information.
- The rapid spread of the new technology, and its effect on reducing the costs of producing and publishing the accounting report.
- Many potential investors and creditors now desire more information to help them in understanding the entity's current performance, and to what extent the performance will be changed in the future.

Furthermore, the development in identifying the users-groups who use the accounting reports has reflected on the rethinking of the main objective of presenting the accounting report and how to increase the usefulness of its content. Unlike the accountability approach that adopts a narrow concern limited only to the owners, increasing the usefulness of the accounting report aims to serve the needs of several users-groups. Despite that the decision-usefulness gives priority to the investors' viewpoint as it enables them to make right investment decisions (Elliott and Elliott 2011), it also helps other user-groups in receiving a more relevant information compared with the accountability approach. For a share/bond holder, useful information enhances his understanding regarding the future of the company that he/she invests money in. Such information is useful too for the prospective investor who desire to make an investment decision based on true information which enables him to evaluate, for example, whether the company X or the company Z would be the best choice. Thus, the decision-usefulness has a wide range of aims that make the trading of shares and bonds to be more transparent. Accordingly, the accountability has become less important objective compared with the that of the decision-usefulness, as a reference in presenting the accounting reports (Elliott and Elliott 2011).

The above-mentioned changes in the business environment have been also reflected on the accounting bodies by making them focus more on the efficiency of accounting disclosure in serving the users' needs to make better investment decisions. Several efforts were carried out to improve the quality of the accounting report as the main vehicle of transferring information from the entity to the external users. Indeed, The American Institute of Certified Public Accountants (AICPA) issued its report of the "*Objectives of financial statements"* in 1973 (also known as Trueblood report). This report has helped replacing the main objective of the accounting report from the accountability to the decision-usefulness (Son et al. 2006); since it states that:

> ***The basic objective of financial statements is to provide information useful for making economic decisions.*** AICPA (1973): p.13.

In 1994, AICPA undertook a study on investors and creditors needs of information, which aimed to assess whether the disclosure in accounting reports meets the users' desires. The results showed that the financial report does not include all the information needed by the users, and that additional information is still required to help them in making investment decisions (AICPA 1994). These efforts by AICPA were directed toward the maximization of the usefulness of accounting information and the assurance that the users' needs are considered to the maximum extent.

Furthermore, in their common framework, IASB and FASB concluded that the decision-usefulness is the main objective of the accounting reporting, as it states that:

> ***"The objective of general purpose financial reporting1 is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit."*** (FASB 2010; IASB 2010a) Paragraph OB2

However, the Financial Reporting Council (FRC) in the UK recognises the duality of the accounting report objectives; the decision-usefulness and the accountability. Despite the slight different view of FRC, the decision-usefulness objective comes first, which makes it a higher priority than the accountability objective. It states:

> ***"The purpose of the annual report is to provide shareholders with relevant information that is useful for making resource allocation decisions and assessing the directors' stewardship"*** FRC (2014): Paragraph 3.2

The IFRS foundation issued its latest framework in March 2018 emphasising that the accounting report have to include useful information for investment decisions. In this view, managers of any entity's should not prepare the accounting reports while considering the needs of current investors only, but they should consider the needs of the potential investors who read these reports to make investment decisions as well (IFRS 2018). It is therefore a rational proposition that a company that disseminates higher volume of useful information is likely to attract more investors than the company that discloses the minimum volume of information, assuming that the profits of both companies and other surrounded conditions are close.

Till now, there have not been agreed-upon criteria to identify the extent to which the accounting report is useful. The recent accounting standards (e.g., standards issued by IASB/ IFRS, and FASB) have expanded the requirements of disclosure in the financial report. This expansion in the accounting report means that it would include more pages, which might distract the readers with its immense information and, therefore, might negatively affect the usefulness of its content (Hjelström et al. 2014). It is true that high a volume of information would involve more declaration on the items included in the financial report; however, a too long report is a real challenge to its readability. FRC calls this case as "Clutter", which means that the users cannot acquire a useful information despite that the accounting report includes much of it (FRC 2011). To this point, we believe that more research on the users' needs can help both the standards setters and regulators to identify the useful information and how to highlight it in the accounting report in order for it to be more interesting and readable to the users. Moreover, different levels of usefulness of information indicate that the users have priorities in their needs, and the accounting system should present at least all information that is seen as more useful to the users. Generally, The framework of accounting standards addresses that the users are the target of accounting reporting, therefore, standards setters should assure that the users' perceptions are considered (Harding and McKinnon 1997), which enhances the role of accounting disclosure in economies.

1.5 Reviewing the relevant literature regarding the users' perceptions on the usefulness of the annual report

The users' perceptions regarding the usefulness of the disclosure have been increasingly investigated during the last four decades. This trend has appeared as a new one during the seventies of the last century in the studies of Baker and Haslem (1973), Chandra (1974), and Lee and Tweedie (1975a), (1975b) where the researchers tried to explore the decision-usefulness of the annual report's sections in the eyes of its users, whereas MR had taken place as one of these sections. However, many studies in the developed countries later followed this trend and tried to compare their findings with others in order to highlight what should the annual report comprise to be useful to its users. On the other hand, in the emerging markets, an overdue attention was given to the exploration of the users' perceptions when Wallace (1988) presented his investigation in Nigeria. Nevertheless, led by the raised competition, the enormous development in technology, and the spread of the join stock entities, huge changes were noted in the user's needs of information in evaluating investment decisions (AICPA 1994).

In the last two decades, some scholars have focused more on asserting the usefulness of the management report, as a separate section in the annual report. In their viewpoint, MR have several more information which are more recent than in the financial report's content (Clarkson et al. 1999; Hüfner 2007).

Following this argument, the current study seeks to elucidate the most relevant studies of which are in line with the current study aims. Two main categories of prior studies can be distinguished; the first category focuses on the studies in the developing and emerging markets, while the second category includes studies in the context of developed countries.

1.5.1 The Studies in the Developing and Emerging Markets

One of the foremost studies in the less developed markets regarding the usefulness of the annual report was carried out by Wallace (1988) in Nigeria. Wallace investigated the viewpoints of six user-groups; namely, chartered accountants (individuals who are likely to be accountants and prepare the annual reports for the listed firms or for external auditors), investors, financial managers, senior civil servants, financial analysts, and a group of some professionals in several fields. Using a survey questionnaire, 1200 users were invited to fill the survey; however, the collected usable responses were 485. The questionnaire consisted of 109 items, and the respondents were asked to scale the usefulness of every item. The results revealed that the accountants showed low agreement with the other users' groups, which could be an evidence of a gap in the perception of the usefulness of the information between the prepares and the other users. However, that study focused mainly on examining the consensus between the users' groups rather than investigating the usefulness of the items itself.

In the Middle East, Solas and Ibrahim (1992) undertook a comparison study between the users' perceptions in Jordan and Kuwait. Solas and Ibrahim prepared a questionnaire included twenty-three financial information and distributed it on two user-groups; the institutional investors and the individual investors. The number of the returned questionnaires were eighty-nine out of 218 in total distributed. The respondents were asked to indicate the reliability of every piece of information in the questionnaire and its effect on their investment decisions. The findings showed that the Kuwaiti investors find that the questionnaire items are less useful and reliable than what the Jordanian investors think. However, this study had many limitations. First, they made absolute comparison between the Kuwaiti investors and the Jordanian investors, without classifying them into institutional investors and individual investors; they neglected to make any comparison between the two users' groups within each country as an in-depth investigation. Second, it focused only on the financial disclosure, while the nonfinancial information sections were completely ignored. Finally, the authors did not arrange the items according to its usefulness, which, if they did, could have helped in identifying the most important items to the users.

Ibrahim and Kim (1994) also used a questionnaire survey that included forty-two items in order to explore the discrepancy level between four user-groups in Egypt (as cited in Alrazeen, 1999). The user-groups included the investors, financial analysts, managers, and accountants. The results showed that the consensus level was around 57% within the entire groups, while the highest agreement was between the accountants and the managers (67%). Furthermore, the lower consensus percentage was between the investors and the financial analysts with only 26%. Despite that the findings of this study reflected high degree of dispersion between the users, it did not focus on the usefulness of the items in general. Furthermore, the study did not present any suggestion to improve the disclosure usefulness or the items that recorded high consensus between the users in general.

Abu-Nassar and Rutherford (1996) investigated the perceptions of five external user-groups to the financial reports in Jordan. The groups they included in the study were the individual investors, institutional investors, bank loan officers, stockbrokers, and the academics. Abu-Nassar and Rutherford used a questionnaire survey and distributed 463 questionnaires, while the returned were 224. The results showed that the individual investors indicated less importance to the annual report than the other groups. The authors explained this as a reflection to their, the individual investors, lack of accounting knowledge. Moreover, out of eight sections in the annual report, the respondents chose MR as the third most section in to be understood; while, MR was ranked eighth in the readability, relevance, and reliability.

In Saudi Arabia, Al-Mubarak (1997) investigated the usefulness of the annual report from the investment analysts' point of view. He carried out a questionnaire survey. His sample included 249 investment analysts and the collected questionnaires were only 126. The respondents were asked to scale the usefulness of seven sections in the annual report. The results showed that MR was ranked as the least useful section. In addition, the findings suggested that 51% of the respondents have some doubt about using the annual report information in making the investment decision, which refers to the lack of transparency and communications between the firms' management and the users. Interestingly, Al-Mubarak asked the respondents to mention the information that were not mandatorily disclosed yet has high usefulness and effect on their investment decisions. He concluded that that the respondents seek more disclosure on the future returns and growth. These findings represent another evidence on the ambiguity of MR content, which is clearly different from country to another due to the domestic regulations.

Almahmoud (2000) carried out another study in Saudi Arabia. While Al-Mubarak (1997) focused on one user-group, Almahmoud investigated the usefulness of the annual reports' sections from the viewpoint of three user-groups; the individual investors, institutional investors, and financial analysts. Almahmoud designed a different vesrion of the questionnire for each use-group. The returned questionnaires were 326 questionnires out of 680 distributed. The respondents were asked to indicate whether they well understand the annual report's content. The responses showed that the individual investors had some problems in understanding the content of the reports, which supports the results of many prior studies. However, as there was another question that measures the usefulness of the annual report's sections, the results indicated that MR was seen as a moderate useful source of information. In a further investigation, the questionnaire included one more question to explore how to improve the usefulness of the annual reports. The results showed that the users seek to know more financial ratios that reflect the entity's performance and its financial sitiuation. At last, overall, the findings indicated some weakness in the current disclosure in MR, meaning that if certain more information was mandatorily required to be disclosed, at the time, the usefulness of MR would be more significant. Nonetheless, this study sought to evaluate the usefulness of the annual report's sections by titles only; without asking the respondents on the usefulness of every section's details.

Ho and Wong (2001) as well focused on the perceptions of two user-groups; the chief financial officers, as preparers, and the financial analysts, as users. Ho and Wong prepared two different versions of questionnaires. The first version included forty-four items and was distributed to the preparers, while the second version included twenty-third questions and was distributed to the users. In total, the usable returned questionnaires were ninety-two. The results showed that the chairman's letter and MR were seen to be moderate useful sources of information. Furthermore, the respondents pointed out that the entities' management try to make decisions on which items to be disclosed in the annual reports without considering the efficiency and adequacy of this information in meeting the users' needs. Furthermore, while the preparers believed that the current disclosure need only slight improvements, the financial analysts require more information and believe that the current disclosure need major reform. Nevertheless, the respondents suggested that improving the disclosure quality cannot be done by the regulation only and that the most efficient way in doing so would be by improving the communications between the firms' management and the users; via the investors' relations, and increasing the voluntary disclosure.

In Malaysia, Rahman (2001) tried to shed the light on the accountants' perceptions regarding the usefulness of the annual report. He sent a postal questionnaire to 150 certified accountants, however, the received responses were only fifty-five. The vast majority of the respondents (85%) mentioned that the main purpose of using the annual report is to provide advice to their clients, as 78% of them use the annual reports to make decisions regard their clients' investments, while 71% of the accountants use this information to manage their own investments and decision-making. Furthermore, the respondents considered the financial report and its notes as the most important sections in the annual report and that MR has a moderate usefulness. Rahman indicated that the last finding would be due to the accountants' quality since they are the ones who produce the accounting numbers and explain it in the notes.

Naser et al. (2003) tried to establish several aspects regarding the usefulness of the annual report and the necessary characteristics that should be considered to describe it as a useful source of information. Naser et al. surveyed eight user-groups in Kuwait; including, the institutional investors, individual investors, bank loan officers, government officials, auditors, financial analysts, stockbrokers, and academics. They distributed fifty questionnaires on each user-group (400 in total) and received back 306 questionnaire in total. Naser et al. asked the respondents about the extent that they find the annual reports' sections to be useful, in addition to indicate the usefulness level of fifty-six items; twenty-four mandatory and thirty-two voluntary information. The results revealed that the users depend on the annual report information to make investment decisions and compare the performance of the different companies within the same sector as well. However, the individual investors were found to have some difficulties in understanding the annual reports, therefore, they would depend more on the direct communications with the firm's management. Moreover, MR was ranked as third, out of four sections, in the understandability, whereas it was considered as an important source of information and has a high degree of creditability. The most contrasted/criticised finding of this study is the contrast between MR importance, as it was chosen by the respondents, and the usefulness of the voluntary items, as the users see it. The usefulness of the voluntary items showed that the future-related information is very important; however, that information is always disclosed in MR. This finding may reflect the low awareness of the respondents on MR content or the regulations or/and that the firms' mangers do not pay much care on voluntarily providing what the users' needs.

Still in the Arab region, Al-Razeen and Karbhari (2004) investigated the usefulness of the annual report's sections based on the perceptions of the users by surveying five user-groups in Saudi Arabia. The user-groups they included were the institutional investors, individual investors, creditors, financial analysts, and government officials. The authors collected 303 questionnaires out of 636 that were distributed. The questionnaire included some questions that aimed to assess the usefulness of seven sections in the annual reports. The findings suggested that the users consider the financial statements to be more important than the narrative sections in the annual report. However, the respondents considered that MR has a moderate level of usefulness.

In Iran, Mirshekary and Saudagaran (2005) explored the usage of the information disclosed in the annual reports. Mirshekary and Saudagaran referred to the lack of mandatory disclosure's requirements in Iran, which considers a barrier to the users in evaluating the firms' performance. The authors used a questionnaire to survey seven user-groups; namely, bank loan officers, bank investment officers, tax officers, stockbrokers, institutional investors, auditors, and academics. They distributed 500 questionnaires and collected back 245 one. The results revealed that the financial statements provide very useful information, while the other sections, including the notes on the financial statements, MR, and the auditor report, contain less important information. However, one of the limitations in this study is the weak consensus between many users' groups, which makes its results still need for deeper investigation.

In South Africa, Stainbank and Peebles (2006) conducted a descriptive study based on a postal questionnaire. Their sample included two user-groups; the financial managers as preparers, and the institutional investors as users of the annual reports. The responses were 50 out of 172 distributed questionnaires. The respondents were asked to determine the readability of twenty sections in the annual report, which would serve as an indicator to the usefulness of every section. The results demonstrated that the preparers consider the annual report's sections to be less important compared to what the users think. Furthermore, the users chose the directors' report; the chairman's review and the future forecasts, as moderate useful sources of information. Nevertheless, the users considered that corporate governance disclosure has a slight usefulness, whereas CSR and environment disclosures scored the least means by both the users and the preparers. However, the low response rate of the user-group (17%) makes the findings of this study to be difficult to generalise.

Alattar and Al-Khater (2008) provided another evidence regarding the usefulness of the annual report in Qatar. Their study utilized surveys to indicate the perceptions of five user-groups; institutional investors, individual investors, financial analysts, bankers, and governmental officers. Alattar and Al-Khater divided the annual report into eight sections and asked the respondents to indicate the usefulness of every section and its effect on the investments decision-making. The distributed questionnaires were 220, while the returned ones were 150. The findings showed that the respondents considered the chairman's report and MR as useful sources of information, with no significant differences between the users' groups regarding those two sections.

Al-Ajmi (2009) focused on the individual investors in order to explore the usefulness of the annual report in Bahrain, through identifying the effect of the annual report's parts on the investments decision-making. He sent a total of 800 questionnaires to individual investors and received back only 341 one. Al-Ajmi asked the respondents to indicate the usefulness of nine sections in the annual report. The results revealed that MR was of a moderate importance. In addition, Al-Ajmi found that the future-related items are very important and affect the users' investments decisions.

In the Egyptian context, Hassan and Power (2009) adopted a survey questionnaire to describe the financial analysts' perceptions regarding the usefulness of 115 piece of information. The authors sent the questionnaires to 200 financial analysts, but received twenty-three responses only. Although the findings showed that the financial analysts find the information about the entity's future performance to be useful, the respondents also consider the historical information to be more useful than the forward-looking performance information. Furthermore, the results revealed that the quantitative information are more useful than the qualitative information; as the mandatory disclosure is more useful than the voluntary disclosure. Hassan and Power argued that these findings can be due to the low mature level of the market and the limited disclosure requirements under the Egyptian accounting standards. However, with a response rate of 11.5% only, the findings of this study can still be criticised and cannot be generalized.

Kribat (2009) aimed to compare between the users' needs and the disclosure level in the Libyan banks' annual reports. He first designed two different questionnaires then he sent the first version to the preparers of the banks' annual reports and the other to different seven user-groups. The user-groups included the individual investors, institutional investors, external auditors, bankers, central bank officers, tax officers, and academics. However, the individual investors were excluded later because Kribat was not able to find any contact details to them. Seventy-five questionnaires were sent to the preparers and 125 to the users, while the returned questionnaires were fifty-four and eighty-one respectively. The results suggested that both of the preparers and the users consider MR as a useful source for information, despite that the users scored it higher than the preparers did. In addition, the results showed that the users considered that MR content is likely to be more understandable than the balance sheet and the statement of cash flow. However, MR was ranked as the least reliability section out of eight sections in the annual report. The author sought also to explore the problems that shape the usefulness of the annual report. The respondents indicated many weakness points in the annual reports, such as the irrelevant information and the lack of information quantity, reliability, understandability, and comparability. In the later stage, Kribat analyzed the annual reports of the Libyan banks for the period between 2000 and 2006 (seven fiscal years). He prepared a disclosure index that did not depend on the survey results. The analysis showed that the actual disclosure on the management aspects still weak and that only less than 30% of the Libyan banks provide information related to it. Moreover, while only few banks disclosed on its strategies and keys of financial performance, there was no disclosure on the risks by any bank.

Chatterjee et al. (2010) also offered recent evidence on the Iranian users' perceptions on the voluntary disclosure by the listed firms. Chatterjee et al. used a questionnaire survey that covered the usefulness of three narrative categories of information in the annual report; the present, analytical and prospective related-information. The financial analysts were the target users to run the survey; while, 51 questionnaires were collected out 60 distributed. The results suggested that the users seek all the three types of information, but they give higher priority to the prospective related-information that reflects the firm's management expectations to the future performance and the entity's ability in creating value. Chatterjee et. al. compared as well between the users' needs and the Iranian entities actual disclosure. They used the survey results in preparing a disclosure index; however, the results referred to a diversity among the entities' disclosure practices. The authors found that the prospective items' disclosure seem to be, on average, the most disclosed items, followed by the present information, while the analytical items were the less disclosed. Chatterjee et al. argued that the Iranian firms attempt to make balance in its disclosure to be more relevant to the stakeholders in general.

De Zoysa and Rudkin (2010) presented the first evidence on the usefulness of the annual report from the viewpoint of seven user-groups in Sri Lanka. The users' groups were accountants, executives, bankers, tax officers, academics, financial analysts, and investors. A questionnaire survey was conducted on 575 users and the collected ones were 264. The participants were asked to indicate the importance of eleven sections within the annual report. The findings showed that there were significant disagreement between the users' groups regarding the importance of eight out of ten sections. In addition, the chairman's report and MR were regarded as slightly important sources of information in decision-making. However, the findings of this study can still be criticised. It measured, same like many prior studies, the usefulness of the annual report's sections based on titles only without investigating the information types that were disclosed under every section of the annual report.

In a recent study in Egypt, Dahawy and Samaha (2010) divided the annual report into eight sections and surveyed the usefulness of these sections from the viewpoints of six users-groups. The selected users-groups were as the same used in the study Mirshekary and Saudagaran (2005). Seventy-two responses were received, out of three hundred distributed, and the results indicated that the auditor report was the highest useful part in the annual report, while MR had a slight useful level. However, the majority of users had difficulties accessing the annual reports of the listed companies, since many of these companies do not make their reports to be available online. In addition, the study highlighted that the users were not satisfied with the requirements of mandatory disclosure. The users were seeking information that covers the future growth and profits. Despite that the findings of this study referred to the inadequacy of mandatory disclosure in meeting the users' needs, the low numbers of responses received from the users-groups makes these findings hard to be generalised (sixteen questionnaires were the highest number of responses received from one users-group, while some responses, from another users-group, were only of six questionnaires)

In United Arab Emirates, Alzarouni et al. (2011) explored the usefulness of the annual reports' sections for making investment decisions. Through using a questionnaire survey that included eighty-four items, eight user-groups were surveyed; namely, the institutional investors, individual investors, governmental investors, stock market brokers, fund managers, bank credit officers, government representatives, and professional accountants and auditors. The participants were asked to indicate whether the annual report is enough and sufficient in decision-making, as they were asked to assess the relying that they make on seven different sections within the annual report. The distributed questionnaires were 512, while the usable returned questionnaires were 395. The results revealed that 56% of the respondents perceive the current disclosure in the annual report, in general, as not useful. Furthermore, MR were considered as a moderate useful source of information, as its content has a moderate level of understandability and relevance. Alzarouni et al. used the survey results in comparing the existed disclosure in the annual reports of the listed firms. The results showed that the current disclosure covers only 61% of the users' needs, which reflects a disclosure gap. Alzarouni et al. explained this gap as a result of the weakness of the obligation made by authorities. However, the findings of this study highlight some interesting aspects. Firstly, the study aimed to investigate the usefulness of the mandatory disclosure only; surprisingly, the results referred to some doubts about the credibility and relevance of this information, which rises some questions about efficiency of the regulation and capital market authority. Secondly, the study showed that the individual investors were the least group in using the annual report as a primary source of information, which emphasise that the knowledge of the individual investors is still weak, as many of the previous studies indicated.

Al-Maliki et al. (2015) provided another insight on the usefulness of the annual report in Qatar using a questionnaire survey. Four-hundred questionnaires were sent to the individual investors, while the usable returned questionnaires were 313. The participants were asked to determine the importance of several sources of information that were common in the financial markets and also to mention their main purpose of using the annual report' information. The results illustrated that the financial analysts' reports were ranked as the first useful source of information, followed by the annual report. Related to the usefulness of the annual report' sections, MR is considered as of a moderate usefulness. In addition, the respondents seek additional information on the entity's liquidity, performance, profits, and investments plans. However, as many prior studies, this study focused only on the usefulness of the main sections of the annual report based on titles, without providing any deeper analysis on the usefulness of detailed information.

Biswas and Bala (2016) also highlighted the perceptions of the individual investors on the annual report in Bangladesh. A questionnaire survey was carried out and distributed on five-hundred individual investors, while the authors collected only 316 that were completed. The questionnaire aimed to rank the usefulness of eighteen sections in the annual report. The findings suggested that the audit committee disclosure is very useful, while MR and its related items, the chairman's review, directors' report, and corporate governance report were seen as moderate useful sources of information. On the other hand, the environmental disclosure was found to have a slight usefulness. Biswas and Bala found also that one-third of the respondents always review the annual reports for the investments decision-making's purposes. They tried to explore the possible reasons of this matter, however, it was found that many of the respondents believe that the lack of interesting information is one of the major challenges in maximizing the usefulness of the annual report. Nevertheless, the same criticism that were noted on several prior studies still applies here;

it is not enough to measure the usefulness by only asking the users about the titles of the annual report’s sections without investigating the usefulness of their content as well.

More recently, Dawd et al. (2018) split the annual report into eight sections and collected one-hundred and thirty-seven questionnaires from the preparers and the financial analysts in Kuwait. The results indicated that the management report is a moderate useful source of information to the investments decisions. Nevertheless, the participants encounter some insufficiency in the information disclosed in the annual report. For example, they considered that the disclosure on KPIs is essential to support their investments decision-making; however, companies are not interested in disseminating this kind of information.

1.5.2 The Studies in the Developed Markets

The pioneering studies on the usefulness of the accounting reporting attempted to provide an evidence regarding the differences in the perceived usefulness of the annual report’s sections by investigating the effect of every section on the investments decision-making. Baker and Haslem (1973) adopted a survey questionnaire that included thirty-three items; the same items that were used by the financial analysts in USA. They distributed the on a sample of individual investors in Washington, however and collected 851 questionnaires. The results suggested that the individual users find the information on the future performance to be likely to affect their investment decisions more than the other information in the annual report. Moreover, as the questionnaire was prepared based on the useful information that is in accordance with the American financial analysts’ viewpoint, the findings indicated that the individual users evaluate the information in a different way compared with the financial analysts.

Chandra (1974) investigated the annual reports’ usefulness from the viewpoints of two different parties; the public accountants, as preparers of the accounting reporting, and the financial analysts, as one of the main users (the study used the term ‘Security analysts’). Chandra used a survey questionnaire that included fifty-eight items and submitted it to one-thousand respondents. The results showed some differences between the two categories, which was related, according to the authors, to the lack of the communication between the two parties in identifying the users’ needs. In addition, it was found that the users seek more information that covers different aspects of the firm performance, while the preparers still follow the mandatory and the traditional disclosure’s requirements. These findings reinforce that the accounting standards may not be enough to meet the users’ needs.

The disclosed information provide the users with the ability to estimate the future performance rather than focusing only on the present performance. This was the main driver for Lee and Tweedie (1975a) to investigate the usefulness of the firms' disclosure. A postal survey questionnaire was distributed on 1594 individual investors, who were already investors in a British listed company. The collected questionnaires were 374, where the respondents were asked to indicate their viewpoint on the usefulness of annual report's sections, which included seven sections, and to score the usefulness of several information regardless of the section that it was disclosed in, such as the historical information and future forecasts.

The results suggested that the chairman's report was the highest read part since 95.7% of the respondents read it completely or briefly, while 78.3% of the respondents read MR regularly, which was ranked as third among the sections. Regarding the usefulness aspect, the chairman report was ranked as the second with a great useful content, while MR came forth and considered moderate-important source of information. On other hand, the respondents' choices regard the usefulness of different types of information showed that future forecasts, income information, and liquidity were the most useful information, respectively. The findings of this study were pioneering as they highlighted many interesting aspects in understanding the user's preferences of information; especially the last result related to the most useful types of information.

Lee and Tweedie (1975b) also presented another evidence regarding the understandability of the annual report's content. They suggest that the relevance of the accounting information is dependent on whether the information reflect the entity's performance in a clear way. By surveying the same sample of their pervious study (Lee and Tweedie 1975a), the findings revealed that the shareholders think that the chairman's statement and MR are the highest understandable sections, and that they read and depend on their information when making investment decision. However, they found that the users have some problems in understanding the accounting information; this result was applicable also on the investors who hold an accounting degree. They argued that the lack of understandability decreases the usefulness of the disclosure regardless of the disclosure quantity.

Chandra and Greenball (1977) claimed that if the financial analysts found the disclosed information to be adequate and fair, then it would mean that the information is useful and meet the users' needs. Chandra and Greesball analysed the American literature on the disclosure practices that explain why the mangers oppose the disclosure of more information. Some scholars argued that the entities have certain reasons to disclose less information in the accounting reporting. These reasons could include the high cost of producing the information, the possibility of the information to be used by the competitors, and the fear that the more disclosure would confuse the reader. However, Chandra and Greenball claimed that all these reasons are not really persuasive. However, their survey included fifty-eight items and were conducted on 800 of the financial mangers (400 preparers mangers and 400 users mangers) and 400 of the financial analysts in USA, while the recorded responses percentage was 41% overall. The findings revealed many variations on the value of the information between the preparers and the users. Moreover, the study found that the financial managers, as preparers, regard the accounting information to be less valuable than what with the financial managers, as users, believe it to be. The last finding of their study showed the true reason that explains why the mangers do not disclose more information.

Benjamin and Stanga (1977) surveyed the usefulness of the annual report focusing on the perceptions of two external user-groups; the bankers and the financial analysts. Benjamin and Stanga used a questionnaire that included 79 items; they collected 415 questionnaires out of 1200 that were distributed. The results revealed significant differences in the perceiving of 51 items, out of 79 items, between the two groups. Furthermore, the financial analysts considered the firms' forecasts to be less important compared to what the bankers did. This finding can be explained in light of the risk factor that can face the borrower entities when refunding the loans in the future; hence, the banks would not be engaged in loans when there is a high possibility that the borrower will face bankruptcy in the near future. Also, the results supported that CSR disclosure is the least important part in the annual report for both the surveyed categories.

Chenhall and Juchau (1977) suggested that the accounting reporting helps the investors in directing their investment decisions by comparing the expected revenues and risks. They used a questionnaire survey that consisted of 37 factors (most of them were taken from (Baker and Haslem 1973) study), however, they collected 1025 questionnaires from Australian investors. The chosen factors cover the forecasts on the future performance and the risks that were supposed to affect the individual investors' decisions and allocation of resources. The respondents considered the future forecasts and the mangers' related information to be the most useful parts in the annual report. Chenhall and Juchau argued that the high rankings given to the management's quality items by the investors reflect the direct influence of the managers' decisions on the firm performance and share prices in the future, which emphasizes the importance of the human resources' disclosure in the annual report.

Measuring the symmetry of information between the information's producers and users was the aim of Firth (1978) study in the UK (as cited in Alrazeen, 1999 and Kribat 2009). He aimed to investigate whether the two parties have similar understanding of the usefulness of seventy-five pieces of information. Using a questionnaire, 302 responses were collected from four users-groups; the financial managers and the auditors as information preparers, and the financial analysts and the loan officers as information users. The results illustrated that the producers and the users perceive the items in different ways. While the financial analysts and the loan officers consider 61 items to be of a similar importance, the perceiving of 49 items was significantly different between to the loan officers and the financial directors. This study represented a further evidence on the distinctive way in which the usefulness of the accounting disclosure is perceived from both the users' and the producers' viewpoints.

Investigating the institutional investors' information needs in Australia was also the main purpose of Anderson (1981) study. He carried out a questionnaire survey to identify the importance of the information used in investment decision-making; including those of the selling, buying, and holding the shares. The respondents were asked to indicate the usefulness of the annual report's sections and to identify the subjects that they seek more information on. The survey was distributed on a sample that included three-hundreds institutional investors; the received questionnaires were 188 (63.08%). The results showed that the MR is seen as to be of a moderate usefulness; as the respondents required more information on the firm's operations, the future forecasts, and the managers' qualifications.

Courtis (1982) focused on the Australian individual investors' perceptions on the usefulness of the annual report. unlike Firth (1978) approach, Courtis focused only on the annual report's sections regardless of the type of information in each section. He distributed 4400 questionnaires on a sample of individual investors in 11 public-state listed firms. Courtis asked the respondents to rank the importance of the annual report' sections. The results revealed that the chairman's review and MR were ranked third and fourth, out of seven sections, respectively.

In a literature review article, Hines (1982) compared the findings of twelve based-survey questionnaires' studies with some based-content- analysis' studies. Hines found that the vast majority of the scholars admit that the chairman's report is the most read part by all the users' groups; however, when it comes to investment decision-making, the users depend mostly on the income statement information. Furthermore, he addressed a conflict between both categories of the studies that was due to the timeliness. Hines illustrated that the users think that the financial reports are indeed very important, yet, the annual report as being announced, typically, several weeks after the end of the fiscal year, limits the possible usefulness of the annual reports.

McNally et al. (1982) used a mixed approach in order to make a comprehensive investigation of usefulness of the accounting reporting. In order to investigate whether the current disclosure meet the professional users' needs or not, the authors conducted a survey with two user-groups; the financial editors and the stockbrokers in Australia. The questionnaire included forty-one items that cover financial and non-financial information and mandatory and voluntary items. The received questionnaires were 83 out of 187 distributed. The findings revealed many important points. First, there was a high agreement between the two surveyed groups on the usefulness of all the items in the survey. Second, when comparing the users' needs with the firms' actual disclosure, it was found that that the listed companies failed in disclosing the information that was seen as highly usefulness by the users. McNally et. al. argued that even though the findings of several prior studies in USA, UK, and New Zealand indicated that the users' needs are similar within these countries, the Australian firms still unaware of the benefits of providing information that matches the users' needs.

In the UK, Day (1986) focused on the investments analysts' perceptions regarding the usage and usefulness of the annual reports, as well as, on determining the analysts' suggestions on how to increase the annual report's usefulness to match their needs. Day utilized both content analysis approach and interviews to obtain the required data. He used the annual reports of two British companies for the fiscal year ended on 31th of March 1982, then he held structured interviews with fifteen financial analysts in order to know how they use the information and evaluate its usefulness, which should be reflected on their investment decision-making. The results illustrated that although the chairman's report included some useful information, it still need some improvement to increase its usefulness. The respondents confirmed that providing more information on the future performance and the management's plans will make the chairman's report very useful.

McCaslin and Stanga (1986) proposed that there is a similarity in the information needed by the financial analysts and the bankers in making investment decisions. To examine that notion, the authors formulated a questionnaire that included thirty financial items and applied it on the USA Content. The returned questionnaires were 113 from the bankers and 59 from the financial analysts (out of 300 questionnaires that were distributed on each group). The findings showed high similarity in the needs and in the estimated information usefulness for both user-groups. However, this study focused only on the income statement and its financial information.

In the Netherlands, Vergoossen (1993) tried to determine the main purposes of using the annual reports and the usefulness of its sections. He conducted a questionnaire survey with the investment analysts in the Netherlands. The returned usable questionnaires were 215 out of 506 that were distributed. At first, the questionnaire included some questions on the main purposes of using the annual report. The results of this part suggested that 54.9% of the users use the annual report for investments decision-making, 38.9% use it in general ordination and in knowing the firms' performance in general, while 37.1% use it to advise their clients. Second, the respondents were asked to determine the usefulness of ten sections of the annual report. The findings revealed that MR was ranked fourth, while the supervisory board's report came in as last in the ranking.

The American Institute of Certified Public Accountants (AICPA), a professional organization, carried out one of the most important studies in exploring the users' opinions regarding the financial reporting of the American entities. AICPA recognised the new changes in the business environment; therefore, a committee of high-qualified professional members was formed in 1991 to indicate what the users' need. The investigation focused mainly on knowing the respondents observations on the weaknesses of the current disclosure and on what information should be covered in the annual reports to make it more useful (AICPA 1994). However, the committee held many meetings before issuing the final recommendations on improving the efficiency of the accounting reporting. To reach valuable recommendations, a telephone survey was carried out with 1200 participant (60% of them were involved in investment decision-making, while 40% were creditors). The final findings highlighted many interesting tips. First, the users seek more nonfinancial information to explain the firm operations and the relations between different activities. Second, the users need information that covers forward-looking performance and includes the investments opportunities and the risks and their effect on the near-term at least. Finally, the respondents showed some doubts regarding the management disclosure's policy, since the managers tend to avoid the disclosure on information that might reflect poor performance, which would likely make many information to incredible.

Anderson and Epstein (1995) used a questionnaire survey to investigate the individual investors' preferences regarding the annual report (as cited in Alrazeen, 1999). They sought to arrange the annual report's sections according to their effect on the investment decision-making and, consequently, their usefulness. The results indicated that MR is the most read part in the annual report; however, when it comes to investment decision-making, the income statement was considered to be the most useful section.

The changes in the business environment, the regulations, and the accounting standards can probably affect the users' points of view on the usefulness of the disclosure. Bartlett and Chandler (1997) investigated the effect of these changes on the usefulness of the listed entities' disclosure in the UK and compared their study's findings with those of Lee and Tweedie's in the 1970s. Bartlett and Chandler used a questionnaire survey that included the same items that were used in the study of (Lee and Tweedie 1975a) with some improvements due to the recent changes in the annual report's content. The questionnaire was sent to 300 of the individual investors in a specific British listed firm, while only 76 questionnaires were returned. The findings proved that the narrative disclosure sections have attracted more attention by the investors. Furthermore, the results supported an increase in the usefulness of the chairman's report, the financial summary, the chief executive's report, and MR, while the importance of the financial statements was seen to be decreased. Interestingly, corporate governance disclosure and the auditor's report were of the least read parts. Bartlett and Chandler argued that despite that many changes had happened in the accounting and auditing standards and disclosure regulations, the lack of communications between the mangers and the users still exist, which limits the usefulness of the business reporting.

In one of the most interesting studies, Beattie and Pratt (2002) investigated the users views on the importance of specific items; relying on the views of both the professional and nonprofessional users in the UK. They adopted a questionnaire survey that included 130 items and were divided into eleven sections. The survey was sent to four user-groups; namely, the expert users, private shareholders, finance directors, and audit partners. While the distributed questionnaires were 1645, the returned questionnaires were 538 only, in addition to 22 follow up interviews done by the telephone. The findings of this study show similarity in the users' perceptions across the four categories. The highest useful items were related to the information that covers the financial performance, the firm strategy, the management discussion, and analysis and risks. On the other hand, the information on the environmental and corporate social responsibility was considered the lowest useful items.

Graham et al. (2002) focused on investigating the financial analysts' needs, how they perceive the information, and how they use it in estimating the entity's future profits. Their sample included 200 financial analysts in New York; the returned usable questionnaires were 34 only. The respondents were asked to indicate the usefulness of certain sources of information. The results revealed that MR was a very important source of information with a mean score of 4.53, out of 5-points scale, with 62% of the respondents always use it in their investments decision-making. In addition, the respondents were asked to evaluate the importance of specific types of information that affect their expectations for the entity's earnings in the future. The respondents indicated that the information related to the earnings growth, future plans, financial risk, operating risk, recurring and non-recurring profits, and the quality of the firm's mangers, respectively, are very useful and affect their estimates significantly. This study provided very interesting insights for deeper understanding of the financial analysts' way of thinking and how they read and use the annual report in a critical way, with focusing on specific items that can help in anticipating the entity's performance in the next year.

Hooks et al. (2002) aimed to explore the compatibility between the users' needs and the actual disclosure in the annual reports. They prepared a disclosure index that included 67 pieces of information, then, debated it in-depth with a panel consisted of fifteen high-qualified experts. The panel's members were asked to weight the index's items in light of their viewpoints on the usefulness of each item. Hooks et al. applied the weighted disclosure index on a sample of the listed companies in New Zealand. The sample included the annual reports that were issued between the fiscal years of 1998-1999 by thirty-three electricity-firm. The results showed that the information related to the management and the ownership structure was disclosed adequately. In contrast, the disclosure on many other items were limited within some reports, while they were never disclosed in others, such as the items related to the forward-looking performance, profit, and performance ratios. Hooks et. al. indicated that what was common between these items, the less disclosed items, is that most of them were voluntary items, which highlights the gap between what the regulators enforce the entities to disclose, what the firms disclose voluntarily in its annual report, and what the information that the users truly seek .

In Belgium, Orens and Lybaert (2007) followed a similar approach to that of Hook's et al., but followed reversed steps. Orens and Lybaert attempted to assess the usefulness of the nonfinancial information from the viewpoints of sell-side financial analysts'. At first, they prepared a disclosure index which included 71 nonfinancial information, based on the annual reports content. These items were divided into five categories; namely, management's analysis of financial and non-financial data, information about management and shareholders, forward-looking information, background information about the company items, and intellectual capital information. The authors found that the nonfinancial disclosure was increased over the time in the annual reports. They linked this finding with the continuous changes in the disclosure requirements and the voluntary disclosure. At a second stage, the same index was formatted as a survey questionnaire and was sent to the financial analysts in Belgium. The aim of this step was to explore the views of the financial analysts on the usefulness of the disclosure index's items. The findings documented that the increasing in nonfinancial disclosure reduces the gap between the financial analysts needs on the one hand, and what the entities' managers tend to disclose on the other.

Cohen et al. (2011) focused on the perceptions of non-sophisticated investors' regarding the usefulness of nonfinancial disclosure. They used a questionnaire survey that included twenty-two items and cover three main categories of the nonfinancial information; the economic performance's indicators, corporate governance, and corporate social responsibility. The survey was carried online whereas the authors received 750 responses. The results suggested that the economic performance indicators are the most usefulness information, followed by the corporate governance, while CSR information came as least. Cohen et. al. explained that the respondents feel more confidence in corporate governance' information provided it was audited or organised by the regulation. Moreover, the users can be more confident in the CSR information if it was disclosed by an independent third-party (i.e., showing certificates from institutions that had received donations from the reporting entity or certificates from competent authorities regarding the reporting entity's efforts in protecting the environment).

Johansen and Plenborg (2013) as well attempted to evaluate the usefulness of the mandatory nonfinancial disclosure within two sections of the annual report; the management commentary and the financial statements' notes, in Denmark. Using a questionnaire that included 24 items, they surveyed explored the perceptions of four user-groups and one preparer group. The user-groups included financial analysts, professional investors (contained four categories: asset managers, pension funds, private equity and institutional investors), private investors, and banks officers (both credit analysts and client advisers), while the targeted preparers were the financial managers in the nonfinancial Danish companies. The returned questionnaires were 288 from the users and 89 from the preparers. The results showed that the current disclosure was not enough, and that the actual disclosure level was moderate across all types of information. Moreover, the respondents still seek more information on the forward-looking information, the past year activities and results, key performance indicators, and the risks. On other hand, the respondents were still not very much interested about corporate governance and corporate social responsibility information. These findings confirm the gap between the users' needs and the firms' actual disclosure and that the preparers still unaware or neglect the users' needs.

1.5.3 The Lack of Usefulness in the Financial Report: Overview

The above two sections illustrated considerable amount of prior studies on the usefulness of the accounting report. The research in the emerging countries has begun in the eighties of the last century, after roughly two decades of it being first begun in the developed economies. By that time, the studies in the developed markets have been decrease, while more attention has been paid to the emerging markets (Table1.1). The majority of studies in the emerging markets focused on the Asian economies, while less attention was paid to other markets in the other regions. Although several studies were carried out in the Arab Gulf countries, the results of these studies may not be applicable on the Egyptian context; since these countries' economies is based mainly on the petroleum sector, while the Egyptian economy is more open and does not depend mainly on a single economic sector.

Table 1. 1 Summary of the Prior Studies through the Last Five Decades

Years/Markets	Studies on the usefulness of annual report		Total
	Developed Markets	Emerging Markets	
1971-1980	7	-	7
1981-1990	6	1	7
1991-2000	7	5	12
2001-2010	6	14	20
2011- 2018	3	4	7
Total	29	24	53

However, the subject of these different investigations/studies was not always the same. While, some studies sought to arrange the usefulness of the annual report's sections (e.g., Abu-Nassar and Rutherford, 1996; Alattar and Al-Khater 2008; Almahmoud 2000; Al-Maliki et al. 2015; Al-Mubarak 1997; Anderson 1981; Biswas and Bala 2016; Courtis 1982; Kitindi et al. 2007; Lee and Tweedie 1975b; Mirshekary and Saudagaran 2005; Naser et al. 2003; Rahman 2001; Stainbank and Peebles 2006, other studies tended to divide the annual report into several sections, however, the number of these sections was different from one study to another. For example, the annual report was divided into four sections (Naser et al. 2003), seven sections (e.g., Almahmoud 2000; Al-Mubarak 1997; Al-Razeen and Karbhari 2004; Alzarouni et al. 2011; Courtis 1982; Kitindi et al. 2007; Lee and Tweedie 1975a, 1975b), eight sections (e.g., Alattar and Al-Khater 2008; Abu-Nassar and Rutherford 1996; Samaha & Dahawy, 2010; Dawd et al. 2018; Kribat 2009; Mirshekary and Saudagaran 2005), nine sections (Al-Ajmi 2009), ten sections (Al-Maliki et al. 2015; De-Zoysa and Rudkin 2010; Vergoossen 1993), fifteen sections in (Bartlett and Chandler 1997), eighteen sections in (Biswas and Bala 2016), and twenty sections in (Stainbank and Peebles 2006).

Unlike of this approach, other studies focused on investigating the usefulness of specific types of disclosure or specific items (e.g., Baker and Haslem 1973; Benjamin and Stanga 1977; Chandra 1974; Chandra and Greenball 1977; Cohen et al. 2011; De Zoysa and Rudkin 2010 Firth 1978; Hassan and Power 2009; Ho and Wong, 2001; Hooks et al. 2002; Ibrahim and Kim 1994; Johansen and Plenborg 2013; McNally et al., 1982; Orens and Lybaert 2007; Solas and Ibrahim, 1992), while, finally, very few studies followed both of these approach altogether (e.g., Al-Ajmi 2009; Alzarouni et al. 2011; Backer 1970; Bartlett and Chandler 1997; Beattie and Pratt 2002; Graham et al. 2002; Lee and Tweedie 1975a). The author believe that investigating the usefulness of the annual reports' sections as competitors to one another is not sufficient with the existence of accounting standards in every country around the world, while, it is more important to focus more on the usefulness of the information types in every section.

Another noticeable phenomenon in some of the prior studies in general is that the users-groups who were subject to the investigations were inhomogeneous, which may lead to inaccurate findings. The researcher argues that the usefulness of accounting information depends mainly on the purpose that the targeted-user needs it for, which means that it is not accurate to survey the tax officers or the governmental officers if a study tries to investigate the influence of information on investment or lending decision-making. For instance, Mirshekary and Saudagaran (2005), Kribat (2009), and De Zoysa and Rudkin (2010) surveyed the tax officers as one group in their surveys, while Naser et al. (2003) surveyed the governmental officers as one group in their study. In such cases, some doubts can be raised regarding the relation between these users-groups and the evaluation of the usefulness of information that covers the firm strategy, the mangers skills, the financial performance indicators, and the expected revenues in the next year. It was presumed that some of these users-groups, as a result of the nature of their work, focus only on the quantitative information included in the main financial statements, and the importance of narrative sections would be lower for them.

Nevertheless, many prior studies assumed that the sections on the main financial statements to be of the highest usefulness in the annual report; therefore, the surveys they used were designed to investigate the usefulness of information disclosed in these statements, while other sections in the annual reports were seen as secondary-useful sources of information. The following arguments will highlight the increased criticisms that were directed to the financial report, and the necessary reform by which the usefulness of its content can be maximized.

Thus, from the methodological perspective, there are three main methods that are popular in the literature of the usefulness of annual report. First, the questionnaire surveys are the dominant methodology in investigating the usefulness from the users' viewpoint. Second, the content analysis approach was also followed in several studies, sometimes on its own while other times, more often, with another method, such as questionnaire survey or interviews. Some scholars tended to analyze the financial analysts' reports in order to determine which information is useful and reliable and has impact on the financial analysts' advices and decisions. On the other hand, some scholars analyzed the annual report itself in order to compare the disclosure practices with the findings of their questionnaire survey or the undertaken interviews. The aim of that analysis was to provide a comparison between the users' perceptions regarding the usefulness of accounting information, and the content of the annual report. Third, there was only a few scholars who adopted the interview method; probably because this method has some limitations and does not present accurate results, especially if it was based on only few users (due to the limitations of the time and the cost) to determine the usefulness of the annual report. Therefore, in many cases, the interviews were adopted side by side with another method, such as questionnaire survey or content analysis.

It is also noted that the accounting disclosure might be considered as a product (Dye 2001). In the cases of intense competition, the successful enterprises represent its products and services in a way that matches the clients' needs. The entities' management should follow the same strategy in preparing the business report, as the users of the information expect to receive some useful information that is presumed to reflect the current situation of an entity and whether its investors should sell, buy, or hold their shares (AICPA 1994). However, the financial report on its own does not provide enough information for the users to have a complete view of the entity. A first limitation of the financial report is the standardization process that controls how to prepare it and how to explain the numbers through the notes. The financial report includes a specific information, as required by the accounting standards, which is reflected on the information that appear in the financial statements and their notes (Schroeder and Gibson 1990). Another limitation of the financial report is the lack of forward-looking performance disclosure. The financial statements include, by its nature, historical information that reflects the past and the current performance, while the users seek more information on the planned expansions and the future performance (FASB (1978): paragraph 21).

This weakness in the financial report highlights the important role of the management report[(2)] in improving the usefulness of the accounting reports (Clarkson et al. 1999). MR provides explanations of the surrounded conditions that influence the financial statements' items. The explanations should highlight more details on the events that were not disclosed in the financial report (IASB 2010b). This disclosure is supposed to support the financial report and to increase the usefulness of the business report in general. On the other hand, many of the accounting numbers were measured based on estimates, therefore, the business report should include information to explain the assumptions and surrounding conditions that led to these numbers (FASB (2006), Parapraphs: OB15, OB19 & OB26). This kind of information helps the users in better understanding the factors that impact the

[(2)] The management report (MR) has several names that differ from one country to another. For example, IASB called it Management Commentary (MC), in the US and Canada is called "Management Discussion and Analysis" (MD&A), while in the UK the entity's management have to prepare several reports, the important reports include the Strategic Report, Board of Directors' Report, and Corporate Governance Report. However, in Egypt, the entity's management have to prepare one report called "The Management Report". In the current study, the names of MR, MC, and MD&A are used as synonyms.

preparing of these numbers. However, many of this information does not appear in the financial statements and their notes; thus, they be shown in the management commentary. In addition, regulators of the different markets have realised that the financial report is no longer considered as informative as it was before and that substantial reform is strongly needed to improve the quality of accounting report in serving the users' needs (Girdharry et al. 2011).

Following this argument, AICPA's report in 1994 presented a model that focused on the useful information for the investment and lending decisions. The model included five main parts with a major concern on non-financial information. The first part covers financial and non-financial information related to the firm's activities and performance measurements that were used by the management in the internal decision-making. The second part included information on the management's analysis of changes in the financial and operating results. The third section focused on the risks and opportunities that were related to the forward-looking information and how the mangers set plans to overcome these risks or seize the opportunities. The fourth section mentioned the information related to management board's compositions and ownership structure. Finally, the fifth section focused on the entity's objectives and strategies, along with a brief description of the business sector.

After more than two decades since the issuing of the AICPA's report in 1994, little is known regarding the role of MR in enhancing the transparency in the capital markets and in supporting the investors' ability to make relevant investments decisions. Moreover, the domestic regulation is the principle guide to identify what volume and quality of information have to be disseminated in MR; it suggests that every capital market has its own rules in determining such a disclosure. The next chapter will attempt to closely view the usefulness of MR in the accounting literature and illustrate what types of information should be presented in MR in order to maximize its usefulness in investments decision-making.

SUMMARY

The research on usefulness of accounting reports has gained huge attention by scholars and professional bodies. The increased role of stock markets in the economic growth has shown that the accounting system should produce and present enough and useful information in order to enlighten the users regarding investments decision-making and also to enhance the accountability of the managers to the owners. Notwithstanding the many studies that have been done on the usefulness of accounting reports, the majority of these studies focused on evaluating what parts of the annual report were the most useful depending on the current disclosure within them. Many of these studies did not present empirical evidence regarding how to increase the usefulness of different parts in the annual report, as the research on that point, particularly in North Africa region, still very limited. Furthermore, it was shown that the financial statements and their notes are not enough to explain the surrounded conditions of an entity, which emphasizes the role of MR in complementing the usefulness of the accounting system's outcomes.

CHAPTER TWO: The Usefulness of Management Report and the Development of Research Questions

2.1 Introduction

The regulatory bodies have set specific rules that control the content of management report. However, there are some differences in the requirements of disclosure in MR from one country to another. This chapter seeks to define MR and to highlight its importance as a complement to the financial report. Then, the chapter discusses the main elements of MR in the light of the rules set by some regulatory bodies. Also, a full description to the effective and useful preparing MR of will be illustrated. At last, the chapter will discuss the relevant theoretical framework for the current study and the developing the research questions. The chapter concludes with identifying the Egyptian context.

2.2 Definition and Importance of the Management Report in the International Accounting Standards Boards

The management report concept refers to a report that includes an extra information which differs from the financial statements content, whereas the main objective of this information is to capture a wide view on the past, current, and expected performance of an entity, and to highlight the cases that are expected to have impact on the entity either in direct or indirect ways. The International Accounting Standards Board (IASB) represents a comprehensive definition on the management commentary: (IASB (2010b); IN3)

> **"*Management commentary is a narrative report that provides a context within which to interpret the financial position, financial performance and cash flows of an entity. It also provides management with an opportunity to explain its objectives and its strategies for achieving those objectives".***

This definition debates several components that should be disclosed in the management commentary. While management commentary is a narrative report by its nature, this does not mean that its content is limited on qualitative information only. The narrative information in management report covers the objectives of the enterprise and the strategies that were stated by the managers to achieve these objectives. In addition, MR provides more details on the firm performance and the surrounded conditions that led to that performance and affected the cash flows. The management report should also include some quantitative information to highlight some aspects that do not appear in the financial report.

IASB highlights the importance of management commentary to the users:

> ***"Users routinely use the type of information provided in management commentary to help them evaluate an entity's prospects and its general risks, as well as the success of management's strategies for achieving its stated objectives. For many entities, management commentary is already an important element of their communication with the capital markets, supplementing as well as complementing the financial statements*".** (IASB 2010b) Paragraph IN3

It was proven that the users use MR to assess the firm performance and the risks. Information about the risks could be helpful to the users in assessing the going-concern issue, whether the firm's activities were in fact shaped by specific risks, and the strategies that the management follows to overcome these risks. Assessing the firm performance is a reflection to the management success in administering its plans and strategies. This evaluation serves the users in two ways; first, in making investment decisions on the enterprise's shares, second, in assessing the management stewardship and whether the firm performance was consistent with the previous forecasts. These two aspects support, in a way or another, the better resources-allocation for the successful enterprises, which pressures the firms that have weak performance to improve their strategies and returns.

Hüfner (2007) suggested that MR provides some vital information that aims to help the users in investments decision-making. He argued that overcoming the weaknesses in the financial report requires improving the information quality and quantity in MR. Moreover, some scholars documented empirical evidence that the sell-side analysts in the US depend heavily on the MD&A information when they prepare the analysts' reports (Rogers and Grant 1997). However, there is a notable lack in investigating the users' perceptions regarding the usefulness of MR and whether it fills the gap between what the users need and what the financial report provides (Hüfner 2007). Furthermore, the SEC suggests that presenting the MD&A aims to explain the financial statements in the eyes of the management and to increase the quality of financial disclosure through explaining the conditions that affected the earnings and the cash flows (SEC 2017).

Considering the users' needs should affect the managers' view when deciding what information should be disclosed to the users. The management should consider the needs of the primary users, current and potential investors, lenders, and other creditors. MR should include information that complement the financial report, and provide integrated images of the enterprise (IASB 2010b) . In order to achieve this integration, MR should include the information that cover the past performance, the current progress, and the forward-looking information.

Being a regulated report, the quality of MR content depends mainly on the effectiveness of legal requirements regarding the extent of the information to be disclosed in MR and on the power of enforcing and obligating the companies to disseminate that disclosure. The main aim of MR is not only to explain narratively the outcomes of an entity over the fiscal period, but it also extends to highlighting the past and future conditions and their effect on the current and future performance (Girdharry et al. 2011). Indeed, MR should enable the reader to know the current trends and whether these trends are expected to continue in the short-term and long-term and affect the future of the company, either positively or negatively. Therefore, one can say that the usefulness of MR depends on the comprehensiveness degree of the content provided within it and whether the regulated requirements and the preparing process follow the rule of 'substance over form'.

2.3 Elements of the Management Report

The content of the management report depends primary on two factors; the mandatory disclosure requirements and the management view regarding the voluntary disclosure. Generally, the effective MR should cover, at least, the following aspects (IASB 2010b; ASB 2006):

- *The nature of the entity activities*: information on the industry, the main markets and the competition statues in this industry, the entity's main products/services, the main regulations that control the entity's activities and the economic environment, and the entity's structure
- *Objectives and Strategies*: every entity has some objectives that it works to achieve. MR should provide information to highlight these objectives and the management's plans in achieving them, which helps the users in understanding the managers' priorities and the required resources to achieve the results. In addition, the report should indicate any significant change in the objectives and explain the reasons for that change and its effects on the entity performance.
- *Resources, risks and relationships:* the management report should include information on the available, financial and non-financial resources, and illustrate how the management employs them in the enterprise operations in order to create

value. The disclosure on the resources include, for example, the cash flows and liquidity, human and intellectual resources, and the capital structure. The report should disclose information on the primary risks that shape the entity's activities and the strategies taken to overcome these risks; this disclosure helps the user in assessing the impact of these risks on the entity's results. The significant relationships between the shareholders and the entity and the effect of those relations on the entity's performance should be also disclosed in the report.

- *Results and prospects:* it is important to provide the report with a description of the entity's performance, financial and non-financial results, and whether the future performance could be estimated based on the current performance or would it be different. On the one hand, the report explains the performance during the ended period and the factors that influenced the performance. This explanation enables the users to understand the general trends behind the performance, which could be useful in assessing the managers' performance and whether their strategies are relevant or not. Moreover, the past performance could be used in estimating the future performance. In the normal conditions, it is supposed that the future performance is an extension to the past and the current performance; hence, the report should illustrate whether this attitude will continue in the future or not and what the factors that could lead to different trends, if any.
- *Key performance's indicators:* the performance indictors highlight the management performance and compare the actual results with the entity's objectives. MR should include some indicators that reflect the relations between the enterprise's resources and the performance. Using indicators and measurements helps the users in understanding the realised performance. To enhance the usefulness of these indicators, the report should explain why the performance has changed than the predicted one, in case it was changed. However, the indicators could be combined of financial and non-financial, while it is preferred to be financial, in some aspects it is not possible to use quantitative indicators to assess the performance (i.e., the effect of a new regulation or in increasing the taxes rates).

In addition, FRC has a different classification regarding the issues that should be covered by MR. As it mentioned previously in this chapter, FRC emphasises duality in the objectives of the business report. In that regard, the MR should include relevant information to help the users in making investment decisions and to help also with the management' accountability. Therefore, the following aspects should be covered adequately in MR (FRC 2014):

- The entity's development, performance, and its position at the year-end;
- Information that clarifies the future prospects;
- The stated strategies for achieving the enterprise's objectives;
- The business model and how the enterprise generates value in the long-term;
- The governance and its mechanisms; and
- The directors' remuneration and the factors that were used in determining it.

In the US, the content of the MD&A is subject to the requirements of the S-K 303. Accordingly, every listed company in SEC has to disseminate information under the following parts of the MD&A (SEC 2017):

- Liquidity and Capital Resources.
- Results of Operations with distinguishing between irregular components of the income
- Off-balance Sheet Arrangements.
- Tabular Disclosure of Contractual Arrangements: including long-term Obligations and Finance Leases.
- Forward-looking performance.
- Research and development activities.
- Related Party Transactions.
- Fair Value Measurements

It could be argued that the differences in elements of the management report are inconsiderable and that the main objective of the regulatory bodies is to enhance the usefulness of this report.

2.4 The Usefulness of the Management Report: Some Insights from International Accounting Bodies

In its book "*A Plain English Handbook: How to create clear SEC disclosure documents*", the U.S. Securities and Exchange Commission (SEC) presents some advices to improve the understandability and the usefulness of the reports that the listed entities have to prepare and present to SEC. The book highlights four important tips that the preparers should be concerned with when they prepare any report with the SEC requirements. The tips are as follow (SEC 1998):

a- Does the report structure is in simple and understandable language to the investors?
b- Does the report include useful information to the investors?
c- Does the report neglect some important information?
d- Does the report include voluntary information, yet it does not affect the investors' investment decisions?

Furthermore, based on both the literature on MR and the efforts of the professional bodies; the current study concludes that preparing interesting and useful MR should follows some characteristics:

Diversity and comprehensive information

The management report provides a view of the firm in eyes of the management, therefore, the report should present a comprehensive content taken from the information that the mangers use in managing the entity. As MR is a general-purpose report, the diversity is a necessity to meet the variety of the users' needs. At the same time, in order to provide relevant information to the users, the report should focus more on the most significant aspects and activities, which is consistent with the materiality principle (ASB 2006).

Tavcar (1998) criticised the content of the management report because it provides an incomplete information. For example, when an enterprise seeks to explain the increase in its revenues, it is likely to use some sentences such as "revenues increased largely because of the high rates of our brands" (Tavcar 1998). While the entity's management may consider this sentence to represent an adequate disclosure, this information is in fact ambiguous and too general; since it does not explain the real reasons behind that increase (i.e., reducing the production and marketing costs, improving the products' quality, or the exit of some competitors in the market…etc.).

MR should cover information on the firm's operations, forward-looking performance, risks and opportunities, corporate governance, corporate social responsibility, and related-information on the managers themselves. This information helps the users in understanding the past performance and the surrounded conditions that affected it, as well as, it provides some insights into the future performance and whether the management was qualified enough and respect the governance rules or not.

The Credibility

To be credible, the content of MR should be subjected to an auditing by some external auditor. In addition, when it is necessary, some information requires to be independently estimated by an external expert; for example, the expectations regarding the adjudication of some legal disputes. These actions make the information in MR to be more transparent and useful.

***New information*:**

When MR present the same information that was already existed in the financial report then its content will be useless. In order for it to be useful, MR should provide two different types of information. First, additional explanations for some information that was disclosed briefly in the financial report due to the accounting standards' requirements. Second, MR should not provide repeated information that was already disclosed in the previous year/s. According to these two aspects, every information in MR should add new insights to the user's knowledge of the firm (Tavcar 1998).

Relevant Language

In some cases, however, MR can include some technical and complex terms/information that may not be easily understandable by all the users. However, this issue would not mean that the firm have the right to avoid disclosing this information altogether; alternatively, the firm should explain that information in the most simple and understandable language to the users (Tavcar 1998). Furthermore, (SEC 1998) points out to several problems in the language that is used in preparing MR; for example, it:

- Uses long sentences or very abstracted words which makes the content to be boring or fuzzy;
- Uses very complex words that makes the information to be non-understandable;
- Uses passive voice that confuses the reader; and
- Presents the report in a vapid design.

As the objective is to provide useful information, every firm should consider these aspects and prepare its report in a way that maximises the decision-usefulness (Fraser et al. 2010).

The Flexibility (Materiality)

Despite that preparing the MR is subject to some legal requirements, it is better to give the entities a level of flexibility when preparing them. Even though there are several sectors and disciplines in a capital market, the entities within the same sector have similar activities; these activities, on the other hand, are different from one sector to another. This argument should be reflected on the process of preparing the MR. In such this case, the flexibility is an important factor in giving the management the ability to present the information in a more suitable form rather than only a single fixed one (IASB 2010b; Bryan 1997). However, the intended flexibility would not imply the absence of the regulation enforcement and control entirely; rather, it would mean to follow the substance over the form. Firstly, the regulation should guarantee an adequate level of disclosure, while giving the firms the ability to choose the best form in which they represent the information; in a narrative way or by using graphs and tables. For example, the Canadian Securities Administrators (CSA) have set specific requirements for disclosure in MR, however, the way of representing the content of this report is completely variable in accordance with the vision of every listed company and its activities (Girdharry et al. 2011). Secondly, the entities should be encouraged to provide more voluntary disclosure to meet the users' needs in assessing both the decision-usefulness and the management accountability.

Relevant Presentation Tool

MR covers many aspects which include qualitative and quantitative information. While the qualitative information cannot be disclosed, ordinarily , in a single form, many quantitative items become easier and more understandable when it they are disclosed in graphs and tables (Beattie and Jones 2008, 1992). Therefore, the managers should consider the method that is relevant, clear, and makes the information more useful to the readers.

The cost

As some argue that producing and presenting more useful information requires additional cost, these costs could in fact be reduced. Every firm produces information to be used either internally or externally, and the mangers decide the items that will be voluntarily included in MR. Therefore, externally disclosing and reporting more information by using some of the useful internal-purpose information can only incur the entity low cost (FRC 2009).

2.5 Reviewing the Studies on the Usefulness of the Management Report

The concern regarding the usefulness of MR has started, in a serious way, two decades ago. One of the earliest efforts on that matter was done by Bryan (1997). Bryan examined the compatibility between MD&A content and the financial analysts forecasts of the future performance disclosure, as an empirical evidence on the usefulness of MD&A content in USA. The sample included 250 MD&A reports for the fiscal year 1990 and it was subjected to a logistic regression model. The results revealed a positive relationship between the entity's future plans disclosure and short-term investments decisions. Despite that this study did not test the usefulness from the users' views, it presented an indirect empirical evidence which suggests that MD&A has the potentiality of guiding the investment decisions. Nevertheless, the findings illustrated that the forward-looking disclosures is important to the current and prospective investors and their investment decisions.

Barron et al. (1999) followed a similar approach to Brayan's. Barron et al. investigated the usefulness of MD&A by assessing the relationship between MD&A quality and the accuracy of analysts' earnings forecasts in USA. The authors used the disclosure's requirements by the Securities Exchange Commission (SEC) to evaluate MD&A quality. They agreed with SEC viewpoint that the financial statements on their own are inadequate in providing the users with a predictability information. The authors carried out a content analysis that included the annual MD&A for 284 listed firms, in addition to the analysts' forecasts reports for the same firms. The results reported that the analysts' forecasts errors were associated negatively with historical capital expenditures, forward-looking disclosure on the operations, and the capital expenditure**.**

Clarkson et al. (1999) focused on investigating the role of MD&A, as a part of the firm's disclosure, and the usefulness of MD&A from the viewpoint of the financial analyst. They used a mixed approach that were based on interviews and a questionnaire survey. First, they interviewed fifty-five financial analysts who were working at Toronto Stock Exchange. The interviewees assessed the usefulness of five categories of information that were disclosed in MD&A; namely, financial conditions, operations, liquidity ratios, risk management, and forward-looking performance. Furthermore, the scoring points ranged between 20 points for the operations category, and 10 points for every other section. Second, the authors used the interviews' findings to prepare a questionnaire that assess the usefulness of MD&A; accordingly, they distributed 416 questionnaires on the sell-side financial analysts, whereas the usable collected questionnaire were thirty-three ones only. The survey results were consistent with the interviews findings, which confirmed that MD&A provides many useful and novel information. Finally, in order to measure the actual disclosure by the listed firms, the authors performed a content analysis on 91 listed companies in the Toronto Stock Exchange. They reviewed the forward-looking performance disclosures that were published in MD&A in 1992. They found that 68 out of 91 company provided new information that was not published at any other source or channel of disclosure. The authors argued that MD&A is an essential part of the firms reporting and that it plays a major role in directing the investment decisions.

In a literature review article, Cole and Jones (2005) analyzed the prior studies on MD&A done on the USA. Their analysis showed that the content of MD&A provides a value relevant information. MD&A helps the users in understanding the firm operations and expecting the future performance, as it provides more details that explain the going-concern issue. Moreover, the authors found that the prior empirical studies focused on the usefulness of the financial statements and their notes, with less concern on the MD&A content. The authors added that the existing research on the usefulness of MD&A and its effect on the investment decision-making is still limited. Finally, they reported that the majority of the prior studies on MD&A focused on some industrial sectors, which limits the generalization of their results. They argued that more evidence is still needed especially on the narrative sections of MD&A.

In a conceptual-evaluation study, Hüfner (2007) also evaluated the SEC disclosure's requirements in MD&A and the role of MD&A in providing useful information to the investors. He pointed out that MD&A should contain predictive information, yet, the forward-looking mandated disclosure is still insufficient since it has a slight indirect foretelling ability. As well as, the future trends' disclosure is unclear. SEC obliges the entity's management to disclose on the expected trends only, while neglecting the conditions that affected these trends. In addition, MD&A reflects the management standpoint, thus, there is no guarantee that the report will include the items that were demanded by the investors and the users in general. Hufner argued that MD&A would be more sufficient and match the investors' needs if it provided information on the competition and available opportunities in the market, with highlighting the risks that shape every activity or production line.

Sun (2010) investigated the relationship between the disclosure on the disproportionate increase of inventory in MD&A report and the users' predictability of the future performance. The authors suggested that when a firm provides more information to explain that increase in the inventory, that type of information would reflect more transparency and help the users in predicting the future returns. The study used experimental approach and depended on observations; the sample included 568 industrial entities and the covered a period of five years. All the chosen firms had reported, in MD&A report, an increase in their inventories, but not all of them provided more explanations on the reasons behind that increase. The results revealed that explaining the disproportionate inventory increases correlate positively with good performance in the future, which includes the growth and the revenues.

2.6 Discussion on the Prior Studies of the Usefulness of Management Report

This section includes an overview on the studies of the usefulness of the annual report, that was mentioned in the first chapter, and on the studies that focused on the usefulness of management report only, as in the previous section.

Overall, the vast majority of the studies on the developed markets found that MR and chairman's letter are the most useful sections in the annual report, in contrary with the results from the emerging markets. However, many of these studies, in both developed and emerging markets, aimed mainly to` investigate the usefulness of the annual reports sections with headlines only, which would make the survey results to be dependent on the respondents' knowledge on the type of information that was disclosed in each section. In that case, the responses would be different according to the legal system (i.e., common or civil) and the user's awareness of the most efficient way in using the information. On the other hand, some studies demanded the users to state the most important information that they desire to find in the annual report. In all these studies in the emerging markets, results showed that the respondents seek more information on the future performance and risks. This finding emphasizes the high usefulness that MR might present to its users if it included these types of information.

In addition, many prior studies ignored the legal environment and did not demonstrate the mandatory required disclosure in MR; instead, they focused only on evaluating the current disclosure without asking the respondents about the information they desire. As result, many prior studies could be described as 'evaluation studies' that do not provide any suggestions to increase the usefulness of accounting reports. Nevertheless, (Perera 1989) signified the effect of the cultural differences between the developed and the developing countries, which therefore indicates that any empirical evidence from the developed countries may not applicable on the less developed markets. It is well known that the domestic culture and socioeconomic factors affect the disclosure practices significantly (Gray 1988; Dahawy et al. 2002)

In the North Africa region, only two recent studies were undertaken by Hassan and Power (2009), and Dahawy and Samaha (2010). However, these studies had a major limitation since the response rate that they received was very low (around 15% and 24.7% respectively), which limits the credibility of their findings and the possibility of generalizing their results. The first study focused only on the viewpoint of the financial analysts, which is never enough in providing comprehensive view on the usefulness of the annual report in investments decision-making, for example. In additions, the second study included six users-groups who have different motives in using the accounting information (e.g., the auditors, academics, loan officers, financial analysts), therefore, the findings do not serve in understanding the needs of the six users-groups together.

Additionally, some scholars investigated the usefulness of the business report from the preparers' view. (Graham et al. 2005) suggested that the directors are aware of the importance of voluntary disclosure, thus, they endorse the increasing of the voluntary disclosure to uphold the stocks prices; however, they have certain controls that limit the disclosure quantity if a specific information would cause any unwanted behaviors by the shareholders. Nonetheless, the studies that attempted to compare between the perceptions of the preparers and the users have found significant differences. All the studies that focused on the preparers' perceptions (e.g., Chandra, 1974; Chandra and Greenball, 1977; Firth, 1978; Ho and Wong, 2001; Johansen and Plenborg, 2013; Kribat 2009; Stainbank and Peebles 2006; Wallace 1988) documented that they regard the information to be less important compared to the users. This common finding indicate an existing gap that shows how the listed entities do not provide enough disclosure to the users, which plays a significant effect on the market efficiency.

Moreover, the majority of these studies have similar limitation; their methodology. Many studies have only employed questionnaire surveys, while not considering analysing the content of annual reports in order to evaluate to what extent these reports include voluntary information, which would provide stronger evidence on the disclosure practices and whether the preparers, as the controller of the voluntary disclosure, disclose more information, rather only than the mandatory items, or not. On the one hand, the financial and nonfinancial disclosure have increased by the years, but there is still a lack of the accounting research that distinguishes between the useful and the useless information (Johansen and Plenborg 2013). On the other hand, Trombetta et al. (2012) referred to the lack of the academic research that supports the standards setters and highlights the weaknesses of the disclosure; by investigating the users' view regard the usefulness of information. The researcher believe that what Trombetta et al. claimed can be applicable on the capital market authorities and regulators as well.

The prior studies that focused on the usefulness of MR showed that the financial analysts' forecasts accuracy correlates positively with the extent of MR disclosure; yet, these studies were concerned only with the developed markets, USA and Canada particularly, which refers to a gap in the research on the usefulness of MR in the emerging markets. There was only one study in China that focused on the usefulness of the supervisory board's report, which did not include MR. The current study will focus only on MR content with considering the mandatory disclosure requirements in addition to some voluntary information. To the best of the researcher's knowledge, this is the first study that focuses on only MR in the emerging markets. The findings of the study can be applied on the similar economies in Africa, and especially in North Africa countries.

Based on the previous arguments, the current study aims to investigate the usefulness of MR in Egypt, as an emerging market, through two phases. First, exploring the perceptions of the users who were involved in making investment decisions regarding the stocks using a questionnaire survey. The questionnaire will include mandatory information and some suggested voluntary items. This step aims to identify the information that they consider to be useful and affect their investments decision-making. Second, analyzing the content of the management reports prepared by the nonfinancial listed companies in the Egyptian stock market.

Therefore, the study seeks to answer the following questions:

1- Do the current regulations provide useful information in MR that meet the users' needs?

2- What are the users' views regarding the usefulness of MR content? Are some sections more useful than others?
3- Is there any difference in the usefulness of mandatory disclosure and the suggested voluntary items in MR?
4- Does the listed companies' current disclosure in MR provide useful and adequate information that meets the users' needs?
5- To what extent the firm-characteristics affect the disclosure level in MRs and its sections?

2.7 Background of the Egyptian Context

Egypt is one of the oldest world civilizations since over than seven thousand years, as it plays an effective political and economic role in the Middle-East area. Two uprisings, in January 2011 and June 2013, added a momentum to the Egyptian context. These actions have reflected upon an increased desire in the anti-corruption and transparency within all the fields in the country. In this section, a discussion will be provided that covers four factors in the Egyptian context; the culture, the accounting standards and practices, the regulation system, and the capital stock market and the control bodies.

2.7.1 Culture

The disclosure practices vary between countries due to the cultural factors. Gray (1988) argues that the environmental, societal, and institutional values have significant influences on the accounting values. This influence includes how the accounting system works and what the outcomes of this system can be.

Understanding the cultural factors may help understand the domestic context and the accounting conducts in there. Hofstede (1984) argued that there are four cultural factors that vary from one country or civilization to another. These factors includes the Individualism versus Collectivism, Large versus Small Power Distance, Strong versus Weak Uncertainty Avoidance, and Masculinity versus Femininity. Following Hofstede's dimensions, Gray and Vint (1995) sought to provide a simulation model to explain the effects of cultural values on the accounting disclosure. Their model included four cultural values. The researcher attempts to explain these values on the Egyptian context as follows:

- Professionalism versus Statutory Control: while the accounting standards are supposed to be the main guide to the accounting practices, some of the Egyptian laws/practices control the accounting work; even if these practices were in contrast to the accounting standards (i.e., Lease and Fair Value implications). On the other hand, the government is the main determiner of updating the accounting standards, while the professionals' role is restricted and limited only to help the governmental authorities in updating the accounting standards.

- Uniformity versus Flexibility: Since it is a civil-law country, uniformity is common within the Egyptian entities. Every entity has to disclose the required information using the same form, which mainly applies on MR.
- Conservatism versus Optimism: Ahmed and Hussainey (2017) provided the first ever evidence on the conservatism practices within the listed entities in EGX. They measured the conservatism in two different periods; before and after 2011 uprising. They found that the conservatism practices decreased to the half after 2011 uprising compared with the previous periods. According to the researcher opinion, this evidence would suggest that the conservatism or optimism are affected by political and the economical actions more than the cultural aspects.
- Secrecy versus Transparency: some cultures would prefer to restrict any accounting information and make it unobtainable for the public. This aspect would indicate less transparency and lower ability of making management's accountability. According to Dahawy et al. (2002), Abd-Elsalam and Weetman (2007), and Dahawy and Conover (2007), the Egyptian environment is secretive in its nature. They argued that it is not easy for the Egyptian managers to divert to the full disclosure when they got used to disclose so little information.

Abdel-Fattah (2008) suggested that the first-two values would be related to the legal environment and the enforcement authority, while the other two values would be dependent on the dominant culture in the society and the personal values.

According to the researcher opinion, it could be a challenge if a culture included high conservatism and secrecy values when, at the same time, the enforcement authorities were weak. In this case, the accounting disclosure will be less useful and the investors may look for another market where the cultural values is supported by strong enforcement authorities and a high useful disclosure as well.

2.7.2 The Accounting Standards and Practices

The current accounting practices in Egypt are backed to two different systems; Uniform Accounting System and the Egyptian Accounting Standards. However, understanding the current accounting practices requires knowing the developments in the accounting environment over the last century.

2.7.2.1 The Egyptian Uniform Accounting System

Before the Egyptian revolution in 1952 the Egyptian economy was agricultural-based mainly, based especially on exporting cotton, while the industrial activities were stationed around the cotton products (Abd El-Salam 1999). After that revolution, more concern was directed to increase the industrial investment. However, this change was focused on managing the economy under the notion of the central planning and nationalization (Abd El-Salam 1999). These changes were also reflected on the increase of the public-sector companies (State-owned companies) and on the expanding of their activities, while the private sector was fiddling. Therefore, there was a necessity in unifying the accounting practices in order to control the public firms. In 1966, the Egyptian Uniform Accounting System (UAS) was issued, and all the public firms, except for the banks and insurance companies, have become obliged to follow its requirements in both bookkeeping and preparing the financial report.

According to UAS, every public sector company has to present several statements in its annual report; namely, the balance sheet, the account of profits and losses, the account of production and trading, the production account, the changes of the financial position statement, and cash flow statement (CAO 1966). The sole user of these reports were the central government who own all the public-sector entities. However, as it was discussed earlier, with the partial privatization of many firms in the public-sector companies in 1990s, the business report of these companies became usable by other users. While the companies that were still owned completely by the Egyptian government were called "public sector companies", the privatized entities were known as "public business sector". These concepts are well known in the business environment in Egypt.

It is noteworthy that the regulation mandates for the records and accounting reports of both the public-sector firms and public-business firms to be audited by the Accountability State Authority (ASA)[3]. However, some firms in the public business sector follow a double-

[3] ASA was founded in 1942. The purpose of ASA is to monitor the expenses and the revenues of the governmental units. ASA is an independent authority and it follows the Egyptian presidency directly (the Egyptian constitution guarantee this independence).

check audit by being subjected to ASA auditing as well as to another external auditor, especially from a big/known professional offices in Egypt[4].

2.7.2.2 The Egyptian Accounting Standards (EAS)

In the early of 1990s, the Egyptian government adopted a reform program that targeted the economy. According to the government view, the privatization was the primary tool in undertaking this reform. Therefore, many public entities were subjected to a full privatization by selling them to one investor or a group of investors, while some firms were subjected to partial privatization by listing a percentage of their capital in EGX via the initial public offering. There are three types of the privatization in Egypt; full privatization, partial privatization, and privatization with holding a minority proportion. Full privatization refers to the case where the government sell a full state-owned company to one investor or a group of investors (natural or moral person/s). Partial privatization means that the state holds at least 51% of the capital of a company and dominates the board of directors, while the remaining capital gets subjected to listing in EGX. Privatisation with holding a minority proportion refers to the case when the state lists the majority of a company's shares in EGX with holding a proportion less than 49%. The latest case means that the state does not have the right to dominate the board of directors. Almost one holding company in each business sector, in the case of privatisation with holding minority proportion, is the authority who has the right to manage the state-owned companies and take investment decision regarding the minority shares that are still being owned.

These changes in the ownership type, combined with a governmental common policy, encourage the growth of the private sector and lead to the economic development. Therefore, the need of a complete accounting system that can provide information for the investors was a necessity.

In 1992, the Egyptian Institute of Accountants and Auditors (EIAA) issued twenty accounting standards (EAS). Even though they would seems like a local-made standards, these standards were very close to the international accounting standards (IAS) (Abd El-Salam 1999). In 1997, the economy minister issued a decree (503/1997) to be effective from January 1998, that substituted the previous standards with twenty-four accounting standards. However, this version was once again subjected to a small number of amendments in 2002 (Ebaid 2013). In 2006, a new version of EAS was issued by the

[4] The researcher notices this aspect when analysed MR reports that will take part in chapter four.

ministry decree of (243/2006), which included thirty-five accounting standards. It was clear, based on this version, that EAS is nothing but a translation of the IASs with some modifications that makes it consistent with the Egyptian acts. The current version of EAS has been issued in 2015 with an enforcement date of January 2016 and included thirty-nine accounting standards. Although that Egypt has its own accounting standards that is officially named the "Egyptian Accounting Standards (EAS)", EAS, in its introduction section, acknowledges that the standards were prepared in accordance with the International Accounting Standards (IAS). Moreover, analysing EAS shows clearly that it was a modified Arabic translation from the IAS English version, with some differences in EAS to be matched with the local regulation.

The previous evidence clarifies that there are two different accounting systems exist in Egypt. The first one is UAS, which applies on public business sector entities, and the second one is EAS, which applies on the private sector entities even if they were not listed. This means that the annual reports have some differences related to the number of statements that must be included in them, as well as, the presentation form of these statements and their notes. Interestingly, once a company becomes listed in EGX, it has to follow the listing rules and preparation of the MR regardless of its ownership type (i.e., Private, State-owned, or Partial state-owned). As it was discussed in the Chapter 2, every listed entity has to prepare its MR following the requirements of both the Companies act and the listing rules. Likewise, while the companies act originally applies on private joint-stock entities, the listing rules enforce all the listed entities, regardless the ownership type, to follow the mandatory disclosure in MR, as it was explained in both the listing rules and the executive regulation of the CA (159/1981).

2.7.3 The Regulation System

Egypt is known to be one of the civil-law countries. Affected by Belgian and French regulations, Egypt introduced the commercial and civil laws as the first Arab country to have them (Abd El-Salam, 1999). Egypt has a traditional leading role in the Middle East and the Arab region. Considerable number of the Egyptian regulators have worked as experts in many of the Arab countries, especially in the Arabian Gulf countries, and have participated in the preparation of many acts, which indicates that many acts in these countries have been affected by the Egyptian culture and legal system (Abd El-Salam 1999).

Despite that the Egyptian regulation is based mainly on the civil law, regulations of the Egyptian Capital Market (EGX) represent interesting and unique setting. The CA (159/1981), like the majority of other Egyptian acts, has been prepared with insights from the civil law. On the one hand, according to this act, the joint stock entities have to disclose specific information in their MR. On the other hand, the Listing Rules (2002 and 2014) and the Capital Market Act (95/1992) have been prepared according to the common law and the listing rules of some Angelo-American countries (Abdel-Fattah, 2008). This made MR to be subjected to two different legal backgrounds [(5)]. As a result, every listed company has to prepare its MR while considering both The CA, that is with a civil-law background, and the Listing Rules, that are with a common-law background.

Moreover, while modifying the listing rules requires only a ratification from Financial Regulatory Authority (FRA)'s board of directors, any change in the Companies Act must be approved first by the Parliament and then from the President. This may explain why the companies' act is still in its original texts despite the passing of more than thirty-seven years, while the listing rules were subjected to some major changes within the past thirteen years.

2.7.4 Capital Stock Market and Control Bodies

The Egyptian Stock Exchange (EGX) was founded officially in 1883, by opening Alexandria stock exchange and then followed by Cairo Exchange in 1903. EGX was very active and grows rapidly, it was ranked as the fifth in the world in the 1940s (egx.com.eg). Dramatically, EGX role was retreated in the 1960s due to the adoption of socialism (Fawzy 2003). In 1992, the Egyptian Government was trended toward a privatization program; consequently, EGX was revived again and both the Alexandria and the Cairo exchanges worked together as one market under one management board. It has become common that a proportion of the capital of public business sector to be listed as a partial privatization. This means that the listed firms were distinguished from private sector firms and public business sector firms.

The growth of EGX was rapid in the 1990s. In 1994, EGX was ranked among the most active markets (Abd El-Salam 1999). By 1997, EGX was classified as one of the highest emerging markets (Abd El-Salam 1999). The market capitalization enormously raised from 5 billion L.E in 1990 to 112 billion L.E in 1999 (Ahmed et al. 2015). In 2002, based on the market capitalizations, EGX was ranked as second in the middle east and north

[5] The disclosure requirements in MR is discussed earlier in this chapter.

Africa region (Ahmed et al. 2015). Starting from 2009, the names of Cairo and Alexandria exchanges were changed to be the same; the “Egyptian Exchange”.

Over the first decade of this century, EGX has succeeded in attracting huge amounts of investments (Table 2.1). In 2007, the market capitalization recorded a total of 768 billion L.E; which equals 86% of the Gross Domestic Product (GDP). Affected by the financial crisis in 2008 and the uprising of 2011, the market capitalization in 2015 fell to represent only 24% of GDP (EGX (2015), 8). In 2016, Morgan Stanly foundation ranked EGX, based on local currencies to measure the market capitalization, as the highest growing market compared with other emerging markets (EGX 2016). Moreover, EGX was ranked by the world bank as the 26th globally according to the disclosure index for 2016 (EGX (2016), 3).

Table 2. 1 Some Statistics Facts about the Listed Companies in EGX

Years	**Number of listed companies**	**Number of traded companies**	**Trading Volumes (In billion)**	**Trading Amounts (L.E. billion)**	**Market capitalization (in L.E. billion)**	**Market capitalization to GDP**
2000	1067	659	1	45.8	121	36%
2001	1110	643	1.18	24.66	112	31%
2002	1151	671	.707	25.8	122	32%
2003	978	540	1.2	23	172	35%
2004	795	503	1.79	36	234	43%
2005	744	441	4.2	151	456	74%
2006	595	407	7.8	271	534	80%
2007	435	337	11.4	321.5	768	86%
2008	373	322	21.9	476	474	46%
2009	306	289	28.6	333.5	500	48%
2010	212	211	28	273	488	40%
2011	213	204	16.9	130.5	294	21%
2012	213	204	33	166.5	376	24%
2013	212	206	27	146	427	21%
2014	214	206	56	265	500	25%
2015	221	217	43	226	425	22%
2016	222	213	66	265	600	25%
2017	222	213	76	296	825	30%

Source: the Annual Reports of EGX (available at: www.egx.com.eg/english/Services_Reports.aspx)

Regarding the control bodies and their role in enhancing the transparency, EGX was subjected to the control of Capital Market Authority (CMA). In 1999, CMA established a new sector called “The disclosure Division”. The role of this division was to review the listed entities’ disclosures and suggest new policies to improve the transparency of the disclosure[6]. In 2009, CMA, along with other supervisory authorities in several economic

[6] http://www.egx.com.eg/arabic/history.aspx

sectors, was replaced by FRA. The role of that new body was to supervise and control all the non-banking activities in Egypt, which included, for example, the listed entities in EGX, the insurance companies, mortgage finance companies, lease, and securitization[7].

2.8 The Egyptian Regulation Regarding the Disclosure in MR

The previous discussion shows that MR should provide useful information to the users. As it known, the mandatory disclosure in MR is based mainly on the regulation's requirements, which is supposed to be useful to the users. Preparing MR in Egypt is a mandatory process that is subjected to two regulations; The Companies Act (159/1981) and its Executive Regulation (Hereafter, CA), and the Listing Rules. Furthermore, the Egyptian guidelines regarding the corporate governance has emphasized the important role of MR content in enhancing the transparency of the capital stocks market. This part includes a brief description of the content of MR according to corporate governance guidelines and the legal requirements, with distinguishing between the legal requirements under the old listing rules (for the year of 2002) and the current listing rules (issued in January 2014).

2.8.1 The Content of MR in the Egyptian Market

The Egyptian code on CG was issued for the first time in 2005; it presented recommendations and guidelines to the listed companies. In 2016, CG code was updated for the first time since the issuing of the first code in 2005. The 2016 code included a wide range of aims to enhance the usefulness of the accounting reporting by advising the listed companies to prepare and disseminate a comprehensive accounting report that includes several sub-reports. The same issues of the old version of CG code still have existed since this current code presents some guidelines to increase the usefulness of disclosure but without emphasize on any benefits or fines in the cases of compliance and noncompliance. CG code (Section number 3.4) indicated that in order to have a useful MR, the following information should be fully covered:

- Discussion on the financial results.
- The main achievements over the ended year.
- Analyzing of the competition in the market.
- The company's strategy.
- The main changes in the administrative structure.

[7] http://www.fra.gov.eg/content/efsa_en/efsa_pages_en/main_efsa_page_en.htm

- The board's composition and the number of its meeting (and the same for the board's committees).
- Information related to the employees.
- Any fines or lawsuit issued against the company or one or more of its board of directors.
- CSR and environmental performance over the year.

However, since the Egyptian CG is still merely as guidelines without having any obligations, the disclosure on many of these sections is still voluntary and depends more on the view of each company's managers.

2.8.2 The requirements of the mandatory disclosure under The Egyptian regulation

The management report was prepared under specific articles; the appendix No. 1 of the executive regulation of the Companies Act (No.159/1981) and the article No. 4 of the listing rules. Table 2.2 illustrates briefly the mandatory disclosure required by both Acts, with highlighting the changes made in disclosure in the old and the new listing rules.

Table 2. 2 Comparing the Disclosure Requirements before and after 2013

Panel A: *The requirements of Companies Act (159/1981)*
- The entity's general status, income and future performance. - The suggested dividends. - The suggestions related to the company reserves. - The company's and its subsidiaries entities' main Activities, and any change in the subsidiaries ownership. - The assets fair value, if there are significant differences compared with the book value. - The main changes in the fixed assets, in the entity and its subsidiaries entities. - The segments performance and profits (or losses). - The exports. - The number of the entity's employees and the total of their salaries. - Any stocks were issued through the year. - The donates and subsidiaries amounts/ activities through the year. Any extra information that the board of directors think it is important to be included in BDR, with comparing it with the last year values.

Panel B: *The requirements of The* Listing Rules (2002 Versus 2014)

The old listing rules (2002)	**The new listing rules (January 2014)**
- The name of the responsible person of the investor relations, and how to access him/her. - The board members' names and their role nature (Executive- Non-Executive- Independent). - The board members' qualifications and experiences. - The board members' ownership. - The shareholders who own 5% or more. - The board's committees names, every committee responsibilities, and the members' names especially the audit committee. - The outstanding contracts that the entity or its subsidiaries entities. - The litigations that the entity takes part in it, and the situation of every case. - The same information that is required by the executive regulation of the Companies' Act.	**a) General information:** - The entity name. - The entity's objectives. - The company duration (the period that the entity is supposed to achieve its objectives and therefore going to voluntary liquidation) - The main regulations that control the entity's activities - The listing date. - Par value per share. - The authorized capital and the paid capital. **b) Investor relations:** - The responsible person - Head office address. - Phone number/s, Fax number/s, Website, and E-mail. **c) Information related to the external auditor** - The auditor name. - The nomination date. - The auditor Registration Date and number (in the FRA's records). **d) The ownership structure and the board of directors' ownership** - The shareholders who own 5% or more, the shares that are owned for every owner (5% or more), and its percentage to the stocks capital - The Board Members Ownership, their shares amounts and the percentage for every member. - Treasury Stock – if any- classified according to the purchasing dates, comparing with the previous year amounts and its percentage to the whole capital. **e) The board of directors** - The board members' names and any changes have occurred on the board composition through the fiscal year.

	- Every member position and their nature (Executive-Non-Executive-Independent) - The board meetings' number during the year. **f) The audit committee** - The members' names and their nature (Executive, Non-Executive or Independent). - The committee responsibilities. - The number of the committee meetings during the year and refer to any Important notes were detected through. - Whether the audit committee's reports were discussed by the board of directors, and any important notes were solved or not. **g) The employees** - The average of the entity's employees number through the fiscal year. - The average of the employees' income (salaries and other wages) through the fiscal year. **h) The stock option (if any)** - The available reward and incentive stock option - Total shares that were given to the board members and employees through the year - The number of the recipient persons - Shares amounts are given since applying the Reward and incentive stock option system - Names and Positions of persons who are received 5% or more from the available shares (or 1% from the shares' capital) **i) Infractions and actions related to the capital market law and the Listing Rules** (Explain the actions that were taken against the company or its board members or directors by stock market or Egyptian Regulatory Authority (FRA), which relate to violations of the Capital Market Law and its implementing regulations and listing rules during the year and its reasons, and how to address them and avoid their recurrence in the future "if any"). **j) Deals with Related Parties** (Including any contracts have been signed between the company and one of the blockholders or their relatives through the past year, with every contract value and its specifications, details) **k) Information related to social responsibility and environmental activities.** **l) The same information that is required by the executive regulation of the Companies' Act.**

2.8.3 Discussing the Disclosure Requirements in the Egyptian MR

The new listing rules aim to increase the usefulness of information by obligating the entities to provide more information on corporate governance and the social responsibility. However, there are several weaknesses in the new requirements compared with IASB framework on the management commentary. In order to highlight these shortages, the researcher will compare between the Egyptian regulation and IASB's viewpoint [8] regarding the information that should be disclosed in MR to increase its usefulness:

- *The nature of the entity activities*: the Egyptian regulation covers many information related to this section, yet, there is still no explicit texts that explain what information should be disclosed to reflect the competition conditions and the entity's structure. This issue can provide the entity's management with the chance to disclose fewer information regardless of its extent of usefulness.
- *Objectives and Strategies*: neither the old nor the new requirements include any information on the management' strategies.
- *Resources, risks and relationships:* while the regulation demands providing information on any transactions or contracts done between the firm and any other parties, there is a clear lack of disclosure on the risks and risk management. This lack enables the managers to avoid the disclosure on any threats; which may accordingly mislead the investors and affect their decisions.
- *Results and prospects:* although that any entity has to report on the profit/losses of its main activities, there is no specification on what information can describe or explain the profits/losses and the reasons behind them. Furthermore, the same limitation applies on the forward-looking performance disclosure. The regulation states that every entity has to provide information on the future performance, but it does not explain the volume and the extent of this information. It is likely that some firms mention one sentence to cover this requirement; for example, "The future performance is good"[9]. However, such expression does not clarify in which context the future will be good; does it mean the revenues volumes, the profits, the market share, the dividends, etc. This too wide explanation can be used by managers to provide a useless level of disclosure without breaking the regulation.
- *Key performance's indicators:* there are no requirements that cover the performance indicators (i.e., the profitability indexes and the liquidity ratios).

These arguments highlight, apparently, some weaknesses in the Egyptian regulation even after the amendments of 2014. However, this conclusion is still an assumption made by reviewing the regulation, with no real evidence to confirm it; therefore, investigating the

[8] The framework was discussed previously in this chapter in section 2.3.
[9] During running the content analysis of the management reports in chapter four, the researcher noticed that this expression is being used in many management reports.

Egyptians users' views can provide an empirical evidence on the efficiency of this regulation in meeting the users' needs.

2.9 Theoretical Framework and developing the research questions

While there is a large agreement that decision-usefulness is the main objective of the business reporting, the debate related to the management's stewardship as an objective of the disclosure still exists. There are two viewpoints about characterising the stewardship. Some argue that the stewardship should be considered as a separate objective and that the business reporting should include specific information to enable the users to assess the stewards' performance and efficiency. The supporters of this notion argue that there are some variations in the users' needs, which rises another challenge in covering the different and conflicted objectives via a general-purpose business reporting.

Alternatively, others claim that it would not easy to develop an accounting framework if it was based on multiple objectives for the high cost of preparing a specific report to each and every user-group (Almahmoud 2000). Therefore, the vast majority of the accounting bodies and the researchers argue that the main objective of the business reporting is decision-usefulness, while the stewardship is a lesser objective; thus, the information that help the users to make investment decisions could be also effectively used in assessing the managers' stewardship |(IASB (2008): Paragraphs BC1.24 & BC1.25; Lennard (2007). Furthermore, the common framework of IASB and FASB on the accounting standards places the accountability objective as second, while decision-usefulness as the first purpose of introducing the business report, as it states:

> ***"Both the Board's and the IASB's previous frameworks focused on providing information that is useful in making economic decisions as the fundamental objective of financial reporting. Those frameworks also state that financial information that is useful in making economic decisions would also be helpful in assessing how management has fulfilled its stewardship responsibility."*** BC1.24

Furthermore, as it was previously discussed, each of the approaches can be used in designing a study that explores the users' perceptions of the usage of the business report and provide an explanation of their findings. However, the comparison between the two approaches highlights some points that help in choosing the most relevant approach to the current study:

- The accountability focuses more on the historical information, while decision-usefulness requires information on the past, current, and future performance. It can be argued that decision-usefulness provides much broader framework than that of the accountability approach.
- The accountability mainly adopts the concept of control. The role of the control can be played by the current investors, which means that the information will be designed only for the "principles" role in the accountability of the management. In contrast, decision-usefulness is concerned more about the current investors as well as the potential investors. This is reflected on the types of information that are disclosed in MD&A to motivate the current and potential investors.
- The investors' ability of disciplining/punishing the management, when the entity's management fails to protect the assets and achieve relevant returns, has a different range of decisions. According to the accountability approach, replacing the management is the ideal way to punish them. However, this action requires a high level of agreement between the owners, which means that the mangers can remain in their positions if the blockholders had some common interests with them. While, according to the decision-usefulness, the investor can sell the shares/bonds of the unsuccessful enterprises and buy new shares/bonds of the successful ones. According to this view, decision-usefulness can provide more protection and options to the investors.

Based on these arguments, the current study adopts the decision-usefulness approach. The current study suggests that in order to attain an adequate and reliable disclosure, the users' feedback on the usefulness of the accounting information is necessary in helping, both the regulators and the managers, to provide the content that matches the users' needs and, consequently, maximize the MD&A usefulness. Figure (1) illustrates the overlapping between the accounting standards and the regulation. The accounting standards focus on the financial statements' items that seem to be similar within many countries, such IAS (under the widespread adoption of IAS), while the regulation concentrates mainly on other disclosures, such as MD&A, CSR and environment statement, and the earning release. These disclosures are associated with the local conditions, which relatively differ, while the final product is the annual report that includes both the financial report and MD&A. Moreover, the annual report includes more information; logically, there are some differences in the usefulness of this information, and therefore their effect on the investment decision-making.

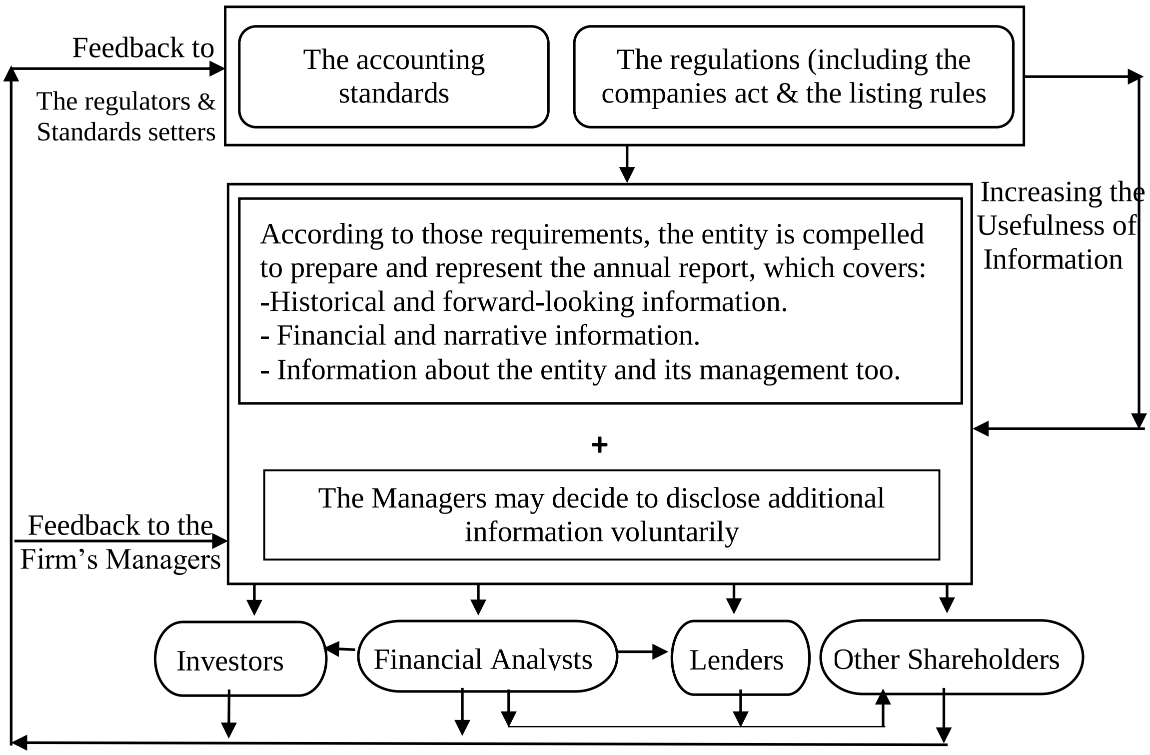

Figure 1
The disclosure channels and increasing the usefulness of accounting reporting
(The source: Self-elaboration by the researcher)

Assessing the usefulness of this information should be done by the users, with taking into consideration that the financial analysts play an important role in advising both the sophisticated and the unsophisticated users. The users' feedback should be considered by both the regulators and the managers. According to the fact that the firms seek to comply with the mandatory disclosure, the priority should be to update the disclosure's regulation, which would include adding new items to be disclosed and ignore some of the old items in the future disclosure based on the insights of their benefit to the users. In order to reduce the information asymmetry, the managers should provide important information even if it was not mandated. The benefits of the disclosure will be reflected on the successful reputation of the entities and will make the resources allocation to be more sufficient.

However, the mandatory MR disclosure encompasses two issues that may threaten its usefulness. The first issue is the power of the enforcement authority and its ability to obligate the firms to provide information. It is noteworthy that the firms are more likely to be more concerned with the rigorous regulations; thus, the regulators should consider issuing stringent mandatory rules to ensure a proper managerial behaviour. When the authority is powerful, the firms are more likely to adopt transparent disclosure policies since it may reduce the potentiality of a greater scrutiny by the agencies or any governmental sanctions (Deegan and Gordon 1996). Some empirical evidence, however, found huge variations in the disclosure practices across the firms within the same capital market, which could indicate the weakness of the enforcement authorities (Hjelström et al. 2014).

The second issue relates to the relevance of the disclosure required by the regulators in the users' viewpoint. Assuming that the usefulness of the information should be reflected on the investment decision-making, regulators should force the firms to provide the information that meet the users' needs. However, the literature provides evidence that show the lack of mandatory disclosure requirements. Initially, AICPA (1994) found that the users were dissatisfied with the mandatory disclosure's requirements since they do not match their needs. Similar findings were noted in the studies of Al-Mubarak (1997); Alzarouni et al. (2011); Chandra (1974); and Mirshekary and Saudagaran (2005). Johansen and Plenborg (2013) presented recent evidence suggesting that the regulators do not have an adequate awareness of the information needed by the users. Despite the continuous efforts to improve the regulation, the empirical evidence confirmed the existing gap between the views of constructed-world and real-world users (Young 2006).

The above arguments highlight the importance of considering the users' information needs by the regulators, especially while changing or updating the disclosure requirements. The new listing rules for the MR that were provided by the Egyptian regulation in 2014 represent an opportunity for investigation. We investigate whether the new requirements have improved the usefulness of the MR that was provided by the firms operating in the code law environment from the users' viewpoint, based on the following research question:

RQ1: To what extent the users consider that new regulation provide useful disclosures in MRs?

Several authors argued that the users of the financial reporting have unique attitudes and needs (e.g., Durocher & Fortin 2011; Durocher et al., 2007; Schalow 1995; Tandy & Wilburn 1996) . The need of the accounting information depends on the decisions that the users intend to make. Normally, the investors look for the information that enables them to make profitable investment decisions (Chenhall and Juchau 1977). Making this decision, typically, requires information that covers, for example, the company's performance over past years, the estimated revenues and profits (forward-looking performance), and the risks and the way the management deals with them (risks disclosure).

Other studies have also confirmed that users of accounting reports have different priorities regarding the information needed in making the investments-decisions. For example, Graham et al. (2002) documented that the information related to earnings growth and risks are vital to the investors. Likewise, other authors included forward-looking performance information[10] as highly useful source of investment decision-making (AICPA, 1994; Al-Ajmi, 2009; Al-Mubarak, 1997; Anderson, 1981; Baker & Haslem, 1973; Beattie & Pratt, 2002; Benjamin & Stanga, 1977; Chatterjee et al., 2010; Chenhall & Juchau, 1977; Day, 1986; Graham et al., 2002; Lee & Tweedie, 1975a; Naser et al., 2003; Stainbank & Peeble, 2006). A recent study by Johansen and Plenborg (2013) confirmed that the users still seek more information that covers the forward-looking information, key performance indicators, and risks. Similar findings were highlighted as well by Cohen et al. (2011), while Biswas and Bala (2016) suggested that the users are not in fact concerned with corporate governance and CSR.

What should be noted is that the current literature does not provide consistent evidence on the extent of the effect of the different types of information on investment decision-making. We seek to fill this gap in order to understand whether users have different perceptions regarding the usefulness of information of MR provided by the firms, which can enhance our understanding on the way the sophisticated investors perceive information and its effect on their investments' decisions. Therefore, considering the ongoing debate, we aim to test the usefulness of each section within the MR, especially for firms operating in the code law environment. Based on these bases we provide the following research question:

RQ2: To what extent the users consider different kinds of information in the MR useful?

According to the theoretical framework of voluntary disclosure, as suggested in the literature (Verrecchia 1983), it is argued that disclosure of information should help investors gain a better understanding of the firms' performance. Moreover, voluntary disclosure is expected to provide a positive signal to the market's participants that the firms are performing well and are concerned also with their responsibilities (Barnett and Salomon

[10] Some studies used the expression of "future forecasts".

2012). Recent evidence showed that the mandatory disclosure is still weak and additional useful information are needed to increase the market efficiency through the right resources allocation (Alzarouni et al. 2011; Johansen and Plenborg 2013; Mirshekary and Saudagaran 2005) . We argue in this study that investors in the code law environments are likely to consider voluntary disclosures to be useful for evaluating the risk in making investment decisions. This expectation is based on the premise that disclosures would mitigate information asymmetry between managers and investors (Ronen and Yaari 1993; Healy and Palepu 2001) and, thus, enable the investors to make proper investment decisions (Kim and Lyon 2011).

By contrast, it is recognized that the usefulness of voluntary information in investments decision-making may have some challenges, as pointed out in the literature. First, it is possible that voluntary disclosure may not truly reflect the firm's performance, especially when it involves proprietary costs (Li et al. 1997), and therefore may not be considered useful for making investment decisions. Second, it is also possible that voluntary disclosure may result in potential litigation (Matsumura et al. 2014; Jaggi et al. 2018). To the best of our knowledge, there were only few studies that tested the usefulness of voluntary disclosure based on the perceptions of the users. Empirically, Hassan and Power (2009) found that the users perceive mandatory disclosure provided by Egyptian firms to be more useful than voluntary disclosure. One could expect that if current regulation provides high useful information to users, thus voluntary disclosure failure in awareness the users' needs. Given the inconclusive evidence on the usefulness of voluntary information for investors' investments decision-making, especially for the firms operating in the code law environment, we empirically test users' perceptions regarding the usefulness of the mandatory and voluntary disclosure provided in the MR on the basis of the following research question:

RQ3: To what extent mandatory disclosures vs voluntary disclosures in the MR are considered useful by the users?

A questionnaire survey will be carried out to answer these three questions; as shown in the next chapter. Then, the results of the survey will be used in formulating a disclosure index that measure the disclosure level, in Chapter four. Chapter four seeks to answer one questions and examine one hypothesis. The question relates to the comparison between the actual disclosure provided in MR by listed companies and the users' needs, with distinguishing between the disclosure level under both the old and the new regulation.

Therefore, a high level of disclosure would mean that the users' needs are voluntarily considered by the managers when a number of the items were not required by the regulation. By contrast, the low disclosure level would suggest that users do not obtain the information they desire to make real investment decisions. Therefore, this question is formulated as follow:

RQ4: Does the current disclosure in MR provide useful information match the users' needs?

Finally, the prior literature on the disclosure suggests that the firm-characteristics may affect the disclosure practices among different companies (e.g., Akhtaruddin, 2005; Alanezi & Albuloushi, 2011; Al-Janadi et al., 2013; Aljifri, 2008; Aljifri et al., 2014; Boshnak, 2017; Cooke, 1992; Eng & Mak, 2003; Haniffa & Cooke, 2002; Hassan et al., 2006; Lan et al., 2013; Makhija & Patton, 2004; Ntim et al., 2012; Street & Gray, 2002; Wallace & Naser, 1995; Wang & Claiborne, 2008). It could be interesting to provide a complete analysis on the usefulness of MR starting by the views of users, then comparing between the actual disclosure in MR and the users' needs, and by finally investigating the effect of firm-characteristics on MR content. This analysis will depend mainly on the results of the survey; the index will include the items that the users indicated to be either very useful or moderate useful, while any useless items will be ignored. Therefore, the following hypothesis is formulated to examine this notion:

HP1: There are significant impact of firm-characteristics on the disclosure provided in MR by listed companies in EGX.

SUMMARY

The management report has become an important tool in supplementing the weaknesses of the financial report. Indeed, many professional bodies and regulators have tried to increase the extent of disclosure provided in MR and improve the usefulness of its content to back the investment decisions made by the investors. However, our analysis shows that the Egyptian regulation is still far from obligating listed companies to provide high quality information in MR compared with the suggested disclosures of IASB framework regarding the management commentary. The following two chapters aim to provide an empirical evidence on the usefulness of the current mandatory disclosure required in MR, in addition to suggest some voluntary items to be disclosed in MR using a questionnaire survey. Then, a content analysis will be adopted in light of the responses given by the user-groups on the questionnaire. The disclosure index is a useful tool in measuring the disclosure level in MR and in assessing whether the current disclosure reflects the users' needs.

CHAPTER THREE: The Users' Perceptions Regarding the Usefulness of MR on Investments Decision-Making

3.1 Introduction

As it was discussed in Chapter two, any scientific investigation is based mainly on the using of some methods to provide evidence regarding a specific phenomenon. The methods provide the researchers with ability to reach some conclusions on the subject/s under the investigation. This chapter will include the first utilized method in this study; the survey questionnaire. The next section of this chapter will discuss the questionnaire's design, followed by an identification of the user-groups in section three. Section four will illustrate the data collection and then it will highlight the relevant statistical tests that was used in answering the research questions. The remaining part of the chapter will cover the questionnaire's reliability and validity, the participants' profile, and the research questions of the study.

3.2 The Methodology design

Ewert and Wagenhofer (2012) disapproved the use of questionnaires since they are not a favourable methodology in the accounting field. However, some scholars claimed that the survey and the interviews are the main methods that could be used in assessing the usefulness of the accounting information as seen by the users (Breton and Taffler 2001; Dhaliwal 1980; Hassan and Power 2009; Johansen and Plenborg 2013). Furthermore, investigating some phenomena solely using surveys or interviews could be an effective and relevant method when there is no other method that could be applicable or give accurate results (Bouwman et al. 1987; Cooper and Schindler 2003; Johansen and Plenborg 2013).

Based on our opinion, studies that seek to measure the usefulness through analysing only either the analysts' reports or the market prices have major shortcomings. These approaches depend on assessing the usefulness through evaluating the current disclosure, which means they presume that the current disclosure is adequate and provides all the useful information that the users desire. While, using the survey or the interview methods can highlight the missing information that the current disclosure does not provide, and probably the investors decisions could have been different if this information had been disclosed.

Likewise, the survey is the dominant method used in most studies of usefulness of the accounting information (e.g., AICPA, 1994; Abu-Nassar & Rutherford, 1996; Al-Ajmi, 2009; Al-Maliki et al., 2015; Al-Mubarak, 1997; Al-Razeen & Karbhari, 2004; Alattar & Al-Khater, 2008; Almahmoud, 2000; Alzarouni et al., 2011; Bartlett & Chandler, 1997;

Beattie & Pratt, 2002; Benjamin & Stanga 1977; Chatterjee et al., 2010; Dahya et al., 2003; Dawd et al., (2018); De-Zoysa & Rudkin, 2010; Hassan & Power, 2009; Kribat, 2009; Lee & Tweedie 1975b, 1975a; McNally et al., 1982; Naser et al., 2003; Rahman, 2001; Vergoossen, 1993). We argue that using a questionnaire approach would provide a deeper understanding of the usefulness of MR content.

Formulating a brief, focused and comprehensive questionnaire is necessary to get accurate responses. When deciding to use a questionnaire, there are three options to choose from in designing it (Bourque and Clarck 1992):

- Using a questionnaire that has been already used in a different study and without making any changes to it.
- Modifying a questionnaire that has been used in a different study.
- Designing a new questionnaire.

The first and the second options are useful if the primary purpose of the intended study was to compare its findings with the original study(ies). The third option (designing a new questionnaire) is more relevant to our study objectives. As the current study investigates the usefulness of MR from the user' viewpoint, which, in our best knowledge, has not been investigated before in any previous study. For this reason, it was decided to design a questionnaire based on the nature of the MR content.

Wallace (1988) claimed that when a researcher decides to formulate his own questionnaire, he should consider three possible options to choose from when deciding the items that will appear in the questionnaire, which could be:

- Mandatory disclosure items;
- Another study examined items; or
- Another study suggested items; but never examined.

However, we add a fourth element to Wallace classification that is "mandatory disclosure item in another country or as was suggested by a professional body or an international organization". The developed markets' context provides two important tools to the disclosure of MR; higher mandatory requirements disclosure and additional guidelines to the voluntary disclosure. It could be interesting to investigate the usefulness of some items that were mandated or suggested as voluntary items in an emerging market.

Following this argument, two phases were followed in order to identify which items should appear in the questionnaire. Firstly, in order to identify the mandatory disclosure items, the researcher carefully reviewed the disclosure requirements of the Egyptian regulations, which included The Companies Act and the new listing rules. Secondly, another review was carried out to cover both literatures on the voluntary disclosure and the regulations and the guidelines of MR as well, such as SEC in USA, CPA in Canada, FRC in the UK, and IASB framework on the management commentary. The aim of that review was to identify whether there was some useful information should be included in MR yet the current regulation in Egypt does not require it. Including these suggested items in the questionnaire can highlight the weaknesses, if any, and provide a feedback to both the managers, that can promote more voluntary disclosure, and the regulators, that can be considered when updating the listing rules.

Analysing the mandatory disclosure' requirements in Egypt shows that some disclosures are incomplete. For example, every listed firm has to provide disclosure on the manager's ownership, as individuals, as well as on the shareholders who own 5% or more of the shares, while the changes that occurred in these ownerships compared with the last year are not required. The users may, however, find the changes happened in the blockholders' and managers' ownerships as indicators that reflect the firm performance and the success of its strategy. Another example is that the regulations do not demand any disclosure on the skills and experiences of the board and its committee's members. Thus, every section in the questionnaire included mandatory items and some proposed voluntary items.

The following phase was to formulate the questions of the questionnaire. There are two main approaches in formulating the questions; closed-ended questions and open-ended questions, however, both of them has some limitations.

Open-ended questions mean that the respondent should read every question and think on how to write an answer to it. This gives the respondent the chance to write down his own viewpoint freely and without any forced-answers. However, in some cases, the respondent may misunderstand what the question means and what are the possible answers to it, which may lead to incomplete or false responses. Furthermore, as these types of questions require writing the answers, the response rate may not be very high due to the long time that the respondent should spend on the writing. Moreover, if the respondent was not used to express his opinion in a written format, his responses may not be clear to the other party. Finally, it would not be easy to code the answers and to statistically analyse them since there were no specific possible answers (Saunders et al. 2009).

Closed- ended questions is based on providing a number of possible answers for each and every question while the respondent circles or marks the relevant answer to his view. This type of questions are much clearer, easier, and quick to answer; since they are easier to be coded and analysed compared with the open-ended questions (De Vaus 2002). However, the main problem of this format is related to the question of what would happen if the respondent did not find the answer that best reflects his opinion amongst the provided answers? This would mean that this case would likely to get inaccurate responses.

De Vaus (2002) argued that there is no wrong approach and that each approach could be used depending on the context and the purpose of the study. However, he suggested that the closed-ended questions can produce high quality answers if the researcher made his questionnaire as a self-administrated, which would enable the respondents to understand each question better without needing any further explanations from the interviewer (De Vaus 2002). Moreover, some researchers found that the closed-ended questions are more reliable than the open-ended ones (Frazer and Lawley 2001; Gillham 2008; Rowley 2014).

It was decided to design the questionnaire following the closed-ended style. Only one open-ended optional question was inserted in the second section of the questionnaire. The aim of that question was to acquire any suggestions from the respondents regarding the important committee/s that they would have wanted to be disclosed in MR, other than the audit committee.

The first revised questionnaire included seventy-seven items divided into seven sections. However, in order to examine the questionnaire's relevance, short interviews with five financial analysts and two institutional investors, who were randomly selected, was held. With an insight from the interviewees' notes, some changes were made in the questionnaire; therefore, some items were added or combined together, while some information was completely ignored. The final questionnaire included forty-seven closed-ended questions and one open-ended questions, and it was divided into eight sections and subsections in addition to a separate part includes general questions. Table 3.1 shows the number of items in every section, classified into mandatory and voluntary items. The table illustrates that the questionnaire included seventeen mandatory information and twenty-two voluntary items. While the remaining questions were eight in the first section, and one open-ended question in the second section.

The final design of the questionnaire included a cover page and was followed by two parts. The cover page is likely to affect the response rate (De Vaus 2002), therefore, this page has been worded in a careful way to give good impressions to the participants. The page mentioned the purpose of the survey and clarified that the respondents' answers and personal information will be used for scientific purposes only. After the cover page, the first part of the questionnaire included seven personal questions related to the respondent's profile (name, age, qualification, specialization, experience, the company activity, and the ownership type). The second part included forty-eight questions divided into seven parts, as follows:

a) *Section one* aims to answer the first-two questions. The first two-questions in this section investigate the users' agreement with the effect of the new listing rules on increasing the usefulness of MR. The subsequent three-questions highlight the usefulness of the current disclosure in MR in general, and whether it provides complementary (to the financial report content), understandable, and useful information. The last three questions of this section cover three different issues; the question number six highlights whether the listed entities tend to disclose the minimum level of information without considering the users' needs, question number seven focuses on the role of using graphs and tables as tools in making MR more readable and understandable, and the final question investigates whether the respondents think that any entity that does not make its MR available on its website should be sanctioned by the authorities.
b) *Section two* focuses on corporate governance disclosure. It includes three subgroups; the ownership structure, the board composition, and audit committee. This section includes one open-ended question that discovers if the respondents seek information on other committees.
c) *Section three* investigates the importance of risk management and internal control and how the management strategies control risks.
d) *Section four* focuses on key performance indicators within the ended year; the indicators included the profitability and liquidity ratios, in addition, it compares the actual sales/revenues and profits with the targeted ones.
e) *Section five* covers the main changes in the fixed assets or their fair value. The Egyptian Accounting standards (EAS) prevent any re-evaluation to the fixed assets in the financial statements even if there was certain evidence on a considerable

increase or decrease in their values; instead, the companies must admit these changes, if any, in the BDR.

f) *Section six* combines between the mandatory and voluntary disclosure on forward-looking performance. The forward-looking disclosure reflects the expansion plans and, therefore, the firm situation within the markets.

g) *Section seven* includes information on the CSR and the environment responsibility, it mentions some information on the employees and the relations with the surrounded society.

Table 3.1 summarizes all these parts with distinguishing between mandatory and voluntary items.

Table 3. 1 The Questionnaire's Sections and Sub-sections

Number	**sections/sub-sections**	**Items Count***		**Total**
		M	**V**	
1	General Information on MR	--	--	8
2	**<u>Corporate Governance</u>**			
	The ownership structure	3	2	5
	Board Structure	2	2	4
	Audit Committee	3	2	5
	Other Committee**	--	--	1
3	Risk Management and Internal Control	-	4	4
4	Key Performance Indicators	2	4	6
5	The Main Changes in Fixed Assets	2	1	3
6	Forward-Looking Performance	1	3	4
7	CSR and Environmental Performance	4	4	8
	Total	17	22	48

* M: Mandatory; V : Voluntary.
** OQ open-ended question.

As the questionnaire was shaped in closed-ended questions, Likert-scale with five points was adopted. Since the first section of the questionnaire measures the level of agreement with its questions, the possible answers and their weighted points for this section were 1: strongly disagree, 2: disagree, 3: somewhat agree, 4: agree, and 5: strongly agree. The remaining six sections were aiming to assess the usefulness degree; hence, the possible answers and their weighted points were 1: not useful at all, 2: not useful, 3: slight useful, 4: useful, and 5: very useful.

3.3 Identifying the User-Groups for the Current Study

The literature on the usefulness of the business report presented several attitudes of the users-groups that were subjected to the surveys. Some studies focused on one user-group, other studies included two user-groups, while some studies investigated several user-groups. De-Zoysa and Rudkin (2010) criticised the studies that focused only on the investors, the financial analysts, or even just the both . They claimed that, since the business report is of a general-purpose, the investigation of the usefulness should include all user-groups who were supposed to use the report. However, in our view, if a study covered several user-groups, its findings may get significantly weakened. For example, if a study were to investigate several user-groups including the 'authorities of environmental protecting' as one of these groups, it is highly likely for the respondents within this group to mark most of the information as not useful, even the information on the risks and the profits, while they would probably mark the environment-related information as extremely useful. In this case, the findings cannot be generalized because the users' decisions were very different, which make the usefulness to be a proportional concept that depends on the decisions' context. Consequently, it was decided to focus on investigating the usefulness of MR for the investments decision-making.

Following this point, some researchers referred to significant differences in the awareness of the professionals and the non-professionals regarding the usefulness of the accounting information. Beattie & Pratt (2002) argued that the professional users are more sophisticated and use the business report usually in investments' decision- making. In their opinion, the term 'professional users' includes three user-groups; the institutional investors, the lenders, and the financial analysts. On the other hand, most of the individual investors have little knowledge and understanding of the business reports' content, especially those who own a small ownerships (Alrazeen 1999; Beattie and Pratt 2002). Beattie and Pratt also added that conducting an effective survey requires applying it on homogeneous user-groups who are well qualified to assess the usefulness of business reporting.

Likewise, some previous studies tended to exclude the individual users (Chandra 1974; Firth 1978; Kribat 2009; McNally et al. 1982) . There are two possible reasons for this exclusion. First, many of the individual investors do not have an accounting background or an adequate ability to understand and use the business reports' information, therefor, they would depend on the financial analysts' advice in making their investment decisions (Lee and Tweedie 1977; Day 1986). This notion could be seen in Baker's and Haslem's findings;

they documented that only 8% of the individual users depend on the business report in investments decision-making, while 61% depend on the financial analysts' reports or advices (Baker and Haslem 1973).

Second, with the several challenges in using the internet facilities (i.e., the online surveys or emails)**[11]**, it is not easy for a researcher in an emerging or developing market to meet with the individual investors, due to the fact that those users are geographically dispersed, which would require a long time and a high cost to obtain their responses (Alrazeen 1999; Kribat 2009). Furthermore, the findings of the studies of Alzarouni et al. (2011), Alattar and Al-Khater (2008), and Al-Ajmi (2009) documented that the individual investors in the emerging markets consider the annual report to be less useful source of information than the other groups do. These reasons confirm that many of the individual investors depend directly on the advice of the financial analysts' or their published reports.

Following this argument, the current study focuses only on two user-groups; the institutional investors and the financial analysts.

3.3.1 The Financial Analysts

The main tasks of the financial analysts are to analyse the accounting information, issue their reports, and advice their clients. Mautz and Sharaf (1961) argued that the financial analysts are the ideal qualified users who can understand and analyse the business report. This user-group was the subject of many prior studies (e.g., Abu-Nassar & Rutherford, 1996; Almahmoud, 2000; Alzarouni et al., 2011; Baker & Haslem, 1973; Hassan & Power, 2009; Ho & Wong, 2001; Johansen & Plenborg, 2013; Mirshekary & Saudagaran, 2005). Therefore, the financial analysts can be helpful in assessing the usefulness of MR content.

In the Egyptian context, the financial analysts work at stockbrokerage firms, therefore, the researcher began by determining the number of the stockbrokerages in the stock market. According to EFSA website, the accredited stockbrokerages in Egypt were 148 companies[12]. There are some differences between these firms such as the size, age, and market share. In order to avoid any bias error, it was decided to ignore all these differences

[11] As it was discussed earlier in this chapter, the secrecy is a main factor in a country like Egypt, which means that it is difficult to collect the contact details of the individual investors, such as their phone numbers, emails, and addresses.

[12] Official list by the Egyptian Stock Exchange on January 1, 2016.

and distribute only one questionnaire to each stockbrokerage to be filled by the major financial analyst.

Five of the stockbrokerages ceased their activities completely and were under the optional clearance as a result of the accumulated losses[13] (Table 3.2). Furthermore, twenty-nine of the stockbrokerages laid off their financial analysts in order to cut their losses or produce some profit/surplus. However, these stockbrokerages still rely on the big brokerages' financial analysts' reports in advising their clients. Moreover, twenty-nine financial analysts refused to fill-in or even read the questionnaire. Eighty-five questionnaires were distributed across this user-group, while seventy-eight questionnaires were collected back (91.76% of the distributed ones, and 52.7% of the total number of the original user-group).

3.3.2 The Institutional investors

The institutional ownership in the OECD countries has increased significantly from 110% of GDP in 1995 to 163% of GDP in 2005 (Cascino et al. 2014), and it even reached 71$ trillion in 2010[14]. These amounts highlight the huge investments that the institutional investors can manage in modern economies. In addition, Cole and Jones (2005) emphasized the positive effect of the intuitional ownership on the disclosure quality. They indicated that the institutional investors desire more disclosures in order to invest in an entity; therefore, the managers of that entity attempt to attract more institutional investors by publishing high-quality MR reports.

In the emerging markets, institutional investors invest huge amounts of money in the capital markets (Almahmoud 2000). Baker and Haslem (1973) considered the institutional investors as one of the most qualified user-groups that should participate in investigating the usefulness of accounting information. They associated this argument to the relevant qualifications of those users and their accounting background; since they work in big institutions where there are professional analysis and use of any information. This argument underlines the increased chance of receiving high-quality responses from the participants of this group. Likewise, many previous studies included the institutional investors in their sample to investigate the usefulness of accounting disclosure (e.g.: (Anderson 1981, Chang

[13] The researcher met with some of the employees of these firms, and they were working only to finish any contracts or commitments for their existing clients. They said that the rapid political changes in Egypt had a negative effect on the trading of securities

[14] https://stats.oecd.org/Index.aspx?DataSetCode=7IA_A_Q

and Most 1981, Abu-Nassar and Rutherford 1996, Al-Hussaini, 2003; Naser, Nuseibeh et al. 2003, Mirshekary and Saudagaran 2005, De Zoysa and Rudkin 2010, Alzarouni, Aljifri et al. 2011).

It was decided to survey the banks and the insurance companies as institutional investors. According to the data from the Central Bank of Egypt, there were thirty-eight working banks in Egypt[15], while, the list of the accredited insurance companies was available online on The Financial Regulatory Authority' website (FRA).The number of the insurance companies was twenty-seven; accordingly, the total sample of this user-group was sixty-five intuitional investors. The person who was intended to fill-in the questionnaire was the director of securities division (DSD) or his/her vice in each institutional investor.

Forty-four questionnaires were distributed across the participants of this group (Table 3.2). As the data was collected in-person, the researcher found that eight of the intuitional investors ended their investments in EGX. They explained the reason behind their decisions with the instability of the Egyptian capital market due to the increased risks after the uprising of 25 January 2011. Interestingly, all those investors were originally foreigners, and the decisions of suspending their investments in the Egyptian securities were taken by the head offices of their origin country. However, thirteen investors refused allowing us to meet with the DSD or his/her vice; they related this to the rules of higher managers. Only forty-four investors agreed to receive the questionnaires, however, the returned questionnaire were thirty-six (81.8% of the distributed ones and 55.4% of the total institutional investors in Egypt).

3.4 Distributing and Collecting the Questionnaires

Distributing and collecting the questionnaires in person require a long time and high costs, thus, it was decided to send the survey by emails, whenever it was possible. The first problem the researcher faced was that the vast majority of the financial analysts' emails were not available to the public. Moreover, considerable number of the stockbrokerages do not have working websites. For instance, when checking the websites of the first fifty stockbrokerages in EFSA list in order, only seventeen stockbrokerages were found to have working websites; however, only three of these websites included contact emails. As result, at this phase, we focused on the institutional investors because they were bigger institutions

[15] The total banks in Egypt were forty banks, but, according to the Central bank of Egypt, there were two banks under voluntary liquidation, thus, both of them were ignored.

and have more integrated websites. Fifty-five, out of sixty-five, institutional investors provided general email-addresses on their websites; therefore, we sent emails to those users and requested from whoever receives these emails to forward them to DSD or his/her vice.

After a whole month of sending these emails, the researcher had not receive any response back from any institutional investor. Therefore, it was decided to distribute and collect the questionnaires in-person for both users-groups. Data collection took three months, from July to September 2016. Table 3.2 offers the numbers and percentages of the distributed and collected questionnaires from both the users-groups.

Table 3. 2 Summary of Data Collecting Process

The respondents		Total	Excluded Firms					Valid respondents to run the survey		
			No analyst exists	Stopped /under clearance	Stopped Investments in EGX Stocks	Refused to fill	Total excluded	Total applicable	Distributed	
									Collected	Not returned
FA	Number	148	29	5	--	29	63	85	78	7
	Percentage	--	--	--	--	--	--	100 %	91.77%	8.23%
I	Number	65	--	--	8	13	21	44	36	8
	Percentage	--	--	--	--	--	--	100%	81.82%	18.18%
Total	Sums	213	29	5	8	42	84	129	114	15
	Percentage	--	--	--	--	--	--	100 %	88.37%	11.63%

3.5 Identifying the Used Statistical Tests

In order to answer the research questions of the current study, the SPSS package was used. Since the study focuses on two user-groups, the statistical test will be used in examining whether there are significant differences between the financial analysts' and institutional investors' needs of information in MR.

The statistical analysis presents two different classes of tests; Parametric and Nonparametric, however, each class of these tests is preferred to be used in specific conditions, which means that determining the type of statistical analysis is very important to achieve accurate results. The characteristics of the collected data are the key in choosing the relevant test/s of Parametric or Nonparametric tests. Statistically, using Parametric tests requires the existence of some assumptions within the data; which are as follow (Field 2009; Dancey and Reidy 2007):

a) The collected data is normally distributed;
b) The variance within the date is homogeneous and changes randomly (not systematically);
c) The data is based on interval scale; and
d) The data is independent even it was collected from different subjects.

Once it was decided to use a questionnaire survey, these conditions could not be easily matched. The responses regarding how the users perceive the usefulness of information would not likely to follow the normal distribution. To make sure, the researcher checked the normality of the collected data; unfortunately, the results showed that the data were not normally distributed. Furthermore, since the responses were weighted according to Likert-five-points-scale, the data was ordinal and not interval. While, in this case, the parametric tests might gave inaccurate results, alternatively, nonparametric tests could be used without any limitations or specific conditions. Dancey and Reidy (2007) describe nonparametric tests as “assumption-free tests”, because they do not require any special conditions in analysing the data. However, some researchers claimed that using nonparametric tests can produce less strong findings compared with obtaining them by using parametric tests; however, this assumption is not always true (Dancey and Reidy 2007). Even though Norman (2010) provided some evidence regarding the possibility of using parametric tests without considering the four above-mentioned conditions, Smith (2003) argued that using parametric tests with ordinal data is incorrect.

Dancey and Reidy (2007) also argued that using Mann-Whitney or Wilcoxon rank-sum, as nonparametric tests, with unequal-sized groups can produce more accurate results than the t-test, as parametric test. We argue that using nonparametric tests is more common and widely used in the business research when using questionnaire survey or content analysis, therefore, nonparametric tests will be used in analysing the current study data.

The current study uses Mann-Whitney as one of the most common nonparametric tests in business research. Mann-Whitney test is usually used to show any significant differences between either two groups or variables, which makes it an equivalent test to the T-test as a parametric test. Accordingly, this test will be used to analyse the responses of the survey.

3.6 Reliability and Validity

3.6.1 Reliability

One of the major concerns in the scientific research, and especially in the social sciences, is related to ensuring a confident level of reliability and validity. Reliability is achieved when the used techniques in collecting and analysing the data are dependable. The dependability means that if the same measure/method was applied again, or many times, it will still give consistent results each time (Bhattacherjee 2012; Saunders et al. 2009). However, this assumption is dependent on that the investigated phenomenon does not change (Bhattacherjee 2012). Increasing the reliability is correlated positively with the researcher's objectivity. This requires formulating the survey in a clear way and asking the questions that are considered to be clear and known to the respondents (Bhattacherjee 2012). It could be argued that reliability means formulating the questionnaire's statements in a clear language and in an independent way.

According to Easterby-Smith et al. (2008), the reliability can be assessed by answering three questions:

- Will the used measures produce the same findings on repeated occasions?
- Is it possible to reach similar findings by other researchers?
- What guarantees an adequate level of transparency when using the raw data?

Moreover, Saunders et al. (2009) and Robson and Kieran (2016) referred to four factors that shape the reliability when carrying out a survey or interviews, as follow:

a) **The Participant Error**: occurs when the observer sets an inconvenient time to meet with the interviewees or the respondents. For example, if a study was aiming to measure the employees' enthusiasm, it would not be appropriate to meet with the respondents at Monday's morning when they have a lot of work, or on Friday's afternoon when they are looking forward to their vacation. To avoid this issue, the researcher should choose a neutral time that can provide more accurate responses.
b) **The participant bias:** in some cases, the respondents could fill the questionnaire with responses that they think their bosses would want, which makes such responses unreflective of the participants' real viewpoints. This issue is common in the organizations in which the high management specifies certain individuals to fill the questionnaires, or when there is a threat of employment insecurity within the organization. Overcoming this challenge depends on the way that was followed in designing the questionnaire's questions or statements. A researcher should formulate

the questions or the statements in a way that enables him to get the participants' real viewpoints.

c) **The observer error:** this threat is related to the way the questions were asked, especially when the survey or interview was conducted by two or more observers. It is likely that every observer has a different style in asking questions and a different way that he follows in interacting with the participants.

d) **The observer bias:** explaining the participants' responses should be done in an unbiased way, even if the findings did not match the researcher expectations.

In the current investigation, we sought to achieve the maximum level of reliability. For the participants' error, the questionnaires were distributed in-person and every respondent was asked to choose the most appropriate time for him/her to fill-in the questionnaire. Some participants asked for the questionnaire to be left at their offices so that they can fill it later; their request was welcomed. This made the survey to be free of the participant error. Second, to minimise the participants' bias, it was not required for the respondents to write their names on the questionnaire, as we also emphasized that the responses will be secured and will be used for the research purposes only. Third, the observer error did not take place in the current study; the distribution and collection of the questionnaire was done by the researcher only. Finally, as the current investigation was based on quantitative approach, using a questionnaire that included closed-ended questions, increased the objectivity of the findings and minimised the observer's bias.

However, since it was not, logically, possible to repeat the survey and compare the participants answers in order to examine the reliability, there was another approach that also examines the consistency of a participant's response depending on a statistical test. This approach applies a kind of simulation at the same points of agreement and time whereas the original responses were obtained (Smith 2003). This approach is called "Alpha Cronbach", and it provides an overall score that ranges between zero and 1 to reflect the reliability of a questionnaire. It is widely agreed that the reliability occurs when Alpha Cronbach Score records 0.7 or more (De Vaus 2002). When the score raises, it implies a higher level of consistency and the reliability. The results of Alpha for the collected data recorded a score of 0.903 and 0.912 for the financial analysts and the institutional investors and respectively, while the overall score for the whole sample reached 0.907 (Table 3.3). These high scores ensured a high level of reliability in the collected data.

Table 3. 3 Alpha Cronbach's Scores for users-groups

Users-Groups	The respondents	Alpha Cronbach's Score
Financial analysts	78	.903
Institutional investors	36	.912
All responses	114	.907

Finally, Non-Response Bias is another external threat of using questionnaire survey. This challenge is likely to occur when some of the participants do not fill-in their questionnaires early. Therefore, in order to increase the response rate, a researcher may decide to contact the respondents several times to encourage them to fill the questionnaire, and even resend other copies of the questionnaire. While this action could increase the responses rate significantly, the non-response bias is likely to affect the credibility of late responses. Non-response bias means that if some respondents did not fill-in the questionnaires early or after receiving it by the post/email, there would be some doubts related to whether the answers provided was given with high focus and care, or the respondents just randomly chose the answers (Smith 2003). However, in the current study, the non-response bias does not take place because the questionnaires were distributed and returned in-person, and the majority of respondents fill the questionnaire within the same day they received it; no more than 5% of them filled it within two days later.

3.6.2 The validity

The validity refers to the clear identification of the concepts that were used in the questionnaire. The validity of the questionnaire content is an essential factor that determines whether the results could be trusted or not (De Vaus 2002). Filling a questionnaire, generally, is based on the respondents' personal attitudes, which means that if the same questionnaire was to be re-filled again, the respondents may choose different answers. To minimise this issue, the questionnaire should be constructed using clear and easily-understandable language. At this point, De Vaus (2002) argues that if the questionnaire included some words that can have more than one meaning, then it would be invalid. In order to avoid this threat, in our current study, the researcher followed some steps to ensure the high level of validity.

The questionnaire was debated first with some colleagues and professors in the department of economics, management, and institutions in the University of Naples (Federico II). This step aimed to ensure whether the questions were formulated in an accurate form and cover all sections of MR. In later stage, some interviews were also held with the financial analysts in the Egyptian stockbrokerage companies as a pilot study. We discussed all the questionnaire's sections with the interviewees, which enabled them to check the relevance of each question. After these two steps, some changes in the questions were considered, such as the deletion of some questions, the merge of some questions, and the addition of some new questions.

Finally, as the questionnaire was designed originally in English while Arabic is the spoken language in Egypt, all of the distributed questionnaires were in Arabic. Usunier (1998) highlights four factors that should be considered when translating the questionnaire from language to another:

- Lexical meaning- some words in a language could have more than one meaning in another language, therefore, the translator should be aware of what the exact equivalent that can gives the same meaning is.
- Idiomatic meaning- an idiom reflects the meaning of a specific expression in a language. If a questionnaire included some idioms, the translator should extract their meaning within the targeted language.
- Experiential meaning- some expressions are well-known in the daily life of a society, for example, "dual career household" as an expression is probably not clear in a different language; therefore, the translator should explain clearly what this concept means in the targeted language.
- Grammar and syntax- the order of the words within a sentence differs immensely in many languages; the way of expressing the past, present, and the future actions are different between many languages. The translator should not use metaphors and use the equivalent structure and grammar that gives the same meaning and timeframe.

Furthermore, Usunier (1998) indicated four techniques that could be helpful in translating the questionnaire to another language. However, every technique has some advantages and disadvantages, as follow:

- **Direct translation:** it means to directly translate from the original language to the targeted language by the researcher. This technique is easy and has a low cost; however, it is likely for some contradiction and mislead words to exist.
- **Back-translation:** the translation process here requires two translators from each language, and each one of them is a native in his language. The process starts with one translator who have to translate the original text to the targeted language, then,

the other translator has to translate-back the new translation to its original language, and finally a comparison is made in the two translations and checked for any errors. The main benefit of this strategy is the detection of the majority of errors. However, it is not always easy to find two native speakers from both languages who can well understand all the questionnaire’s concepts in its original language.

- **Parallel translation:** using two translators who every one of them works individually, then the researcher compares their translations in order to choose the most accurate one to be the final version. While this technique provides high accuracy translation, it is likely to have some lexical and idiomatic errors.
- **Mixed techniques:** it depends on the Back-translation technique and the parallel translation technique. This method can provide the best translation, but it costs a lot money and time since it may include finding and changing some words in the original text to equivalent words that give the same meanings in the targeted language.

Because every technique has its advantages and disadvantages, the current study adopts the mixed technique but with a different structure. The researcher translated the questionnaire himself, then he discussed both the Arabic and English versions with some other colleagues whom native language was Arabic; this includes some PhD students in the same department inside the University of Naples Federico II, and some Egyptian PhD students in the UK’s universities. The aim of this step was to identify whether the Arabic translation is accurate and reflects the same meaning as that in the original English text. Minor modifications were received, and after making them, the final translated questionnaire was ready for the distribution.

3.6.3 Discrimination

Conducting a survey requires distinguishing between the main variables/groups in the targeted sample, especially when they are expected to receive varied responses (De Vaus 2002). However, as it was discussed earlier, the current investigation concentrates on two user-groups; the institutional investors and the financial analysts. While the distribution and collection of the questionnaires were carried out carefully in order to distinguish between the responses that were received from each group, it enabled us to run some statistical tests to examine any significant differences between both groups, and then, answer the research questions using the mean of the whole responses of the two users-groups.

3.7 The respondents' profile

The first section of the questionnaire included some personal information that covered the respondent' names, age, gender, specialization, qualification, experience, and the ownership type of the firm where they work. However, the vast majority of respondents did not write down their ages, thus, this information was ignored in that section.

Table 3.4 The respondents' profile

Factors	Financial analysts		Institutional investors		Total	
	Frequency	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Gender Males	72	92.3	34	94.5%	106	93.0
Females	6	7.7	2	5.5%	8	7.0
Total	78	100.0	36	100.0	114	100.0
Graduation Accounting	50	64.1	27	75%	77	67.5
Business Administration	18	23.1	6	16.67%	24	21.1
Other	10	12.8	3	8.33%	13	11.4
Total	78	100.0	36	100.0	114	100.0
Qualifications Bachelor	52	66.7	20	55.55%	72	63.2
Advanced Diploma	13	16.7	11	30.56%	24	21.1
Master Degree	11	14.1	4	11.11%	15	13.2
PhD	2	2.6	1	2.77%	3	2.6
Other	0	0%	0	0%	0	0%
Total	78	100.0	36	100.0	114	100.0
Experience Less Than 10 Years	24	30.8	12	33.33%	36	31.6
More than 10 to 20 Years	44	56.4	17	47.22%	61	53.5
More Than 20 Years	10	12.8	7	19.45%	17	14.9
Total	78	100.0	36	100.0	114	100.0
Ownership Type Governmental	0	0	11	30.56%	11	9.6
Private sector	66	84.6	13	36.11%	79	69.3
Foreign firm	12	15.4	12	33.33%	24	21.1
Total	78	100.0	36	100.0	114	100.0

Table 3.4 shows that one hundred and six respondents were males (93%), while the females presented only eight (7%), which was not a surprise considering the cultural aspects in any emerging market in the Middle-East area. Seventy-seven respondents (67.5%)

graduated with a major in accounting, twenty-four studied business administration (21.1%), and only thirteen (11.4%) held other degrees. This finding is very important because it shows that the vast majority of the respondents had both theoretical and practical experiences in the disclosure and its usefulness. For the respondents' qualification, seventy-two respondents were bachelor holders (63.2%), thirty-nine obtained a higher diploma (after Bachelor) or master's degree (34.3%), and only three respondents held a PhD degree (2.6%). More than half of the sample (sixty-one participants, 53.5%) have had experience between ten and twenty years, while approximately one-third has had less ten years' experience, and 15% of them have had more than twenty years of experience.

Considering the ownership structure of the institutional investors, the respondents were approximately divided into three equal thirds between the government, local private sector, and foreign firms or branches. Furthermore, as was discussed earlier, the financial analysts worked in the stockbrokerage companies, where an ownership by the government was absent (according to the responses in the sample). Seventy-nine financial analysts (84.6%) also worked at local private ownership firms, while twenty-four (15.4%) worked at foreign firms or branches. These indicators make the sample richer, as it includes different types of ownership and organizational culture.

3.8 Results

3.8.1 Users' perceptions on the usefulness of MR disclosure according to the new regulation

Overall, the new disclosure requirements in the MR were perceived to be partially useful by both FA&I, as table 3.5 shows. In particular, in the first question, the respondents revealed that the mandated rules for the Egyptian listed firms present a moderate level of usefulness of information provided by the MR. The recorded means were 3.82 and 3.86 for FA & I respectively, which is located in the range between 3- 3.99 (moderate agreement). This result reflects the inadequacy of the updated regulation in matching the users' needs of providing a high-quality disclosure in MR . The second question showed that the new regulation increases the readability of the MR, even if with a moderate degree. The recorded means were 3.77 and 3.86 for FA and I, respectively. This result suggests that the MR prepared under the new regulation includes some incomprehensible or incomplete information.

Table 3. 5 The impact of new regulation on improving the usefulness level of MR

	RQ1	FA		I		Mann-Whitney test		
		Mean	STD	Mean	STD	Mean	Z	Sig.
1-	The Management report, which is prepared under the new regulation, provides more information comparing with the old regulation	3.82	.68	3.86	.762	3.83	-.389	.70
2-	The Management report, which is prepared under the new regulation, provides information easy to be understood	3.77	.72	3.86	.723	3.80	-.510	.61

The results of Mann-Whitney test for the two questions revealed no significant differences between the FA&I. The recorded means for the two questions, for the whole sample, were 3.83 and 3.80, while the significance of Z score was .70 and .61 (greater than 0.05) respectively, therefore, no significant differences in the standpoints on the quality and the readability of MR between the FA&I existed. Thus, the analysis regarding the first research question suggested that the two user-groups were partially satisfied with the effect of the new regulation in increasing the usefulness of MR.

Table 3.6 provides results on the usefulness of MR as a whole. The first question illustrated that the respondents agreed that MR includes an overall useful information, with a mean-score of 4.31 and 4.28 for FA&I, respectively. The second question highlighted a strong evidence on the importance of MR and how the respondents perceived it to be the main source of a corporate disclosure when making their investment decisions. The recorded mean-scores were 4.37 and 4.44 for FA&I respectively. This suggests that MR represents the primary source of information which complement the weakness of the financial report. The third question also supported the above results. The respondents were also asked whether there is consistency of information between the financial report and the MR. The whole sample recorded mean was 4.26, confirming a high level of agreement (4 means agree, and 5 means completely agree).

The significance of Z-value suggested that there were no differences between the two user-groups in the three questions. The recorded significances were 0.95, 0.4, and 097 for the three questions respectively, which were all higher than the significance level of the current study (0.05).

Table 3. 6 The users' perceptions regarding the usefulness of MR

	RQ2	FA		I		Mann-Whitney test		
		Mean	STD	Mean	STD	Mean	Z	Sig.
3-	The management report provides useful information	4.31	.74	4.28	.82	4.30	-.06	.95
4-	You consider the management report a complementary to the financial report	4.37	.58	4.44	.65	4.40	-.84	.40
5-	You usually compare the content of the management report with the content of the financial report's	4.26	.75	4.28	.70	4.26	-.04	.97

Thus, in Table 3.7, question number six shows that the two user-groups believe that the current voluntary disclosure in MR is not enough, which probably indicates an existing gap between what user needs and what managers provide. The agreement level, however, was moderate with an overall means of 3.75. Question number seven illustrates that FA&I consider using graphs and tables in MR increases the understandability of its content. The overall recorded mean was 4.21 out of five points, with no significant difference between the two user-groups. This finding highlights the importance of using an effective presentation way in MR. Question number eight focused on the availability of MR on the firms' websites. The recorded Means were 4.06 and 4.22 for FA&I respectively. This finding suggests that the users experience some difficulties in accessing the MR.

Table 3. 7 The users' perceptions regard the presentation of MR

	The Questions	FA		I		Mann-Whitney test		
		Mean	STD	Mean	STD	Mean	Z	Sig.
6-	Some companies disclose very limited information without any attention to the users' needs.	3.72	1.24	3.83	1.18	3.75	-.41	.68
7-	Using the tables and graphs in the management report make its information more understandable.	4.26	.67	4.11	.75	4.21	-.91	.37
8-	The companies which do not make their director's reports available on their websites should be sanctioned by the Authorities	4.06	.98	4.22	.98	4.11	-1.10	.27

3.8.2 Users' perceptions regarding the usefulness of different kinds of information in MR

Table 3.8 illustrates the descriptive statistics and the results of Mann-Whitney test regarding the questionnaires' items. Out of thirty-nine items, the respondents marked twenty-six items (66.67% of the total items) as either useful or very useful. Nevertheless, thirteen items (33.33% of the total items) were considered as moderate-useful, with a mean that ranges between 3.42 and less than 4.00 points, out of 5 points. Furthermore, the results of Mann-Whitney test documented that out of thirty-nine items, only six information have significant differences in the FA and I views (the significance of Z score < 0.05).

Table 3. 8 The usefulness of MR items

	Items[17]	FA		I		Mann-Whitney test			
		Mean	**STD**	**Mean**	**STD**	**Mean**	**R[18]**	**Z**	**Sig.**
Corporate Governance									
The Ownership structure									
1	The information on Shareholders who own 5% of shares or more, the shares amounts and percentages.* **(M)**	4.42	.85	4.67	.68	4.50	9	-1.61	.11
2	The board members ownership. **(M)**	4.62	.65	4.64	.64	4.63	1	-.13	.90
3	Treasury Stock – if any- classified according to the purchasing dates, comparing with the previous year amounts.**(M)**	4.53	.75	4.47	.65	4.51	7	-.78	.44
4	The variation in the main shareholders' ownership compared with the previous year. **(V)**	4.54	.77	4.67	.59	4.58	3	-.75	.45
5	The variation in the board members' ownership compared with the previous year. **(V)**	4.46	.78	4.50	.65	4.47	12	-.01	.99
The Board Composition									
6	The board members' name and their nature[Executive, Non-Executive, Independent] **(M)**	4.46	.60	4.58	.50	4.50	9	-.90	.37
7	The meeting number during the year. **(M)**	3.95	.74	4.11	.82	4.00	26	-1.15	.25
8	The Board members qualifications and experiences. **(V)**	3.94	.92	3.86	1.02	3.91	28	-.24	.81
9	The rules that are followed to determine the board members rewards, and publishing a detailed schedule show each member rewards compared with the previous year. **(V)**	3.64	1.09	3.83	.97	3.70	32	-.85	.40
Audit Committee									
10	*Committee members' names and their nature (Executive, Non-Executive or Independent).* ***(M)***	*4.04*	*.92*	*4.42*	*.84*	*4.16*	*22*	*-2.29*	*.022**
11	Committee's responsibilities. **(M)**	4.05	.94	4.31	.75	4.13	24	-1.24	.22
12	Number of the committee meetings during the year and refer to any Important notes were detected through. **(M)**	3.86	.88	4.08	.69	3.93	27	-1.14	.25
13	The committee members' qualifications and experiences. **(V)**	3.77	.92	3.92	.77	3.82	29	-.66	.51

[17] "M" refers to Mandatory and "V" refers to Voluntary.
[18] R: The rank of every item to the whole items.

14	The board policy to change the committee members.* **(V)**	3.73	.99	3.97	.74	3.81	30	-1.02	.31
The Internal control and risk management disclosure									
15	The annual review results of the internal control quality and effectiveness. **(V)**	4.38	.69	4.44	.69	4.40	17	-.49	.63
16	The risks that treat every activity or segment (including any penalties or lawsuits). **(V)**	4.44	.77	4.64	.68	4.50	9	-1.60	.11
17	The board strategy to control the risks. **(V)**	4.50	.66	4.58	.81	4.53	6	-1.19	.24
18	The expected effect of the risks on the firm future and its activity through the next year. **(V)**	4.46	.70	4.61	.69	4.51	7	-1.25	.21
The Financial Performance Indicators									
19	Export activities distributed on products. **(M)**	3.97	.90	4.14	.76	4.03	25	-.84	.40
20	Net profit distributed on the activities or products. **(M)**	4.46	.77	4.72	.51	4.46	13	-1.69	.091
21	The actual sales compared with the target sales throughout the year.**(V)**	4.44	.68	4.53	.56	4.54	5	-.50	.62
22	The actual net profit compared with the target profit. **(V)**	4.51	.64	4.69	.52	4.57	4	-1.49	.14
23	*Profitability ratios. **(V)***	*4.24*	*.94*	*4.64*	*.54*	*4.37*	*18*	*-2.08*	*.037**
24	*Liquidity ratios. **(V)***	*4.35*	*.83*	*4.72*	*.57*	*4.46*	*13*	*-2.48*	*.013**
The Assets Values information									
25	*Information covers the fair values of fixed assets that are significantly different compared to the book values, especially lands and real estate. **(M)***	*4.41*	*.81*	*4.00*	*1.04*	*4.28*	*20*	*-2.04*	*.042**
26	The significant changes in the fixed assets over the ended year (such as buying, selling, retirement, impairment… etc.).**(M)**	4.24	.84	4.14	.72	4.21	21	-.97	.33
27	Tables and graphs show the main changes in the fixed assets over the last three years or more.**(V)**	3.79	.92	3.81	.98	3.80	31	-.16	.87
Forward–looking performance									
28	The management plans to the additions and betterments. **(M)**	4.60	.61	4.64	.54	4.61	2	-.13	.90
29	The expected market position **(V)**	4.29	.77	4.47	.56	4.35	19	-.95	.34
30	The expected profit during the next year **(V)**	4.41	.76	4.42	.91	4.41	16	-.38	.71
31	The planned finance sources for replacing fixed assets, launching new products, or branches **(V)**	4.44	.86	4.53	.56	4.46	13	-.14	.89
Corporate social responsibility and Environmental information									
32	The employees' numbers **(M)**	3.46	.82	3.69	.95	3.54	35	-1.57	.12
33	Total salaries and rewards for the employees through the year and the average for the employee income through the year. **(M)**	3.60	.94	3.58	.94	3.60	34	-.21	.84
34	The average for the employees' productivity through the year. **(V)**	3.62	.87	3.81	1.01	3.68	33	-1.03	.31

35	The training programs to develop the employees' skills,. **(V)**	3.53	.85	3.53	.91	3.53	37	-.06	.95
36	*The company participation in reducing the pollution and protecting the environment. (M)*	*3.40*	*.98*	*3.83*	*.97*	*3.42*	*39*	*-2.11*	*.035**
37	*The amounts paid by the firm to develop the surrounding community. (M)*	*3.31*	*.90*	*3.67*	*.86*	*3.54*	*35*	*-2.26*	*.024**
38	The taken actions to verify the customers' satisfaction and attract new customers. **(V)**	4.09	.81	4.31	.86	*4.16*	22	-1.57	.12
39	The company policy to rationalization the water and saving the electricity as well as the unrenewable energy resources used in its activities. **(V)**	3.42	.99	3.69	.98	3.51	38	-1.48	.14

The results of Mann-Whitney test in table 3.8 showed that out of thirty-nine items, only six items have significant differences in the FA and I views (the significance of Z score < 0.05). Interestingly, four out of six items were mandatory information, while two items were voluntary ones. Nevertheless, these items were as follow:

- Information Number 10- Committee members' names and their nature (Executive, Non-Executive or Independent): the significance of Z score value was 0.022.
- Information Number 23 - Profitability ratios: The significance of Z score was 0.037.
- Information Number 24 - Liquidity ratios: The significance of Z score was 0.013.
- Information Number 25 - 25- Information covers the fair values of fixed assets that are significantly different compared to the book values, especially lands and real estate: The significance of Z score was 0.042.
- Information Number 36 - The company participation in reducing the pollution and protecting the environment: The significance of Z score was 0.035.
- Information Number 36 - The amounts paid by the firm to develop the surrounding community: The significance of Z score was 0.024.

Furthermore, information on the ownership of the board of directors was seen as the highest useful information, recording a mean of 4.62, while the company participation in reducing the pollution and protecting the environment was ranked as a less useful item, with a mean of 3.42.

Table 3.9 presents the descriptive statistics and the results of Mann-Whitney test regarding the six subsections of information in the MR. To get more accurate results, the corporate governance section was divided into three subsections[19]. The results suggested that there were significant differences in the FA and I views regarding the usefulness of financial performance indicators and the CSR sections.

Surprisingly, the ownership structure was ranked first by both user-groups. In table 8, the recorded means were 4.59 and 4.51 by FA and I respectively, with a whole mean of 4.54, suggesting that this sub-section was perceived to be very useful. Z-score indicated no significant difference between the perceptions of I&FA regarding the usefulness of this section (Z score was 0.62 which is greater than the significance level at 0.05). However, the other two sub-sections of corporate governance gained lower concern by the users. Board composition scored a whole mean of 4.03 to be ranked as sixth compared with the other sections and subsections, while Z score was not significant with a score of 0.45. As well as, the audit committee scored a whole mean of 3.97 to be considered as a useful sub-section.

Table 3. 9 The usefulness of MR sections and subsections

Sections and subsections of MR	**FA**		**I**		**Mann-Whitney test**			
	Mean	**STD**	**Mean**	**STD**	**Mean**	**R***	**Z**	**Sig.**
Corporate governance:								
Ownership structure	4.51	.59	4.59	.50	4.54	*1*	-.49	.62
Board Composition	3.99	.617	4.10	.54	4.03	*6*	-.76	.45
Audit Committee	3.89	.79	4.14	.58	3.97	*7*	-1.33	.18
CG in Average[20]	4.14	.51	4.29	.41	4.19	-	-	--
Risks & Internal control	4.45	.58	4.57	.63	4.49	2	-1.49	.14
Key Performance Indicators	4.33	.61	4.57	.45	4.41	4	-2.11	.035*
Main Changes in Fixed Assets	4.15	.75	3.98	.74	4.10	5	-1.28	.20
Forward –Looking Performance	4.44	.62	4.51	.47	4.46	3	-.34	.73
CSR and Environmental	3.55	.56	3.76	.70	3.62	8	-2.07	.039*

* R: Rank compared to other sections and subsections of MR

The risk management and internal control was sorted as the second highest useful section in MR, with a whole mean of 4.48, as the financial analysts gave it a grade of 4.57, while the institutional investors rated it with a mean of 4.46 points. The significance of Z score suggests that there was no difference in the perceptions of the two-users groups, since the value of Z, which was 0.14, was greater than 0.05.

[19] It was planned to divide section number six into two subsections, but the descriptive statistics have shown that CSR and Environmental information were ranked as the less useful section in MR, therefore, conducting further comparison for that section was seen as useless.

[20] If the rank was limited to the main sections, Corporate Governance is ranked fourth out of six sections.

Forward-looking performance gained a whole mean of 4.46, positioning it as the third highest useful type of information in MR. The recorded means of the users-groups were 4.44 and 4.51 by FA&I respectively, with no significant difference between both of them according to Z score. The Financial Performance Indicators took the fourth highest useful type of information, as the users considered it to be very useful for their decisions. FA&I gave this section a score of 4.33 and 4.57 respectively, with a general mean of 4.41. However, Z score was significant at the level of 0.05 (The significant of Z recorded 0.035), which refers to a significant difference between the user-groups. Therefore, the institutional investors find that disclosure on Financial Performance Indicators to be more useful than the financial analysts' viewpoint.

The changes in fixed assets section scored an overall mean of 4.10, which makes it a useful sub-section, but with ranking as the fifth out of eight sections and sub-sections. The financial analysts found this section to be more useful than the institutional investors did, since the achieved means were 3.98 and 4.15 respectively. However, the significance of Z score (0.20) suggests no difference between the viewpoint of FA&I.

CSR and environmental information is classified as the least useful section in MR. The mean scored 3.55 and 3.76 from FA&I respectively, which gives it a whole score of 3.62. However, Z score refers to significant difference between the two user-groups with a significance level of 0.039. This difference indicates that the financial analysts regard this section to be less useful compared with the institutional investors.

As it was mentioned earlier, the questionnaire included one open-ended question in the corporate governance section. The respondents were asked to name the most important committee which they value its information in the MR. While only thirty respondent answered this question, the results showed that the risk committee had the highest score (suggested by nine respondents), while the purchasing committee had the lowest score (suggested only by one respondent). Based on the above analysis, the two users-groups have similar viewpoints regarding the usefulness level of six sections and subsections, that were seen as either useful or fully useful, while two sections (financial performance indicators and CSR and Environmental information) were seen as not useful.

3.8.3 User' perceptions on the usefulness of mandatory and proposed voluntary items in MR

Table 3.10 outlines that the two user-groups considered the mandatory items to be less useful than the voluntary items. The means of the mandatory were 4.22, by I, and 4.08, by FA, while the usefulness of voluntary items scored 4.28 by I and 4.14 by FA. The overall scored means were 4.12, for the mandatory items, and 4.1814 for the voluntary items, with no significant differences among them (Z scores recorded 0.068 and 0.77 respectively). This finding suggests that the users find the voluntary items to be as useful as the mandatory items.

Table 3. 10 The usefulness of mandatory items and voluntary items

Type of disclosure	FA		I		Mann-Whitney test		
	Mean	STD	Mean	STD	Mean	Z Score	**Sig.**
Mandatory Items	4.08	.36	4.22	.37	4.12	-1.83	.068
Proposed Voluntary Items	4.14	.43	4.28	.40	4.18	-1.77	.077

In order to get a meaningful analysis regarding the usefulness of mandatory and the suggested voluntary items, the researcher classified the questionnaire's items according to their usefulness level. Since the current study's survey follows a Likert-scale, the same classification of the usefulness of mandatory and voluntary items was followed in this step. Thus, the questionnaire items were classified into two categories. The first category included items with a score that ranged between 'more than three' points to '3.99' points, while the second category included the items with means more than four points. It is suggested that the first category could be seen as moderate useful items, while the second category represents the high useful items.

Table 3.11 shows that the financial analysts perceived ten mandatory disclosure items as high useful and seven disclosure items as moderate useful, while institutional investors found thirteen mandatory items as very useful and four as moderate useful.

The overall classification suggested that twelve mandatory items (70.59% of all mandatory items) were seen as very important, while the remaining five items (29.41%) were considered as moderate important. Turning to the suggested voluntary items, both user-groups agreed on the level of its usefulness. They found that fourteen items were high useful (63.64% of all voluntary items), while eight items were moderate useful (36.36%). Interestingly, risk management and internal control included four voluntary items all were classified as high useful information.

Table 3. 11 The usefulness of mandatory and voluntary items in section and sub-section in MR

Sections and sub sections	Financial Analysts				Institutional Investors				Whole Sample			
	Mandatory		Voluntary		Mandatory		Voluntary		Mandatory		Voluntary	
	MF* (3-3.99)	**HF** (4- 5)**	**MF* (3-3.99)**	**HF** (4- 5)**	**MF* (3-3.99)**	**HF** (4- 5)**	**MF* (3-3.99)**	**HF** (4- 5)**	**MF* (3-3.99)**	**HF** (4- 5)**	**MF* (3-3.99)**	**HF** (4- 5)**
Corporate Governance:	-	3	-	2	-	3	-	2	-	3	-	2
Ownership structure	1	1	2	-	-	2	2	-	-	2	2	-
The Board Composition	1	2	2	-	-	3	2	-	1	2	2	-
The Audit Committee												
Risk management and Internal Control	-	-	-	4	-	-	-	4	-	-	-	4
KPIs	1	1	-	4	-	2	-	4	-	2	-	4
Changes in Fixed Assets	-	2	1	-	-	2	1	-	-	2	1	-
FLDP	-	1	-	3	-	1	-	3	-	1	-	3
CSR& Environmental	4	-	3	1	4	-	3	1	4	-	3	1
Total Items	7	10	8	14	4	13	8	14	5	12	8	14

*MF: Moderate Useful.

**HF: High Useful.

3.9 Discussion of Results

3.9.1 The perceived usefulness of MR by the Users

Our analysis highlights that both Egyptian FA&I consider that the MR as mainly a high useful source in supporting their investments' decisions, which is consistent with prior literature on the usefulness of MR (e.g.,(Hüfner 2007; Clarkson et al. 1999, 1994; Cole and Jones 2005).

Our findings likely suggest that the MR represents an important complementary report, whereas additional explanations can be added to overcome the weakness of the disclosure provided in the financial report (Clarkson et al. 1999; FASB 2006; Hüfner 2007; IASB 2010b). However, the respondents reported that the new Egyptian regulation has moderately improved the MR disclosure content. Therefore, the report is supposed to be useful to users when it introduces worthy and high-quality information (Francis and Schipper 1999). Our findings suggest that there is still shortcomings in the new rules, as regulators are not fully aware about the information that could effectively meet the users' information needs to make better investments decisions.

3.9.2 The Perceived Usefulness of Different Kinds of Information in MR

Results of the current study revealed that the users distinguish between the different types of information according to its usefulness for their investments decision-making. In particular, the FA&I pay higher attention to the information that is especially related to ownership structure, risk management and internal control, forward-looking performance, and financial performance indicators. In contrast, the remaining sub-sections of corporate governance (board composition and audit committee), fixed assets, and CSR and environmental information gain less attention by the users. This result confirms the notion that the usefulness extent of the different types of information is supposed not to be equal for all the users (Dobler et al. 2011; Miihkinen 2013).

The ownership structure was ranked as the highest useful information in MR. This finding can be explained by that FA&I may rely on the positive association between the directors' ownerships and the firm value, which could reduce the agency costs ((Lemmon and Lins (2003); Morck et al. 1988). Therefore, in consistence with Boubakri et al. (2005), the ownership concentration should positively affect firm performance especially in the countries where the regulations provide weak protection to investors. Another possible explanation is that the overlapping of relations between blockholders and politics may provide, based on the users' expectations, a higher level of protection. This explanation is strongly supported by the study of Maaloul et al. (2018) who found that the politically-connected firms have better performance and market value in Tunisia, which has similar settings and political conditions as Egypt.

Forward-looking performance and risk management and internal control information were seen as very useful sections in the MR. Our result supports the argument that the decision usefulness approach is mainly concerned with the information that is helpful in assessing the firm's future performance. Williams and Ravenscroft (2015) showed that the greatest contribution of disclosure items, as in estimating the future performance, is one of the main proxies explaining the level of usefulness. Our results are consistent with the previous evidence that documented that forward-looking performance information is vital to the users investments decision-making (e.g., (AICPA 1994; Al-Ajmi 2009; Al-Mubarak 1997; Baker and Haslem 1973; Barron et al. 1999; Bozzolan et al. 2009; Bryan 1997; Chatterjee 2007; Chenhall and Juchau 1977; Clarkson et al. 1999; Day 1986; Graham et al. 2002; Johansen and Plenborg 2013; Lee and Tweedie 1975a; Naser et al. 2003), especially for the investors and financial analysts (Aljifri and Hussainey 2007;

Athanasakou and Hussainey 2014; Beretta and Bozzolan 2008; Hassanein and Hussainey 2015; Muslu et al. 2014; Hussainey et al. 2003). Forward-looking disclosure provides explanations to the management's plans, which enables the users to gain an advanced understanding on the expected performance (Cole and Jones 2004; Barron et al. 1999; Kieso and Weygandt 1995).

Also, FA&I believe that their investments' decisions are significantly affected by information related to firms' risk level (AICPA 1994; Beattie and Pratt 2002; Graham et al. 2002; Johansen and Plenborg 2013; Solomon et al. 2000). This result mainly confirms the argument that greater risk disclosure reduces uncertainty and helps users to adopt better investments' decisions (Elshandidy et al. 2015). Recent empirical evidence documented a positive association between risk disclosure, the shares' returns, and the trading volumes (Kravet and Muslu 2013). Consistent with this argument, our descriptive statistics illustrate that risk management provide very useful content to FA&I.

Disclosure on key performance indicators was also perceived to be very useful in Egypt. This finding is consistent with that prior studies that documented that the financial performance indicators are helpful for investments' decisions (Cohen et al. 2011; Dawd et al. 2018; Johansen and Plenborg 2013; Watson et al. 2002). This result is likely to suggest that the financial indicators reflect the firms' historical information and have potential usefulness in enhancing the users' understanding of the firm's performance and in estimating future returns (Elzahar et al. 2015; Tomas and Evanson 1987). Furthermore, the decision maker can use the financial indicators to estimate the probability of expected failures or bankruptcy in the short-term (Beaver 1966, 1968; Casey 1980; Libby 1975). Lastly, the financial indicators may serve the users in evaluating the management performance and the success of its strategy in leading the company (Bin-Abdullah and Ismail 2008).

The remaining sections and subsections of MR were perceived as moderate useful. This result is consistent with the previous studies (Cohen et al. 2011; Johansen and Plenborg 2013; Stainbank and Peebles 2006; Bartlett and Chandler 1997). In particular, regarding corporate governance disclosure, although the Egyptian Code of Corporate Governance (ECCG) of 2016 represents guidelines for listed companies; its adoption is still voluntary. This may reflect the low awareness of the managers on the benefits of providing such information to the users. Therefore, (Ebaid 2013) suggested that the usefulness of corporate governance information is probably associated with the domestic culture and with the mandatory requirement of adopting the corporate governance rules. The same concern is applicable to CSR items as well. Consistent with Gray et al. (1995) and Lopatta et al. (2015), a possible explanation could rely on the fact that the usefulness of CSR disclosure may be related only to these groups of users who are ethically-oriented.

3.9.3 The Perceived Usefulness of Mandatory and Proposed Voluntary Information in MR

Our main findings documented a weakness of the current mandatory MR disclosures since the users consider the voluntary disclosure items to be more useful than the mandatory ones. The quality of MR content depends on two main aspects; the regulation on mandatory disclosure and the management decision regarding the voluntary disclosure information. Our study contradicts the previous empirical evidence in the Egyptian context that revealed that the users perceive the mandatory disclosure to be slightly more useful than the voluntary information (Hassan and Power 2009). Apparently, it is more likely for the mandatory disclosure to be considered more trust-worthy than the voluntary disclosure, however, this would not mean that the mandatory information is perceived to be more useful than the voluntary information (Beretta and Bozzolan 2008). Thus, when the mandatory disclosure is perceived to be not useful in supporting investments decision-making, the users would demand the managers to provide more extra-voluntarily information. Our results are likely to suggest the poor awareness of the regulators on meeting the users' information needs, and also emphasize the existing continuous gap between the mandatory disclosure and users' information needs (e.g., AICPA, 1994; Al-Mubarak, 1997; Alzarouni et al., 2011; Chandra 1974; Johansen & Plenborg, 2013; Mirshekary & Saudagaran, 2005). The regulators should be aware of that result in order to increase the efficiency of the Egyptian stock market.

SUMMARY

The disclosure in MR is a vehicle in enhancing the users' ability in making investment decisions. The efficiency of this report depends on its content, and whether the regulators have a clear knowledge of the users' needs of information. This chapter showed that the mandatory disclosure is still inadequate to meet the users' needs, which suggest that additional efforts are still needed to be taken by the regulators to respect the user's voice. Furthermore, the results revealed that the users see different types of information to have different levels of usefulness. Information related to ownership structure, forward-looking performance, and risks seem to have high level of usefulness, while CSR and environmental performance, audit committee, and board composition have less impact on the investment decisions. Moreover, the findings showed that the total score of the suggested voluntary items were at the same level as these of the usefulness of mandatory items. The next chapter seeks to measure the actual disclosure level in MR for the listed companies to find out to what extent the content of MR reflects the priorities of users.

CHAPTER FOUR: Measuring the Disclosure in Management Reports and the Impact of Firm-Characteristics on Disclosure Level

4.1 Introduction

The current study adopted mixed methods to provide additional evidence regarding the usefulness of MR on investment decisions. Some scholars suggested that developing a measurement to assess the quality (usefulness) of the disclosure provides more subjectivity and reliability of using the content analysis (Hooks and van Staden 2011). Following this view, the results of the survey, as shown in the previous chapter, revealed that the users classified the information of MR according to its impact on their investments decision-making; however, it is still unknown whether the published information in the management reports of the listed companies in EGX provide useful content that matches the users' needs.

This chapter utilizes a content analysis approach that aims to provide further empirical evidence regarding two of our research objectives. The first objective is to compare between the disclosure level in MR and the users' needs as concluded from the previous chapter. This analysis highlights the consistency of both the mandatory and the voluntary disclosure provided in MR, which would help us in assessing whether the current disclosure is useful or weak and that more disclosures are still needed.

Then, the chapter represents a multiple linear regression analysis to examine the impact of the firm-characteristics on the disclosure level of firms in MR. The first step in achieving these objectives starts by designing a disclosure index, then analyzing and coding the disclosure in the MR provided by the listed companies in EGX.

4.2 The Disclosure Index

Preparing a disclosure index could be performed following three different ways; first, is by asking some users-groups to scale the importance of every item in the checklist, second, is by presenting a disclosure index based on reviewing the prior studies on the same topic and identifying the relevant items to be included in the index, finally, we can use the same index of a prior study and apply it on a different sector or context. While the first method requires long time and cost, the other two methods are more common in the studies that based on content analysis (Hussainey 2004). However, as the current study has already asked two users-groups on the usefulness of information disclosed in MR, the same items that were employed in the questionnaire survey will be used to construct the disclosure index. The researcher believed that it would be more valuable if we measured the disclosure level of MR to indicate whether the current disclosure matches the users' needs.

The disclosure index includes thirty-nine items categorized into eight parts. The total score of the disclosure level is calculated by dividing the total score of all items in the index on the number of items:

$$\text{MRDISC} = \frac{\sum \text{xi}}{n}$$

Where:

xi = 1 if the item is disclosed in MR, otherwise it scores zero.

n: number of the items in the disclosure index (39 items in this study).

Furthermore, to achieve meaningful results, several disclosure indexes was derived from the main index to measure the disclosure level. Firstly, from the users' viewpoint, there are two different levels of the usefulness of the items included in our survey. Therefore, in order to provide empirical evidence regarding the existed disclosure of items in both categories, a distinguish has been made between the useful items and the moderate useful items. The results of this analysis helped in evaluating whether the current disclosure in MR reflects the priorities of the users or not. Secondly, consistent with the disclosure literature, it was presumed that the companies seek to comply with the requirements of the mandatory disclosure, while the voluntary disclosure is subjected to the management policy and decisions.

Results of our survey showed that the users consider many voluntary items to be more useful than some mandatory items; therefore, it was determined to measure the disclosure level of each type of disclosures separately. This analysis should help in knowing whether the disclosure in MR is driven mainly by the mandatory requirements or do the listed companies respect the users' needs and disclose more information to match these needs. It should be noted that classifying the items to mandatory and voluntary was done according to the requirements of the new regulation. As the new regulation has added more mandatory disclosures than the old one; this means that some items were classified as mandatory items now, while some of them had not been mandated under the old regulation. Therefore, the researcher employed this comparison for the period prior to 2013 to illustrate how the disclosure on the same volume of information has changed (increased/decreased) compared with the disclosure level under the new regulation.

Lastly, we classified the items of the main disclosure index according to its levels of usefulness and obligation. The analysis distinguished between the disclosure on the very useful items (26 items) and the moderate useful items (13 items) in order to compare the user's preferences with the actual disclosure in MR. Then, it was decided to separate between the disclosure on mandatory items (17 items) and voluntary items (22 items), which can help in assessing the listed companies' adherence to the regulated disclosure and how they response to the user's needs even when the regulation does not demand meeting all the users' needs. The disclosure value for each index ranges from zero, as the minimum score, to one, as the maximum score:

$$Zero \leq \text{DISC} \leq 1$$

4.3 Sample Selection

The sample of the current study included all the nonfinancial listed companies in EGX on the 31st of December 2016. As it is well known, the banks and the financial-services firms follow more stringent rules provided by the controlling bodies, which would make including their MRs in the sample leads to inconsistent results. For this reason, fourteen banks and thirty financial services firms were excluded from our sample.

Table 4. 1 Companies under the investigation

Number of listed companies on 31st December 2016	222
Excludes: Financial Sector companies: *Banks* *Financial services (other than banks)* Total financial sector	 14 30 44
The remaining: all Nonfinancial Companies	178
Excludes: *Companies have stopped submitting its annual reports to EGX* *Companies have been listed after the year 2011* *Total*	 1 19 20
Valid Companies to the current study	158

As Table 4.1 illustrates, by the end of 2016 one-hundred and seventy-eight nonfinancial companies were listed in EGX. The selection criteria of the companies to be considered in the content analysis were based on one condition; that is, all the companies in the sample must have been listed over the entire period that the sample covers. This condition was necessary in providing accurate results that enable a comparison to be made between the disclosure levels of the same companies under the old listing rules (hereafter, before 2013) and between those under the new listing rules (hereafter, After 2013). Following this rule, it was found that nineteen companies had been listed between the 1st of January 2012 and 31st of December 2016. Furthermore, one company, the Middle-East Paper Company, had faced some problems in its activities and, accordingly, had not introduced its annual reports since 2014. The remaining companies, one-hundred fifty-eight, in all nonfinancial sectors were completely considered in the analysis.

The researcher utilized two sources for collecting the MRs; First, an open-access website called "Mubasher"[21] was used to collect all available MRs; Second, the missing MRs were collected from the company of Egypt for Information Dissemination (EGID)[22]. It was noticed that many of the MRs for the fiscal years prior to 2011 were missing in both of the previous sources; therefore, it was decided to only consider the reports of the years starting from 2011 to 2016. However, since the new listing rules were issued in January 2014, MR content for the fiscal year that ended on 31st of December 2013 was comprised of two different forms and contents. The listed companies that published their annual report before that date prepared their MR according to the old listing rules, while the companies that published their annual report after that date introduced their MR following the new listing rules. Thus, it was decided to disregard the management reports for the fiscal year that ended on the 31st of December 2013 for all listed companies.

The MRs of the years of 2011 and 2012 represented the disclosure practices prior to 2013, while the MRs of 2014, 2015, and 2016 covered the disclosure practices under the new listing rules. The final sample included 158 companies from fifteen economic-sector in the EGX. As the study aims to compare between the disclosure levels before 2013 and after 2013, the mean of the disclosure level in the years of 2011 and 2012 together represented the disclosure level prior to 2013. While, the mean of disclosure level in the three years of 2014, 2015, and 2016 represented the disclosure level after 2013. A total of 782 year-management report was collected; 309 of them were published under the old listing rules, and 473 of them belonged to the years starting from 2014 to 2016 (Table 4.2).

[21] This website is owned by one of the biggest stockbrokerage companies in the Middle-East.

[22] This company was established in 1999 by the EGX in order to increase the transparency by making the published disclosure by the listed companies available and easily accessible to the investors and the public as paid services.

4.4 Analysing and Coding Items of the Disclosure Index

While certain software could be used in analyzing the content of the accounting reports (Hussainey et al. 2003), so far there is no single software that supports such work when the text is written in Arabic language. Furthermore, even if there was a software that supports the Arabic language, the vast majority of the Egyptian companies' accounting reports are simply scanned copies, which would make any software to read them as image files. Therefore, the researcher adopted a manual content analysis for all the collected MRs by carefully reading, recording, and coding the items in the main disclosure index. Despite that this method requires a long time in analyzing a big sample of MRs, 782 reports in total, the outcome will be more accurate than using any other available method.

Table 4. 2 Collected MRs over the years under investigation

	MRs published before 2013			MRs published after 2013			
Year	2011	2012	Total	2014	2015	2016	Total
Collected MRs	154	155	**309**	158	158	157	**473**
Total							**782**

The researcher used a simple coding style by giving all the items in the disclosure index the code "I" with the addition of the item's number, following the same order as it was in the questionnaire survey. For example, the item number one in the questionnaire that was encoded, for the statistical purposes, as Q1, was also encoded in analyzing the disclosure index as I1; and the same was followed in the remaining items.

Two coding methods were common in the content analysis studies; the weighted index and the unweighted index. Using weighted disclosure index would consider that some information are more usefulness than others; thus, it should be distinguished between the less useful information and the important information by giving each of them less or more points in the disclosure index. However, the majority of studies on the disclosure used unweighted scales via giving equal coding values for all the items in a disclosure index (Inchausti 1997; Wallace and Naser 1995). Nonetheless, several other scholars suggested that using un-weighted scale yields very similar results to the weighted scale (e.g., Amoako & Asante, 2013; Prencipe, 2004; Zarzeski (1996). Therefore, it was decided to adopt the unweighted scoring system.

The coding process used two values; One and Zero. Each item disclosed in MR took a score of one, if otherwise, it took a zero. The researcher believes that this way of coding to be more understandable to anyone since it guarantees easily transferring the results into percentages. For example, if the main disclosure index scored 0.45 out of 1, then this would mean that the companies reported in their MRs, in the period that the study covers, only 45% of the items in the disclosure index. Considering that the item number 19 (Coded as I19) was related to the exports value which does not apply to services companies, it was given special coding as "Not Applicable", for the services companies; the statistical analysis calculated the main index and sub-indexes after excluding this item for the services companies' data only.

4.5 Results and Discussion of Measuring the Disclosure Level in MR

4.5.1 Results of Measuring the Disclosure Level in MR

This section presents a comparison between the disclosure level under the old regulation and that in the new regulation. The aim of this comparison is to investigate impact of the new regulation on the disclosure in MRs and how the listed companies in EGX have responded to the new requirements.

Panel A in table 4.3 provides several interesting results. Firstly, the level of the total items of the disclosure index increased from 12.6%, before 2013, to 37.41% for every listed company in average, which is considered to be a significant increase in a level of 0.05. Furthermore, the analysis demonstrated that the disclosure on the very useful items and the moderate useful item have increased significantly from 13.66% and 10.58%, before 2013, to a record 38.86% and 34.56%, respectively, after 2013

In addition, the disclosure on mandatory items and voluntary items has significantly changed after 2013. The disclosure on mandatory items increased considerably from 16.89%, before 2013, to 76.33% after 2013, which is considered to be a significant increase in a level of 0.05. Surprisingly, the disclosure on voluntary items significantly decreased from 0.0934, before 2013, to .0856, after 2013.

Panel B illustrates the disclosure level on the sections and sub-sections of MR. The table shows that the disclosure on five sections, out of seven sections, in MR was significantly increased after issuing the new regulation. The ownership structure was the highest disclosed subsection with an increase that ranged from .0589, before 2013, to .5831, after 2013, followed by the audit committee information, which increased from 0.0272, before 2013, to 0.5776 after the new rules. Although the board composition scored the highest points before 2013 with a mean of 0.0769, it is clear that the improvement of disclosure on this subsection was the least comparing to other Corporate Governance subsections, as it recorded 0.5095 after 2013. Furthermore, all the disclosures on all CG subsections exhibited significant differences in them before 2013 compared with after 2013, since the significance of Z score recorded 0.00 for all the subsections and CG overall as well.

Table 4. 3 The disclosure level in MRs under both old regulation and new regulation

Panel A: The disclosure level in MR: an overview

Subject	Under the old listing rules			Under the new listing rules			Mann-Whitney test			
	N	Mean	STD	N	Mean	STD	Mean	Std.	Z	P value
Aggregated Disclosure	309	.1261	.0967	473	.3741	.0812	.2761	.1496	-22.12	.000***
Very Useful	309	.1366	.1061	473	.3886	.0977	.2890	.1594	-21.45	.000***
Moderate Useful	309	.1058	.1205	473	.3456	.0826	.2508	.1537	-20.59	.000***
Mandatory	309	.1689	.1389	473	.7633	.1165	.5284	.3167	-23.48	.000***
Voluntary	309	.0934	.0888	473	.0805	.0926	.0856	.0912	-2.64	.008***

Panel B: The disclosure on MR sections and sub-sections:

Sections and subsections	Under the old listing rules				Under the new listing rules				Mann-Whitney test			
	N	Mean	Std.	R	N	Mean	Std.	R	Mean	Std.	Z	P value
Ownership Structure	309	.0589	.1106	7	473	.5831	.0951	1	.3760	.2758	-25.92	.000***
Board Composition	309	.0769	.1506	6	473	.5095	.0644	3	.3386	.2372	-25.19	.000***
Audit Committee	309	.0272	.1021	8	473	.5776	.1070	2	.3601	.2890	-25.86	.000***
Risks & Control	309	.2168	.2833	1	473	.1712	.2809	7	.1893	.2826	-2.90	.004***
KPIs	309	.1831	.2158	2	473	.2190	.2200	5	.2048	.2189	-2.60	.009***
Fixed Assets	309	.1154	.1761	5	473	.2142	.2195	6	.1330	.1637	-6.50	.000***
FLPD	309	.1400	.1662	4	473	.1284	.1620	8	.1330	.1637	-1.03	.303
CSR & Environmental	309	.1634	.1879	3	473	.4366	.1297	4	.3286	.2048	-17.34	.000***

*, **, *** Significant at 10%, 5%, and 1% respectively.

The disclosure on CSR has been significantly improved to record a mean of 0.4366 after 2013 instead of 0.1634 before 2013.

Interestingly, the disclosure on risk and internal control and forward-looking performance was decreased from 0.2168 and .1400, before 2013, to 0.1712 and 0.1290, respectively, after 2013. However, this decrease was significant for risk and internal control since the Z score was significant ($P \leq 1\%$). On the other hand, the change in forward-looking information was not significant since the significance of Z score reached 0.303.

The mean of the disclosure level on key performance indicators and assets values showed significant improvement over the period that was after 2013. The assets values disclosure almost doubled after 2013 comparing with its score before 2013 (increased from 11.5% to 22.4%), as the value of Z revealed high improvement in the disclosure level ($P \leq 1\%$). While the disclosure on the key performance indicators was slightly increased from 0.1831, before 2013, to 0.2190, after 2013; Z score referred to a significant improvement in this disclosure where the score was .008.

4.5.2 Discussion

The main concern of this study was to investigate the effect of the new listing rules issued on early of 2014 on increasing the usefulness of MR content for investments decision-making. Apparently, it was presumed that updating or changing a regulation related to the disclosure requirements should be reflected directly on increasing the usefulness MR information. The comparison between the disclosure level before 2013 and after 2013 illustrated that the disclosure level was increased from 12.6% to 37.4%, which reflects the significant effect of the new rules on increasing the volume of information in MR.

Comparing the changes in mandatory disclosure with voluntary disclosure showed that the mandatory disclosure has increased by more than five times under the new regulation compared to its level under the old listing rules. However, the voluntary disclosure was weak under the old listing rules and has been slightly decreased; however, it was significantly decreased under the new rules (decreased from 9.3% to 8.05%). This finding suggests that the listed companies in EGX seek to oblige with the requirements of mandatory disclosure rather than disseminating additional voluntary information regardless of the usefulness of this information to the users' investment decisions. It could be argued that the listed companies disclosed more voluntary disclosure prior to 2013 when the mandatory disclosure requirements were limited. Then, when the new listing rules demanded more mandatory disclosure, the listed companies responded with reducing the volume of the voluntary disclosure to make a balance with the increase in the mandatory disclosure.

The disclosure on useful items and moderate useful items has been tripled after switching to the new listing rules. However, the disclosure level on both of them is still weak and does not exceed 39%, which suggests that the current disclosure is still far from matching the users' needs. Overall, the disclosure across all the sections that included mandatory items has been significantly increased after 2013, regardless of whether these items are useful or moderate useful.

Table 4.4 compares the results of measuring the actual disclosure level, under both old and new regulation, with the findings of the survey presented in Chapter three. This table shows that the disclosure level on all sections and subsections of MR, excluding ownership structure, is inconsistent with the users' perceived usefulness on that information. This inconsistency suggests that the gap between the priorities of users' needs of information and what the companies disseminate, mandatorily and voluntarily, is still exist. While the users consider information on corporate governance' subsections, excluding the ownership structure, and CSR and environmental issues as the least useful for their investments decisions, the disclosure on these types of information has recorded the highest improvements compared with the other types. On one hand, the users consider information related to board composition, audit committee, and CSR to be ranked from the sixth to the eighth. On the other hand, analyzing the disclosure provided in MR revealed that the same types of information were ranked from the second to the forth. Remarkably , it was shown that the disclosure level on the ownership structure to be the highest in MR, which is consistent with the users view on the usefulness of this information.

Table 4. 4 Comparing the usefulness and the disclosure level of MR's sections and subsections

Sections and Sub-sections of MR	Ranking the usefulness from the users' view		The disclosure level *BEFORE* 2013		The disclosure level *AFTER* 2013	
	Mean[†]	Rank	Mean[‡]	Rank	Mean[‡]	Rank
Ownership Structure	4.5368	1	.0589	7	.5831	1
Board Composition	4.0285	6	.0769	6	.5095	3
Audit Committee	3.9684	7	.0272	8	.5776	2
Risk & Internal Control	4.4846	2	.2168	1	.1712	7
KPIs	4.4064	4	.1831	2	.2190	5
Changes in Fixed Assets	4.0965	5	.1154	5	.2142	6
FLPD	4.4605	3	.1400	4	.1284	8
CSR & Environmental	3.6195	8	.1634	3	.4366	4

[†] The maximum points are 5 based on the likert-scale used in the current study (Chapter three).
[‡] The maximum score is 1.

In contrast, the disclosure on internal control and risks and forward-looking performance information were the least disclosed information, with the seventh and the eighth rankings respectively. Even though that the users think that these types of information are essential and very useful in helping them make investment decisions. While they were classified as the second and the third useful section in MR respectively, it could be argued that the current content of MR doesn't provide enough information to cover both of these sections.

The disclosure on KPIs and changes of fixed assets, regardless of its low level, seems to be close to the users view. Information on KPIs and changes of fixed assets has been ranked fourth and fifth by the users, while the actual disclosure in MR showed that these sections scored the fifth and sixth in ranking.

Prior literature presented a limited number of studies that focused on comparing the actual disclosure by listed companies with the users' needs. Hooks et al. (2002) found that the disclosure practices by listed companies in New Zealand to be inconsistent with the users' needs. Whilst the users consider many information as very important, the accounting reports did not reflect the users' preferences and many important items were no disclosed. Furthermore, Hooks et. al revealed that the voluntary disclosure culture is uncommon among the listed companies, which is reflected on the low rate of voluntary disclosure. Hassan et al. (2012) documented that the level of voluntary disclosure in Egypt is limited and that the Egyptian companies are not fully obliged with the requirements of the mandatory disclosure. Furthermore, Dahawy and Conover (2007) argued that the mandatory disclosure does not provide enough information to the users. With the passing of over a decade since Dahawy and Conover's study, regardless of issuing the new listing rules, it is clear that the users' needs are still unfulfilled completely and that many essintial information are still missing from the management report.

4.6 Multiple Linear Regression Model

Results of the previous section reflected high level of variance in the aggregated disclosure levels across the different types of information included in MR, therefore, carrying out a multiple linear regression analysis could help in understanding the impact of firm-characteristics on the disclosure in MR.

The regression model for the current study contained the disclosure level as dependent variable, in addition to eight other variables divided into five independent and three control variables. The independent variables are of the firm- characteristics; namely, the ownership structure, cross-listing, age, industry type, and size. The control variables included the regulation type as external control variable, and the profitability and the leverage as internal control variables. The chosen firm-characteristics were common in the studies of the accounting disclosure (Chen et al. 2006; Ettredge et al. 2011; Xin 2015).

4.6.1 Independent Variables

4.6.1.1 The Governmental Ownership (State-Ownership)

Previous studies presented some mixed explanations to the effect of governmental ownership on the disclosure level. Some argued that the state-ownership would suggest that the government obtain all information they need from the companies, therefore, the managers in these companies could think that there will be no need to disclose more information to the public (Naser and Nuseibeh 2003). However, many scholars criticized that notion. Eng and Mak (2003) pointed out to the conflict and moral hazard in the state-owned companies, as they have national objectives from one hand, and represent economic units that face other competitors and target profits from the other hand. Therefore, they argued that the managers tend to disseminate more information in order to explain both the national objective and the profit objective. Furthermore, Li and Harrison (2008) argued that the significant governmental ownership motivates the managers to disseminate more information for two reasons; first, the high volume of information enhances the managers' accountability to the public; second, the bureaucrats consider that disseminating more information sends implicit messages that imply that there is nothing to hide within our government properties, which is likely to support their political interests. Moreover, the expectations that the state-ownership correlates positively with higher disclosure could be explained by the government desire to be regarded as open to transparency and responses highly to the users' needs (Chen et al. 2006).

According to the Accountability State Authority's Act n. 144 (1988), any firm that the government owns at least 25% of its capital, either in direct or indirect way, is subjected to the monitoring of the Accountability State Authority (ASA). This monitoring, of the ASA, includes checking a firm's records and the accounting reports. Therefore, the current study follows the same principle to determine the effect of the volume of the governmental ownership on the disclosure level (the state ownership must be 25% at least of the capital). However, the researcher classified the companies of the sample as being 'owned partially by the government', only if the government ownership was direct, while the indirect ownership was ignored regardless of the volume of shares that are owned by one governmental agency or more.

The majority of the previous studies found a positive relationship between the state ownership and the disclosure level (e.g., Abd-Elsalam & Weetman, 2007; Boshnak, 2017; Eng & Mak, 2003; Ghazali & Weetman, 2006; Makhija & Patton, 2004; Ntim et al., 2012; Wang & Claiborne, 2008). On the other hand, Naser et al. (2002) could not confirm this relationship, while Hassan et al. (2006) found a negative effect of the state-ownership on the disclosure level.

Based on this argument, it was expected that state-ownership will correlate positively with the disclosure level in MR. The sample of our current study could be divided to one-hundred and eighteen private companies and forty state-owned companies. The researcher used the dummy variable of 'one', if state-ownership exists, and 'zero', if otherwise.

4.6.1.2 Cross Listing

Some companies seek to be listed in more than one capital stock market, this action can be linked with several goals (e.g., (Doidge et al. 2009); Domowitz et al. (1998) King and Segal (2009). For example, the company could be looking toward being known internationally, which increases its reputation and its products' accessibility in the new foreign markets. Another explanation could be that listing in a foreign market helps the company in having foreign currency that can be needed to afford the importing of new equipment that improve the quality of its products or services. The researcher believes that both these aims/examples are applicable on the Egyptian cross-listed companies, and that these companies look for the above-mentioned benefits of the cross-listing.

However, it is common that the listing rules differ from one country to another due to several factors such as the culture, legal system, and the mature degree of a capital market. Being listed in a stock exchange means that a company has to commit to the disclosure requirements in that market. It is expected that some stock markets would have more stringent listing rules that enforce the companies to disseminate extra information in comparing with other markets. Furthermore, when a company becomes listed in a foreign stocks market, the international investors impose a higher monitoring on it (Haniffa and Cooke 2002; Elmagrhi 2016). On the one hand, the company will have to produce higher volume of information to be complied with the listing rules in the market that requires more disclosures. On the other hand, once a company presents that information, it is expected that it will also disseminate more information in the other market regardless of what the listing rules require, which should reduce the cost of capital and the agency costs.

The previous studies have provided evidence that cross-listing associates positively with the disclosure level in the accounting reports (e.g., Aljifri et al., 2014; Boshnak, 2017; Collett & Hrasky, 2005; Cooke, 1989a; Cooke, 1989b; Glaum & Street, 2003; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005; Hodgdon et al., 2009; Inchausti, 1997; Malone et al., 1993). However, only few studies showed that there is no effect of cross-listing on the disclosure level (e.g., Abd-Elsalam and Weetman (2003) Popova et al. (2013).

The current study expects that cross-listed companies will disseminate more volume of information than domestic-listed ones. The sample of current study included nine cross-listed companies and one-hundred and forty-nine domestic-listed companies. The researcher used a dummy variable of 'one' when a company is cross-listed, and 'zero' when otherwise. The sample of current study included forty-four MRs that belonged to cross-listed companies, and seven hundred and twenty-one from domestic-listed companies.

4.6.1.3 The Industry Type

The industry sector is likely to effect the level of disclosure in MR. Cooke (1992) claimed that manufacturing companies should disclose more information compared to the others. This expectation could be explained with some reasons. For example, manufacturing companies are supposed to disclose more information to explain the effect of their operations on polluting the environment and the efforts that the company undertake to avoid any harm to the surrounded society (sometimes this disclosure is more stringent to the industrial companies by regulation). Furthermore, due to the continuous improvements in the industrial technology, industrial companies may face higher risks in comparing with other companies, which requires a disclosure on the management's strategy in controlling these factors. Nevertheless, Naser et al. (2002) argued that the manufacturing companies have higher turnover in their assets, which requires extra investment to replace them regularly. This would imply that the manufacturing companies are expected to disclose more information to attract more investments.

However, the literature presented unclear evidence regarding the effect of the industry type on the disclosure level. Some scholars documented significant differences in the disclosure level between the industrial sectors (e.g., Akhtaruddin, 2005; Alanezi & Albuloushi; 2011; Aljifri, 2008; Aljifri et al., 2014; Boshnak; 2017; Cooke, 1992; Haniffa

& Cooke, 2002; Hassan et al., 2006; Street & Gray 2002; Wallace & Naser, 1995). On the other hand, some scholars found no significant effect of the industry type on the disclosure level (e.g., Abd-Elsalam & Weetman, 2003; Malone et al., 1993; Naser et al., 2002; Owusu-Ansah, 1998; Tsalavoutas, 2011)

The researcher also classified the companies into two categories; manufacturing companies and non-manufacturing companies. In order to carefully distinguish between both types of companies, a manual review to the MRs was carried out to check the main operations of every company. The companies in the sample were classified into eighty-two manufacturing companies and seventy-six non-manufacturing companies. A dummy variable was employed with a value of 'one' for manufacturing companies, and 'zero' for the otherwise.

4.6.1.4 The Listing-Age

Over the years, the companies became more experienced in disclosing relevant information to the users (Alsaeed 2006; Akhtaruddin 2005). While a new company faces serious challenges to gain competitive advantages in the market, an old company depends on its reputation in the market as a competitive advantage. Therefore, it was expected that old the companies to have higher motivations in presenting more detailed information within their accounting reports, which is supposed to enhance the users' trust (the users of accounting information)(Owusu-Ansah 1998).

However, it might be significative to take into consideration that that new companies seek investments to expand their operations and reduce the cost of capital, unlike the old companies who depend on their internal funds as resources (Haniffa and Cooke 2002). Moreover, new companies are more aware of the challenges they face, thus, they might disseminate more information than the old companies for two reasons; first, to enhance the investors' confidence in their activities and surrounded risks and how the management controls them; second, disseminating more information send messages to the capital market authorities that the new company has high commitment to the mandatory disclosure requirements and disclose even additional information (Omar 2007).

The previous studies presented mixed results as well. Some studies documented a positive effect of the firm age on its disclosure level (e.g., Al-Shammari & Al-Sultan, 2010; Al-Shammari et al., 2008; Boshnak, 2017; Owusu-Ansah, 1998; Popova et al., 2013), while others found no relationship between the firm age and the disclosure level (e.g., Akhtaruddin, 2005; Alanezi & Albuloushi, 2011; Alsaeed, 2006; Haniffa & Cooke, 2002; Hossain & Hammami, 2009; Owusu-Ansah & Yeoh, 2005). Contrary, Mallin and Ow-Yong (2009) found that the old companies disclose less corporate governance information than the new companies. This action can be explained with the agency theory; the new companies attempt to enhance the trust in their management and to decrease the monitoring cost.

The current study distinguished between the listed companies in EGX by dividing them into two groups; new companies and not-new companies. The first category included all the companies that have been listed after 2002 and until 2011. In 2002, EGX presented the listing rules for the first time; therefore, the researcher used that year as a cut-point between the new companies and not-new companies. The new companies' group included thirty new companies, while the other group included one-hundred and twenty-eight of the non-new companies.

4.6.1.5 The Firm Size

The literature of the accounting disclosure showed that there is a positive association between the firm size and the disclosure level. Some argued that, due to the signalling theory, large firms seek to meet the expectations of the users to keep their market leadership (Iatridis 2008). Boshnak (2017) referred to the complexity of the large companies' surrounded conditions. While the large company, commonly, produces many products/services, these activities increase the risks that it faces, which requires disclosing more information to emphasize the management ability in dealing with these risks.

It is expected that when a company decides to produce more information, for internal or external usage, it might endure additional cost . Unlike small firms, large firms have the ability to afford establishing modern information systems that help them in producing high volume of information for internal use with reasonable cost, thus, any decision by the management to include some of this information in the accounting report would not cost extra money (Hassanein and Hussainey 2015; Lang and Lundholm 1993; Xin 2015). Furthermore, large size companies play an important role in the economy, which highlights their disclosures in the sight of the governmental bodies (Abd El-Salam 1999). Moreover, large firms are likely to be pursued by more investors than the small ones, which encourages the managers to commit to the mandatory disclosure and present more voluntary information (Boshnak 2017; Healy and Palepu 1995). Nevertheless, large companies have mid-term and long-term strategies for lunching new products/services and/or new branches, which requires an increase in the capital or lending; accordingly, more disclosure can reduce the cost of capital/lending for these companies (e.g., Berglof and Pajuste (2005);Botosan (1997) & (2000); Donnelly and Mulcahy (2008); Hassan et al. (2009)).

The scholars used different measurements as proxies to the company size, such as the number of employees, total sales, and the market capitalization, however, using the total assets (the natural logarithm of total assets) is the most common (Alotaibi 2014).

Several studies investigated the effect of firm size on disclosure level, however, their findings were inconsistent. Many studies illustrated the positive association between the size and the extent of disclosure (e.g., Akhtaruddin, 2005; Al-Shammari et al., 2008; Aljifri et al., 2014; Boshnak, 2017; Cooke, 1992; Hassan et al., 2006; Hodgdon et al., 2009; Naser & Nuseibeh, 2003; Owusu-Ansah & Yeoh, 2005; Wallace & Naser, 1995; Wallace et al., 1994). On the other hand, several other studies suggested that the firm size does not affect the disclosure level (e.g., Abd-Elsalam & Weetman, 2003; Alanezi & Albuloushi, 2011; Aljifri, 2008; Dahawy, 2009; Ettredge et al., 2011; Glaum & Street, 2003; Malone et al., 1993; Popova et al., 2013; Street & Gray, 2002; Tsalavoutas, 2011)

In the current study, the researcher used the natural logarithm of assets as a proxy to the firm size. All data has been collected from Thomson Reuters. It was expected that the large size firms to disseminate more information in MR compared with small companies.

4.6.2 Control Variables

4.6.2.1 The Regulation Type

While the regulation has direct effects on the accounting disclosure in general, the listing rules are the main reference that include the minimum mandatory disclosure of information that should be disclosed in MR. As one of the main aims of the current study is to investigate the effect of new listing rules on the usefulness of MR content, the researcher used the regulation type as a control variable to explain the differences in the disclosure level between MRs that were prepared under the new regulation and MRs that were prepared under the old one. Therefore, this variable would take 'one' as a score for the MRs that had been produced under the new listing rules, and 'zero' for the otherwise.

4.6.2.2 The Profitability

Empirical evidence so far suggested that the higher profits have a significant positive effect on the disclosure level. While the less profitable or unsuccessful companies may tend to withhold some information from their stakeholders, the companies with higher profits tend to disclose more information for three reasons. First, the management desires to express its success in achieving profits and to enhance the stakeholders' confidence in the company's performance and the management strategies (Hassan et al. 2006), which would be reflected on the compensation that the managers receive from the company (Singhvi and Desa 1971). Second, the managers believe that disseminating more information is a means to show their success in leading the company, which increases the their reputation as mangers in the market (Alsaeed 2006). Last and not least, the high profits could increase the political costs, which urges the management to explain how the company achieved this level of profits while respecting the regulations and the moral rules (Inchausti 1997). Conversely, the managers disseminate less information when the company gains low profits or even losses in an attempt to withhold some details about the poor performance of the company and the managers (Aljifri et al. 2014).

The prior studies presented mixed results regarding the relationship between the profitability and disclosure level. Several studies documented a positive effect of profitability on the disclosure level (e.g., Akhtaruddin, 2005; Al-Shammari et al., 2008; Hassan et al., 2006; Hodgdon et al., 2009; Naser et al., 2002; Owusu-Ansah, 1998; Owusu-Ansah & Yeoh, 2005; Tsalavoutas, 2011). On the other hand, many studies found no significant evidence of the impact of profits on the disclosure level (e.g., Abd-Elsalam & Weetman, 2003; Aljifri, 2008; Aljifri et al., 2014; Malone et al., 1993; Popova et al., 2013; Street & Gray, 2002; Wallace et al., 1994). Surprisingly, Boshnak (2017) revealed that the companies with high profits are less commitment with the mandatory disclosure requirements, despite that these same companies disseminate more voluntary information.

The current study uses the return on equity (ROE), a proxy of the profitability, as a control variable. The data has been collected from Thomson Reuters' database. It was expected that the companies with higher profits disseminate more information in MR compared with companies with less profits.

4.6.2.3 The Leverage

It is presumed that when the ratio of debts is high, the company tends to disclose more information to convince its creditors that their money is safe (Hassan et al. 2006). Furthermore, the companies that are on the verge of making borrowing-decision may tend to increase the volume of information in their accounting reports (Haniffa and Cooke 2002; Malone et al. 1993). This step would aim to persuade the prospective creditors on how their money will be safe, which will be reflected on the cost of loans (Wallace et al. 1994).

Furthermore, a company may disclose more information than usual when its leverage is high due to the agency costs (Jensen and Meckling 1976; Ahmed and Courtis 1999). Moreover, disclosing more information can send certain signals to the creditors on the management awareness of all the surrounded conditions, including the risks (Xin 2015).

The studies that investigated the effect of leverage on disclosure level produced inconsistent results. Some studies documented a positive association between leverage and disclosure level (e.g., Al-Shammari et al., 2008; Alanezi & Albuloushi, 2011; Barako et al., 2006; Boshnak, 2017; Ghazali, 2010; Hassan et al., 2009; Malone et al., 1993; Tsalavoutas, 2011). Another group of studies revealed that there is no significant effect of leverage on the disclosure level (e.g., Agyei-Mensah, 2013; Ali et al., 2004; Aljifri, 2008; Craig & Diga, 1998; Dahawy, 2009; Wallace & Naser, 1995). However, few other studies found that the leverage has a negative impact on the disclosure level (e.g., Eng and Mak (2003) Hassan et al. (2006); Mallin and Ow-Yong (2009)).

Likewise, for the profitability, the current study employees the Leverage as a control variable. The data has been collected from Thomson Reuters. It was expected that the companies with higher leverage disclose more information in MR compared with the companies with less leverage.

Table 4.5 summarizes the above variables and the sources of collecting each of them.

The Model

MRDISC= OWNST+ +CROSL+ INDTY +AGE+SIZE +REG + ROE+ LEV+ ε

Where; MRDISC: Disclosure level in MR ; OWNST State-ownership; CROSL: Cross-listing; INDTY: Industry Type; AGE: company's age; SIZE: company's size; REG: Regulation Type; ROE: Return on equity; LEV: Leverage; *ε*: estimation error in the model

4.7 Descriptive Statistics

Table 4.6 presents the descriptive statistics regarding both the independent variables and the control variables. It shows that 74.3% of the collected reports were issued by private companies, while one-quarter of the reports belonged to the companies that partially owned by the government. Furthermore, less than 6% of the companies were cross-listed and 51.6% of the companies were involved in manufacturing activities. Moreover, less than one-fifth of the listed companies in EGX were new listed companies (listed after 2002). The companies' size seemed to be medium since the average of theirs size recorded 13.4, with a minimum of 10.13 and maximum of 18.04. In relation to the period that the MRs covers, roughly 60% of the collected reports were produced under the new regulation. The returns on equity and financial leverage as divided by equity varied between the companies in the sample from -77.54 and .01 to 80.27 and 228.69 respectively.

Table 4. 5 Summary of drivers of disclosure level in MR

Variables	**Code**	**Measurement**	**Expected Relationship**	**Source of Information**
Dependent variable				
Disclosure Level	DISC	Disclosure index, 1 if the item is disclosed, zero otherwise	NA	MRs
Independent Variables				
Industry Type	INDTY	Dummy variable, 1 for industrial companies and zero otherwise	+	MRs
Ownership structure	OWNST	Dummy variable, 1 for state-ownership and zero otherwise	+	MRs
Cross-Listing	CROSL	Dummy variable, 1 for cross-listed companies and zero otherwise	+	Egyptian Stocks Market
Size	SIZE	Natural logarithm of total assets	+	Thomason Reuters
Age	AGE	Dummy variable, 1 for new companies and zero otherwise	+/-	Egyptian Stocks Market
Control Variables				
Regulation Type	REGTY	Dummy variable, 1 for reports that were issued under the new regulation, zero for reports that were issued under the old regulation	+	--
Profitability	PROF	Return on equity (ROE)	+	Thomason Reuters
Leverage	LEV	Natural logarithm of Long term debt to owner's equity ratio (LOE)	+	Thomason Reuters

Table 4. 6 Descriptive statistics of independent and control variables in the regression model

Variables	Number of Observations	Mean	Std. Deviation	Minimum	Maximum
OWNST	765	.7425	.43755	--	--
CROSL	765	.0575	.233	--	--
INDTY	765	.5163	.50	--	--
-AGE -Age in years	765 158 Companies	.194 18.46 years	.395 6.24 years	-- 5 years	-- 58 years
SIZE_LOG	703	13.42	1.663	10.13	18.04
REGTY	765	.596	.491	--	--
ROE	658	.088	.17	-.78	.81
LEV	639	.437	.597	.01	2.29

Table 4. 7 Pearson correlation

Variables	Disc	GOVOW	CROLT	INDTY	AGE	SIZE_LO	REGTY	ROE	LEV
MRDISC	1.000								
OWNST	.221*** (.000)	1.000 --							
CROST	.058* (.077)	.015 (.355)	1.000						
INDTY	.154*** (.000)	-.126*** (.001)	-.049 (.113)	1.000					
AGE	-.019 (.317)	.232*** (.000)	.073** (.036)	-.006 (.437)	1.000				
SIZE_LO	.165*** (.000)	-.091** (.013)	.383*** (.000)	.050 (.111)	.031 (.220)	1.000			
REG	.810*** (.000)	.005 (.454)	.002 (.485)	.022 (.291)	.013 (.375)	.147*** (.000)	1.000		
ROE	.075** (.032)	-.210*** (.000)	-.083** (.020)	.000 (.497)	-.093** (.011)	.127*** (.001)	.023 (.285)	1.000	
LEV	.059* (.075)	.177*** (.000)	.148*** (.000)	.036 (.189)	.049 (.113)	.330 (.129)	.097*** (.008)	-.275*** (.000)	1.000

OWNST State-ownership; CROSL: Cross-listing; INDTY: Industry Type; AGE: company's age; SIZE: company's size; REG: Regulation Type; ROE: Return on equity; LEV: Leverage
*, **, *** the correlation is significant at 10%, 5%, and 1% respectively.

Table 4.7 shows the results of Pearson test of the correlations between the variables in the regression model. It was revealed that the disclosure level correlates with all the independent and control variables in the model, except for the Age. The type of correlation referred to a positive association between the disclosure level and state-ownership, cross listing, the industry type (the industrial firms), the firm size (big firms), profits (high profits), and leverage (high leverage). Furthermore, the new regulation has a positive correlation with the increase of the disclosure level in MR.

4.8 Results

Using a linear regression analysis needs four assumptions in the used data to be met. These assumptions are (all the tests are un-tabled):

- The normality of the dependent variable (Shapiro-Wilk test);
- Homoskedasticity (Breausch-Pagan test);
- Absence of autocorrelation between residuals (Durbin-Watson test);
- Absence of multicollinearity (VIF and Tolerance).

While the last three assumptions were met in our collected data, the normality was an issue in the ROE and Leverage. Using the natural logarithm is not possible in case of the ROE because the original data could include negative values. In order to minimise the non-normality issue, some transformations were followed, such as the square root, however, the transformed data did not produce any different results in the testing of the normality distribution. Furthermore, the outliners were eliminated from the data to minimise the non-normality. It has been argued that the non-normality assumption does not treat the validity of the regression model, but rather it would only imply that the estimators with non-normality might not be sufficient in explaining the independent variable (Brooks 2008). Brooks suggested that even if the normality assumption was not met in some variables, OLS would still be effective in carrying out the analysis because it gives more accurate results compared with other regression models. He added that the type of finance date rarely passes the normality assumption. Furthermore, in some cases, non-normality is the result of some types of heteroskedasticity, especially in financial data, however, its eventual effect on the results is not intense (Elghuweel 2015). In addition, the current study focuses mainly on the relationships between independent variables and the dependent variable, while it employees ROE and Leverage as control variables. Based on this brief discussion, it was decided to perform an ordinary least Squares (OLS) regression model.

4.8.1 Firm-Characteristics and Aggregated Disclosure in MR

Table 4.8 demonstrates that *t*- value for three of firm-characteristics have significant effects on the disclosure level, while other firm characteristics seem to have no significant influence on the disclosure. The governmental-ownership in listed companies has a positive relationship with the disclosure level (*t*-value: - 9.253, P value ≤ 1%). Furthermore, manufacturing firms have used to disseminate more volume of information than nonmanufacturing firms (*t*- value: 5.137, P value ≤ 1%). Lastly, the cross-listed companies disseminate more information in its MRs in comparing with the local-listed companies (*t*-value: 2.926, P value ≤ 1%). The age, size, profitability, and leverages seem to have insignificant impact on the aggregate disclosure level in MR.

Table 4. 8 OLS regression model on the aggregated disclosure in MR

Variables	Coefficients	Std. error	T	Sig.	Ranking
Independent Variables					
OWNST	.075	.008	9.253	.000***	2
CROSL	.042	.014	2.926	.004***	4
INDTY	.034	.007	5.137	.000***	3
AGE	.007	.009	.794	.428	
SIZE	-.001	.002	-.516	.606	
Control Variables					
REG	.246	.007	36.927	.000***	1
ROE	.000	.000	1.038	.300	
LEV	.000	.000	.555	.579	
Constant	.173	.032	5.479	.000***	
R^2	.723			**Adj. R^2**	.719
Std. Error of the Estimate	.08045				
F- value	194.386	Sig. F	.000***		
Number of observations	605				

OWNST State-ownership; CROSL: Cross-listing; INDTY: Industry Type; AGE: company's age; SIZE: company's size; REG: Regulation Type; ROE: Return on equity; LEV: Leverage

*, **, *** significant at 10%, 5%, and 1% respectively

Discussion on the impact of firm-characteristics on the aggregated disclosure in MR

Results of OLS regression model suggested that some firm-characteristics have significant effects on the overall disclosure level. The results revealed that the state-ownership has a significant impact on the disclosure level of the different types of information. Generally, the private-owned companies disclose lower volume of information than the state-owned companies. This finding is consistent with many other studies (e.g., Abd-Elsalam & Weetman, 2007; Abdel-Fattah, 2008; Boshnak, 2017; Eng & Mak, 2003; Ghazali & Weetman, 2006; Ntim et al., 2012; Wang & Claiborne, 2008). This finding can be related to three reasons. First, the government attempts to present the best disclosure practices to encourage the private companies in following their same disclosure strategy, which is useful, in the medium and long run, in enhancing the market efficiency and maturity. Another possible explanation can be the enhancing of the accountability of government by the public. As the state-ownership means that public amounts of money have been dedicated by the government for investing in some profitable activities; these companies increase its disclosure level to explain to the public how their money was invested.

Cross-listing seems to affect the disclosure in MR positively compared with the companies listed in only one capital market. This finding is similar to the prior studies (e.g., Abdel-Fattah, 2008; Aljifri et al., 2014; Boshnak, 2017; Collett & Hrasky, 2005; Cooke, 1989a; Cooke, 1989b; Glaum & Street, 2003; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005; Hodgdon et al., 2009; Inchausti, 1997; Malone et al., 1993). This result can be explained with the variety of the users' needs in the different markets. Cross-listed companies deal with several users-groups in different markets, which is reflected on the dissemination of more information in order to gain the trust of the investors in each market. Furthermore, it is expected for the disclosure culture of any company to be affected by the higher efficient market, and that the company would adopt a similar culture in the lower efficient market regardless of the disclosure practices of the other companies listed in the local-market only (Abdel-Fattah 2008).

The industry type affects the disclosure practices in MR. Results of the regression analysis showed that MRs of the industrial companies includes more information than these in non-industrial companies. This result is consistent with several prior studies (e.g., Akhtaruddin, 2005; Alanezi & Albuloushi, 2011; Aljifri, 2008; Aljifri et al., 2014; Boshnak, 2017; Cooke, 1992; Haniffa & Cooke, 2002; Hassan et al., 2006; Street & Gray, 2002; Wallace & Naser, 1995). However, this finding is in contrast to other studies that found no significant effect of the type of industry on the disclosure level (e.g., Abd-Elsalam & Weetman, 2003; Malone et al., 1993; Naser et al., 2002; Owusu-Ansah, 1998; Tsalavoutas, 2011). The positive effect between industrial activities and disclosure level could be accounted to the higher complexities that face the manufacturing companies activities (i.e., the technological obsolescence, competition risks, and pollution emissions). These conditions require more information to reflect whether the management adopted successful strategy to deal with them. This disclosure is helpful for both the investors and the governmental authorities who monitor the effects of the industrial companies on the surrounded environment.

The impact of firm size on the disclosure level showed non-significant. This finding is similar to many other studies that revealed that the size does not affect the disclosure level (e.g., Abd-Elsalam & Weetman, 2003; Alanezi & Albuloushi, 2011; Aljifri, 2008; Dahawy 2009; Ettredge et al., 2011; Glaum & Street, 2003; Malone et al., 1993; Popova et al., 2013; Street & Gray, 2002; Tsalavoutas, 2011). This finding could be attributed to the desire of the small companies to expand their activities, which requires attracting new investors and lenders via the adoption of more transparent strategy in disseminating information that shows the strong position of these companies.

The analysis suggested also that Age, Size, ROE, and leverage have no significant impact on the disclosure level in MR. Firm's age has no significant impact on the disclosure level in MR. This finding is similar to several prior studies (e.g., Akhtaruddin, 2005; Al-Shammari et al., 2008; Alanezi & Albuloushi, 2011; Alotaibi, 2014; Alsaeed, 2006; Haniffa & Cooke, 2002; Hossain & Hammami, 2009; Owusu-Ansah & Yeoh, 2005). This finding suggests that the new companies attempt to adopt similar disclosure strategies to these of the old companies, which is reflected on the similar volumes of the disclosure included in MRs of the new and old companies. ROE has no significant impact on the aggregated volume of information provided in MR although that many prior studies suggested that the high profits are associated positively with the disclosure level. Our findings are similar to the results of several other studies (e.g., Abd-Elsalam & Weetman, 2003; Aljifri, 2008; Aljifri et al., 2014; Malone et al., 1993; Popova et al., 2013; Street & Gray, 2002; Wallace et al.,1994). This result suggests that the companies with high profits do not seek to justify the success of their activities and their strong competitive position that led to the high profits. Lastly, the current study revealed that the leverage has no significant impact on the overall discourse level in MRs compared with companies with low leverage ratios. This finding matches the results of many prior studies (e.g., Aljifri (2008), Dahawy (2009), Wallace and Naser (1995).

4.8.2 Firm-Characteristics and Usefulness level of Disclosure: Usefulness level and Commitment level

This section examines the effect of firm-characteristics on the disclosure level in MR based on the type of disclosure. First, we will check the impact of firm-characteristics on the disclosed volume of high useful items and moderate useful items. Second, we will examine the relationship between firm-characteristics and the level of commitment in the disclosure (mandatory disclosure vs. voluntary disclosure).

4.8.2.1 Firm-Characteristics and the Usefulness Level of Disclosure

Chapter three concluded with that the users consider some information to has high usefulness, while the rest of the items in the questionnaire were chosen as of moderate usefulness. Table 4.9 represents the regression model for the disclosure on the very useful items and the moderate useful items. However, it was clear that the effect of the regulation is the dominant explanation in the improvement of disclosure level.

The table illustrates that three of firm-characteristics have significant influences on reporting the very useful items in MR. The state-ownership correlates positively and significantly with disseminating more information in MR (*t*- value of -7.826 and P value ≤ 1%). Moreover, the MRs of the companies that were listed in more than one capital market provided more useful content than these in the companies listed in one market only (*t*-Value: 3.612, P value ≤ 1%). In addition, the nonindustrial companies disclosed less useful information in comparing with the industrial ones (*t*- value: 3.404, Sig.: 1%).

The disclosure of moderate useful items in MR was affected by four variables. Table 4.8 indicates that the absent of state ownership has a negative impact on the level of disclosure on the moderate useful information (*t*- value: -8.063, P value ≤ 1%). Furthermore, the industrial companies presented more moderate useful information than the other companies (t- value: 7.108, P value ≤ 1%). The company's age has the least significant effect on disclosure level, since *t*- value achieved 1.671 which was significant (P value ≤10%). This finding suggests that the new listed companies disclose less moderate useful information in the MR. Lastly, the companies with higher profits disseminate high number of moderate useful information compared with the companies with losses or lower profits (*t*- value 1.814, P value ≤ 10%).

4.8.2.2 Firm-characteristics and the commitment level of disclosure: Mandatory disclosure and Voluntary disclosure

Table 4.9 indicates that the regression model is efficient in explaining the differences in disclosure level in MRs (Adj. R squared: 0.861), as the significance of F value supports the significance of the model in general (F value: 469.915, P value ≤1%).

Three firm-characteristics affected the level of mandatory disclosure in MR. Table 4.8 highlights that the companies with government ownership are more committed to the mandatory disclosure requirements (*t*- value: -7.417, P value ≤1%). Furthermore, the industrial companies showed more obligation to the mandatory disclosure compared with the nonindustrial companies (*t*- value: 3.887, P value ≤1%). The profitability seems to have a trivial significant impact on mandatory disclosure level (P value ≤1%). moreover, the high profits encourage the companies to commit to the mandatory disclosure requirements (*t*- value: 2.798, P value ≤1%)

Regarding the voluntary disclosure, table 4.8 illustrates that the regression model significance was high (F value: 12.606, Sig.: 0.00). It was proven that the governmental ownership positively correlates with the extent of the voluntary disclosure (*t*- value: 7.361, Sig.: 0.00). Moreover, t- value for the cross-listing variable scored (3.980) which is considered to be significant at the level of 0.05; this suggests that cross-listed companies provide more voluntary information in their MR. The industry type was also appeared to be of the least significant effects on voluntary disclosure, since the value of *t*- recorded 3.308 at significance level of 1%. This indicates that the industrial companies disclose more voluntary information compared with the non-industrial companies. On the contrary, the voluntary disclosure has decreased after switching to the new regulation (*t*- value -1.742, Sig: .082). The age, profitability, size, and leverage did not have any significant impact on the extent of voluntary disclosure in MR.

4.8.2.3 Discussion

The usefulness level of disclosure

Up to best of our knowledge, the previous studies did not examine the impact of firm-characteristics on the usefulness level of disclosure. The current study showed that the presence of state-ownership and manufacturing activities significantly increases the disclosure on the very useful items and the moderate useful items. Moreover, cross-listed companies disseminate more very-useful items than the other companies. Both the age and the ROE have a slightly significant positive impact on the disclosure on moderate useful items. The size and leverage have no significant effect on the reporting of the very useful items and the moderate useful items.

Table 4. 9 OLS regression on the level of disclosure due to its type in MR

Variables	**The usefulness level**		**The Commitment level**	
	Very Useful Items	Moderate Useful Items	Mandatory Items	Voluntary Items
Independent Variables				
OWNST	.076*** (7.826)	.073*** (8.063)	.089*** (7.417)	.064*** (7.361)
CROSL	.063*** (3.612)	.002 (.119)	.016 (.749)	.061*** (3.980)
INDTY	.024*** (3.044)	.053*** (7.108)	.039*** (3.887)	.024*** (3.308)
AGE	.002 (.198)	.016* (1.671)	.009 (.724)	.003 (.354)
SIZE	-.001 (-.592)	-.001 (-.089)	-.003 (-.973)	.001 (.281)
Control Variables				
REG	.251*** (31.524)	.236*** (31.594)	.588*** (59.514)	-.012* (-1.742)
ROE	.000 (.428)	.000* (1.814)	.001*** (2.798)	.000 (-1.230)
LEV	.000 (.563)	.000 (.263)	.000 (1.262)	.000 (-.818)
Constant	.195*** (5.173)	.129*** (3.647)	.247*** (5.265)	.118*** (3.495)
R^2	.653	.666	.863	.145
Adj. R^2	.648	.662	.861	.133
Std. Error	.09618	.09009	.11929	.08576
F- value	140.11***	148.57***	469.92***	12.62***
Observations	605	605	605	605

OWNST State-ownership; CROSL: Cross-listing; INDTY: Industry Type; AGE: company's age; SIZE: company's size; REG: Regulation Type; ROE: Return on equity; LEV: Leverage

*, **, *** significant at 10%, 5%, and 1% respectively

The commitment level of disclosure

The results of the current study supported a positive significant impact of the state-ownership on mandatory and voluntary disclosure in MR. The disclosure literature presented a very limited evidence regarding the impact of state-ownership on the level of mandatory disclosure. Naser et al. (2002) found no evidence that supports an effect of state-ownership on the mandatory disclosure, however, other scholars documented a positive relationship between state-ownership and extent of the mandatory disclosure (e.g., Abd-

Elsalam and Weetman (2007) Boshnak (2017)). Regarding the voluntary disclosure, our findings are in line with several prior studies (e.g., Al-Janadi et al. (2013); Eng and Mak (2003); Lan et al. (2013); Makhija and Patton (2004); Ntim et al. (2012); Wang and Claiborne (2008))

Cross-listing was found to have a strong positive impact on increasing the extent of voluntary disclosure; however, no significant effect of it was noticed on the mandatory disclosure. The findings related to the mandatory disclosure is consistent with the studies of Abd-Elsalam and Weetman (2003), Dahawy (2009), and Popova et al. (2013). On the other hand, cross-listed companies presented a greater content of information in their MRs compared with the companies listed in only one-market, which is consistent with the main stream of the previous studies (e.g., Boshnak, 2017; Cooke, 1989b; Cooke, 1992; Inchausti, 1997; Malone et al., 1993; Ntim et al., 2012; Wallace et al., 1994). These results could be explained in light of the power of enforcement imposed on them; where both cross-listed and one-market-listed companies are committed to the requirements of the mandatory disclosure. The increase in the voluntary disclosure in cross-listed companies stems from the differences in mandatory disclosure requirements in the higher market and the maturity of users in that market, which can be reflected on the volume of the produced information that is available to the external users in the lower market.

The analysis that was done on the industry type suggested that the manufacturing companies presented more mandatory and voluntary information than the non-manufacturing companies. Prior studies have failed in classifying listed companies into specific agreed-upon economic sectors; however, several of these studies found a significant impact of the economic sectors on mandatory disclosure (e.g., Akhtaruddin, 2005; Al-Shammari et al., 2008; Alanezi & Albuloushi, 2011; Aljifri, 2008; Aljifri et al., 2014; Cooke, 1992; Craig & Diga, 1998; Hassan et al., 2006; Street & Gray, 2002; Wallace & Naser, 1995), and on voluntary disclosure (e.g., Al-Akra et al. (2010); Barako et al., 2006; Boshnak, 2017; Camfferman & Cooke, 2002; Cooke, 1989b; Cooke, 1992; Haniffa & Cooke, 2002; Ho & Wong, 2001; Raffournier, 1995; Samaha and Dahawy (2010). It could argued that some firms' activities emphasize the need for more disclosure in respect of both the legally-requested disclosure (Accounting standards and listing regulations) and thee voluntarily information needed to highlight the going concerns for current and potential investors. As the current study shows, manufacturing companies are more obliged to mandatory disclosure's requirements and present more voluntary information in their MRs.

The profitability (ROE) has a slightly significant positive impact on voluntary disclosure, yet no significant impact was noticed regarding the mandatory disclosure. These results are consistent with many prior studies on the voluntary disclosure (e.g., Akhtaruddin et al. (2009); Boshnak, 2017; Ghazali & Weetman, 2006; Haniffa & Cooke, 2002; Hassan et al., 2006; Hussainey & Al-Najjar, 2012; Jaggi & Low, 2000; Kamel And Awadallah, 2017; Lan et al., 2013; Raffournier, 1995; Wang & Claiborne, 2008), and on mandatory disclosure (e.g., Abd-Elsalam & Weetman, 2003; Agyei-Mensah, 2013; Aljifri, 2008; Malone et al., 1993; Street & Gray, 2002; Wallace et al., 1994). While all companies considered the mandatory disclosure to be the minimal level of information they have to present, companies with high profits sought to show their strong performance to the investors, which enhances their shares' prices and their mangers' reputation in the market.

The Age, Size, and Leverage had no significant impact on both types of disclosure; the mandatory and the voluntary. This finding is in consistence with the prior studies on the age (e.g., Akhtaruddin, 2005; Al-Shammari et al., 2008; Alanezi & Albuloushi, 2011; Alotaibi, 2014; Owusu-Ansah, 1998), Size (e.g., Abd-Elsalam & Weetman, 2003; Alanezi & Albuloushi, 2011; Aljifri, 2008; Makhija & Patton, 2004; Malone et al., 1993), and Leverage (e.g., Agyei-Mensah, 2013; Ali et al., 2004; Craig & Diga, 1998; Dahawy, 2009; Haniffa & Cooke, 2002; Ho & Wong, 2001; Hussainey & Al-Najjar, 2012; Kamel And Awadallah, 2017; Raffournier, 1995; Scaltrito (2016); Wallace & Naser, 1995; Wallace et al., 1994).

4.8.3 Discussion on the Impact of Firm-Characteristics on Disclosure Level in MR Sections and Subsections

This section includes additional analysis to examine the impact of firm-characteristics on disclosure level of the different types of information provided in MRs. Results of the analysis are reflected in table 4.10.

The analysis demonstrated that the firm-characteristics have an unequaled effect on disseminating the information on CG's subsections. The disclosure on ownership structure was affected by the state-ownership, which implies a significant positive relationship between the state-ownership and the disclosure on ownership structure (P value < 1%). Other variables were found not to have a significant impact on ownership structure disclosure. A prior study by Samaha et al. (2012) in Egypt showed that industry type, size, ROE, and Leverage do not affect the disclosure on ownership structure, which is consistent with our current study.

The disclosure on board composition was affected by two variables; state-ownership (P value < 10%) and cross listing (P value < 1%). Furthermore, there were no significant impact of other firm-characteristics on board composition disclosure, which is in line with the findings of Samaha et al. (2012) study, except for the size which was positively associated with this type of disclosure.

Three firm-determinates had a significant impact on the disclosure on the audit committee. The results suggested that manufacturing companies disclose less information on the audit committee compared with the non-manufacturing companies (P value< 1%). In addition, both old companies and large size companies disseminate more volume of information in their MRs that covers audit committee (P value < 10% and < 5% respectively). The remaining variables in the model appeared not to have any significant influence on corporate governance's subsections.

The regression model on the internal control and risks illustrated that there were four variables that had significant effects on the disclosure on this section. Table 4.11 shows that cross-listed companies disclose more information than the companies listed in one-market (P value < 1%), and that new listed companies disseminate less information compared to the old listed companies (P value < 5%). Rationally, cross-listed companies face more complex challenges in their activities, which requires more disclosures to justify the risks to the users. Furthermore, as it was discussed earlier, the new firms are in a severe competition with the old companies, which puts them in the face of risks. As it was expected, the high profits had a negative effect on the disclosure level (P value ≤ 1%). This result was expected since the companies with low profits or with losses encounter serious threats and need to present more justifications in their MRs to explain the impact of these threats on the current and the expected performance (Elshandidy et al. 2015). Furthermore, the current study revealed that the high Leverage associates positively with the higher volume of disclosure on the risks management (P value < 1%), which is consistent with Hassan (2009) but in opposite of Amran et al. (2008).

Firm size was found to have an insignificant influence on risks disclosure, which is consistent with findings of Elzahar and Hussainey (2012), but on contrast to the studies of (

Amran et al. (2008); Elshandidy et al. (2015); and Linsley and Shrives (2006) who found that the large companies disclose more information that covers the risks.

The effect of firm-characteristics on KPIs and on the changes of fixed assets disclosure was similar. Both types of disclosure were affected positively by state-ownership, industry type (manufacturing companies disseminate higher volume of information), size (small companies disclose more information than the large ones), and profitability. Leverage appeared to have a significant effect on the changes in fixed assets information, however, no such impact was found in KPIs disclosure. Moreover, multiple-listed firms disclose more information on KPIs; surprisingly, these firms do not provide high disclosure on the changes of fixed assets. The last finding was unlike the expected, since the Egyptian cross-listed companies follow IAS/IFRS (including the Fair Value standard IFRS 16), it was expected that these companies would transfer their disclosures within the developed capital market on the changes of fixed assets to their MRs when submitting to the EGX.

Five firm-characteristics affected the disclosure on FLP. Cross-listed companies disseminate more FLP information; this is consistent with the studies of Clarkson et al. (1999) and Al-Najjar and Abed (2014). Likewise, the industrial firms provide more information in their MRs to cover FLP disclosure (t- value 2.751, P value < 1%), which is consistent with Beretta and Bozzolan (2008) and Wang and Hussainey (2013), yet contradicts the study of Aljifri and Hussainey (2007) who found an insignificant association between the type of economic sector and FLP disclosure. Finally, the regression analysis indicated that sate-ownership has a positive impact on FLP disclosure (P value < 10%). Furthermore, the profitability was positively associated with FLP disclosure, however, this finding is inconsistent with the studies of Aljifri and Hussainey (2007), Wang and Hussainey (2013), and Al-Najjar and Abed (2014). The researcher believes that the companies with high profits employ FLP disclosure to highlight the improvement of their performance in the future, which can support the share prices in the market. The findings also showed that the leverage was positively and significantly associated with FLP disclosure, which is consistent with the studies of Aljifri and Hussainey (2007) and Wang and Hussainey (2013) but contradicts the study of Al-Najjar and Abed (2014) who found no significant effect of leverage on FLP. This finding could be attributed to the motivations presented to managers in the companies with higher leverage in order to enhance the users' trust in their ability of investing all financial resources, which could reduce the cost of capital.

Three firm-characteristics affected the disclosure on CSR and environmental information. Table 4.10 demonstrates that the industrial companies, as it was expected, tend to disseminate more information on this section (t- value 8.107, P value ≤ 1%), which is consistent with several prior studies (e.g., Chan et al. (2014); Cormier and Magnan (1999); Hackston and Milne (1996); Patten (1991); Roberts (1992)). The same was also applicable with the presence of state ownership (t- value -8.31, P value ≤1%), however, this finding is inconsistent with Alotaibi and Hussainey (2016) who found a negatively association between the governmental ownership and CSR disclosure. Furthermore, the results showed that higher profitability associates with a greater CSR disclosure (t- value 2.122, P value ≤ 5%), which is in line with the studies of Cormier and Magnan (1999); Gamerschlag et al. (2011); Haniffa and Cooke (2005); Khan et al. (2013); and Roberts (1992) but is inconsistent with the study Chan et al. (2014) who suggested that profitability does not affect CSR disclosure.

Table 4. 10 OLS regression on the disclosure on different sections and subsections of the MR

Variables	Ownership Structure	Board Composition	Audit Committee	Risks	KPIs	Fixed Assets	FLP	CSR & Environ-menatal
Independent Variables:								
OWNST	.029*** (2.767)	.022* (1.909)	.010 (1.003)	-.022 (-.807)	.228*** (11.989)	.085*** (4.493)	.056*** (3.485)	.117*** (8.311)
CROSL	-.013 (-.691)	.056*** (2.798)	-.012 (-.651)	.198*** (4.093)	.108 *** (3.195)	-.070** (-2.094)	.053** (1.851)	.017 (.673)
INDTY	-.012 (-1.336)	-.010 (-1.047)	-.017*** (-1.961)	-.005 (-.232)	.101 *** (6.452)	.040*** (2.571)	.036*** (2.751)	.094*** (8.107)
AGE	.003 (.287)	.000 (-.003)	.019* (1.726)	-.058** (-2.034)	.028 (1.371)	.012 (.590)	.024 (1.448)	.014 (.966)
SIZE	.000 (.089)	.001 (.236)	.008 (2.797) **	.011 (1.393)	-.011** (-1.978)	-.014*** (-2.661)	-.003 (-.551)	-.003 (-.762)
Control Variables:								
REG	.524*** (60.888)	.434*** (46.708)	.549*** (63.943)	-.034 (-1.513)	.036 ** (2.291)	.101*** (6.532)	-.023* (-1.728)	.266*** (23.018)
ROE	.000 (1.331)	.000 (.184)	.000 (-.416)	-.004*** (-5.148)	.001*** (2.860)	.001** (2.122)	.001** (2.457)	.001** (2.122)
LEV	.000 (1.480)	.000 (1.440)	.000 (-1.435)	.000*** (-3.080)	.000 (1.570)	.000* (1.815)	.000** (2.280)	.000 (.258)
Constant	.074* (1.811)	.081 (1.838) *	-.066 (-1.618)	.089 (.847)	.422*** (5.706)	.335*** (4.573)	.173** (2.789)	.233*** (4.262)
R^2	.866	.793	.877	.093	.291	.136	.061	.548
Adj. R^2	.864	.790	.876	.080	.282	.124	.049	.542
Std. Error	.10382	.11208	.10353	.26852	.18837	.18620	.15782	.13928
F- value	481.406 ***	285.147***	532.988***	7.598***	30.630***	11.721***	4.854***	90.336***
Number of Observations	605	605	605	605	605	605	605	605

OWNST State-ownership; CROSL: Cross-listing; INDTY: Industry Type; AGE: company's age; SIZE: company's size; REG: Regulation Type; ROE: Return on equity; LEV: Leverage.

*, **, *** significant at 10%, 5%, and 1% respectively.

Finally, Table 4.11 summarises all the above findings.

Table 4. 11 Summary of results of OLS regression models

Subject/Variables	**State-ownership**	**Cross listing**	**Listing age**	**Industry type**	**Size**	**REG**	**Profitability**	**leverage**
Aggregated Disclosure	+	+	No	+	No	+	No	No
Useful Items	+	+	No	+	No	+	No	No
Moderate useful Items	+	No	+	+	No	+	+	No
Mandatory Items	+	No	No	+	No	+	+	No
Voluntary Items	+	+	No	+	No	-	No	No
Ownership structure	+	No	No	No	No	+	No	No
Board composition	+	+	No	No	No	+	No	No
Audit committee	No	No	+	_	+	+	No	No
Risk Management & Internal control	No	+	-	No	No	No	-	+
KPIs	+	+	No	+	-	+	+	+
Changes in Fixed Assets	+	-	No	+	-	+	+	+
FLPD	+	+	No	+	No	-	+	+
CSR	+	No	No	+	No	+	+	No

+ : Positive association , − : Negative association, No: No significant association was found

SUMMARY

The main objective of this chapter was to measure the disclosure provided in MRs, and, then, to compare between the users' needs and, that were concluded from chapter three, and the actual disclosure practices in MR. The findings illustrate that the disclosure level in MR has increased significantly under the new regulation issued in January 2014. The level of mandatory disclosure increased from 17%, under the old regulation, to 76%. Despite this major improvement in the disclosure level, this finding indicates a weak commitment to the regulations' requirements. Furthermore, the disclosure on the suggested voluntary items is very weak and does not exceed 9.3% under the old regulation, while this level has decreased again, when switching to the new regulation, to only 8%. In addition, examining the hypothesis states that the firm-characteristics have significant influences on the disclosure provided in the MR, using OLS regression, showed that the presence of state ownership, cross-listing, and manufacturing activities have significant positive impacts on the disclosure provided in MR and its main sections and subsections. On the other hand, the age, size, profitability, and leverage had mixed findings throughout the different sections and subsections of MR

CONCLUSION

(Concluding Remarks, Contributions, Limitations, and Future Research)

The aim of this study was to investigate the users' perceptions regarding the usefulness of the management report in light of the requirements of the new listing rules that were issued in January 2014 in Egypt.

The financial crisis in 2008 has shown the inadequacy of the accounting disclosure within the financial reports in providing useful transparent information that reflects the actual performance of companies. The management report is considered an essential vehicle that complements the weakness of financial reports. While the management report aims mainly to illustrate the company's current performance and future forecasts, this study focused on assessing the usefulness of management report in the eyes of the users. Unlike the developed markets, emerging markets have different characteristics that are related to the market efficiency and maturity. The authorities in the emerging markets seek to enhance the level of efficiency by improving the disclosure usefulness to match the users' needs. One of these efforts took place in Egypt where the Financial Regulatory Authority (FRA) issued new regulation that obligates the listed companies to increase the volume of disclosure in their MRs.

Using a survey questionnaire, one-hundred and fourteen questionnaires were collected from the financial analysts and the institutional investors as sophisticated users of the accounting information. Results of the survey revealed that the new regulation has slightly improved the requirements of the mandatory disclosure included in the MR, however, the new requirements are still far from meeting the users' needs and more additional information are still needed to be disclosed in MRs. Furthermore, the results showed that the users regard different information to be unequal in their usefulness. While some items were seen as very useful in investments decision-making, other information was considered to be moderate useful and have lower impact on the users' decisions. Therefore, it could be argued that the FRA did not interview the users to explore their needs in the disclosure of MR. The usefulness of accounting disclosure would be difficult to achieve when the regulation requires only the disclosure on many moderate or slightly useful information, while most of the very useful information are not mandated. In fact, this conduct can critically shape the market efficiency.

After that, the study analysed 782 MRs that cover five years; two years under the old regulation and three years under the new regulation. This analysis sought to compare the users' needs with the disclosure level provided in MRs, and to examine the effect of firm-characteristics on the extent of information disclosed in MR. The findings showed that the general level of disclosure in MR has increased significantly after switching to the new regulation. However, the results indicated that the companies do not fully commit to the requirements of the mandatory disclosure, as listed companies do not disseminate much on the very useful information in their MR, even if voluntarily. While the results clearly showed that the level of mandatory disclosure has increased after applying the new regulation, the counteractive effect appeared in the voluntary disclosure. These contrasted findings indicate the initial role of regulatory bodies in matching the users' needs by increasing the extent of mandatory disclosure to include more items that are seen to be very useful to the users.

Some prior studies on Egypt pointed out that the incomplete commitment to the mandatory disclosure requirements and the low levels of the voluntary can reflect the cultural environment. The values of secrecy and conservatism are heavily rooted in Egypt, which challenges the desire of the users in more transparency (Dahawy and Conover 2007; Dahawy et al. 2002; Hassan et al. 2012). Furthermore, the insufficient enforcement power and the feeble penalties on the non-compliance with the mandatory requirements are a problematic issue (Abd-Elsalam and Weetman 2007; Hassan et al. 2009; Hassan et al. 2012). FRA should have clear strategies for both enhancing the value of transparency and respecting the voices of the users and it should also set strict penalties for the non-compliant companies.

Finally, in an additional test, the results showed that some of firm-characteristics have significant effects on the disclosure level in MR. Mainly, the presence of state ownership, cross listing, and manufacturing activities have significant positive impacts on the disclosure provided in MR. On the other hand, the other firm-characteristics showed uneven findings.

This study provided two main contributions to the body of knowledge. First, prior studies focused on the usefulness of the MR in the developed markets (especially in US), while our study represented the first investigation on the perceived usefulness of the MR disclosure in an emerging market. Second, prior studies focused on the usefulness of the annual report's section while this study provided greater understanding of the usefulness of the different types of information included in the MR. This could add to the knowledge of the voluntary disclosure theory from the users' points of view. In particular, this study addressed a gap in the literature related to exploring what the financial statement's users think of the content of the MR.

Furthermore, the current study provided two practical contributions. First, the findings should be considered by the regulators to overcome the current weaknesses in the disclosure in order to meet users' information needs. As the results showed, the regulators efforts improved the usefulness of MR, however, more work is still needed as the users desire more strict regulation that guarantees a useful and a comprehensive disclosure in the MR. It took almost eleven years between the first issuing of the Egyptian listing rules in 2002 and the issue of a new regulation in the early of 2014 as a reform that enhances the transparency in the capital market. However, the results of our study evaluated this reform as they highlighted that the new regulation, after five years of applying it, is still lacking several disclosures .

Second, our results can also be useful for the managers and the accountants and encourage them to increase the degree of the voluntary disseminated information that are perceived as useful by investors. The study documented that, out of twenty-two suggested voluntary items, the users considered fourteen items as very useful and eight items as of moderate usefulness. For the companies who are concerned with what their current and prospective investors could desire, our findings can help their managers to report more useful information as needed by the users.

This study has two main limitations. The study focusses on the usefulness of the MR in one emerging country, thus, a cross-jurisdictional approach is advocated. For the difficulties related to conducting a survey in-person, it was not possible to undertake the study in more than one emerging market. Also, as it was above-mentioned, emerging markets have special characteristics that make the findings of the studies took within their context difficult to be generalised on the developed markets. What should be considered is that this study can also be of benefit to other emerging markets that have similar cultural, social, and economical features (i.e., other North African countries)

Secondly, the study investigated the usefulness of the MR disclosure for investments decision-making. Other users-groups, such as lenders and governmental authorities (Taxes authorities and the ministry of investment, for example), might have the power to acquire the information they need, which is not obtainable to the investors who hold small number of shares or bonds.

The current study has highlighted some gaps for the future research. First, it could be interesting to investigate the usefulness of the MR in the lending decision-making, in order to find out if there was any different perceptions amongst other types of users. Second, based on the results of the regression analysis, future studies can investigate the relationships between state ownership, cross listing, and the industry type on one hand, and the market value of the companies on the other hand.

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APPENDICES

Appendix One: The Questionnaire

Dear Participant,

The researcher is carrying out a survey analysis in order to investigate the usefulness of information required in the Management Report by the 2014 Listing Rules and the Companies Act 159/1981. To this end, we greatly appreciate your valuable time and effort that you will spend in filling out this questionnaire. It will require no more than 10 minutes. This survey includes a set of questions mainly investigate whether the current content of the management report is sufficient for investments decision-making. Please note that there are no right or wrong answers for any of these questions as we are expecting different people provide different answers. This research is purely for academic purposes only and the information you provide will be kept confidential at all times. Please answer and rate the items as accurately and honestly as possible in order to enable the researcher to reach accurate results.

Thank you very much for your cooperation and valuable time,

The Researcher	The supervisor
Mostafa K.A. Mohamed	**Prof. Alessandra Allini**

General Information:

1- Name: …………………………………………………(Optional)
2- Year of Born: ……………………………..
3- Gender: Male ☐ Female ☐
4- The latest Certificate:
Bachelor ☐ Advanced Diploma ☐ Master Degree ☐ PhD ☐
5- Graduate Field:
Accounting ☐ Business Administration ☐ Other ☐
6- Your Experience in Securities:
10 Years or less ☐ Between 10-20 Years ☐ More than 20 years ☐
7- Please select your firm type:
Bank ☐ Insurance Company ☐ Mediators Company ☐
8- Please select the firm ownership:
Governmental ☐ Private sector ☐ Foreign firm ☐

Section One: General Information about The Management Report
Please indicate the degree of your agreement with the following statements

Statements	Strongly Agree	Agree	Not sure	Disagree	Strongly disagree
1-g) The Management report, which is prepared under the new regulation, provides more information comparing with the old regulation.					
2.g) The Management report, which is prepared under the new regulation, provides information easy to be understood.					
3.g) The management report provides useful information.					
4.g) You consider the management report a complementary to the financial report.					
5.g) You usually compare the content of the management report with the content of the financial report's.					
6.g) Some companies disclose very limited information without any attention to the users' needs.					
7.g) Using the tables and graphs in the management report make its information more understandable.					
8.g) The companies which do not make their director's reports available on their websites should be sanctioned by the Authorities					

Section two: Corporate Governance disclosure
2.1 Ownership structure:
Please indicate the degree of usefulness of the following information related to ownership structure

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful

1- Information on Shareholders who own 5% of shares or more, the shares amounts and percentages.					
2- The board members ownership					
3- Treasury Stock – if any- classified according to the purchasing dates comparing with the previous year amounts.					
4- The variation in the main shareholders' ownership compared with the previous year.					
5- The variation in the board members' ownership compared with the previous year.					

2.2 Board Composition:

Please indicate the degree of usefulness of the following information related to board composition

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful
6- The board members' names and their nature[Executive, Non-Executive, Independent]					
7- The meeting number during the year.					
8- The board members qualifications and experiences.					
9- The rules that are followed to determine the rewards of board members, and publishing a detailed schedule show each member's rewards compared with the previous year.					

2.3 Audit Committees:

Please indicate the degree of usefulness of the following information related to Audit Committee

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful
10- Committee members' names and their nature (Executive, Non-Executive or Independent).					
11- The Committee's responsibilities.					
12- Number of the committee meetings during the year and refer to any Important notes were detected through.					
13- The Committee members' qualifications and experiences.					
14- The board policy to change the committee members.					

Please indicate the most 1 or 2 important committee/committees whose information is important for you ……………………………………………………………………………………

Section Three: internal control and risk management disclosure

Please indicate the degree of usefulness of the following information related to risks and internal control

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful
15- The annual review results of the internal control quality and effectiveness.					
16- The risks that treat every activity or segment (including any penalties or lawsuits).					
17- The Board strategy to control the risks.					

18- The expected effect of the risks on the firm future and its activity through the next year.					

Section Four: Key performance indicators:

Please indicate the degree of usefulness of the following information related to key performance indicators

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful
19- Export activities distributed on products.					
20- Net profit distributed on the activities or products.					
21- The actual sales compared with the target sales throughout the year.					
22- The actual net profits/losses compared with the target profits.					
23- Profitability ratios.					
24- Liquidity ratios.					

Section Five: Changes in Fixed Assets

Please indicate the degree of usefulness of the following information related to changes in the fixed assets

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful
25- Information covers the fair values of fixed assets that are significantly different compared to the book values, especially lands and real estate.					
26- The significant changes in the fixed assets over the ended year (such as buying, selling, retirement, impairment… etc.).					
27- Tables and graphs show the main changes in the fixed assets over the last three years or more.					

Section Six: : Disclosure about Forward-Looking performance

Please indicate the degree of usefulness of the following information related to forward-looking performance

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful
28- The management plans for the additions and betterments.					
29- The expected market position.					
30- The expected profit during the next year.					
31- The planned finance sources for replacing fixed assets, launching new products, or branches.					

Section Seven: The social responsibility and environmental performance

Please indicate the degree of usefulness of the following information related to corporate social and environmental responsibility

Items	Very Useful	Useful	Moderate useful	Slight Useful	Not Useful

32- The employees' numbers.					
33- Total salaries and rewards for the employees through the year and the average for the employee income through the year.					
34- The average for the employees' productivity throughout the year.					
35- The Training programs to develop the employees' skills.					
36- The company participation in reducing the pollution and protecting the environment.					
37- The amounts paid by the firm to develop the surrounding community.					
38- The taken actions to verify the customers' satisfaction and attract new customers.					
39- The company policy to rationalization the water and saving the electricity as well as the unrenewable energy resources used in its activities.					

Appendix Two: The Disclosure Index

	Section One: Corporate Governance disclosure			Mandatory (M)/voluntary (V)	
	First: Ownership structure disclosure				
	Items	**Yes**	**No**	***Before 2013***	*After 2013*
1	The shareholders who own 5% of shares or more				**M**
2	The board members' ownership				**M**
3	Treasury Stock – if any- classified according to the purchasing dates, comparing with the previous year amounts and its percentage to the whole capital.				**M**
4	The variation in the main shareholders' ownership compared with the previous year				**V**
5	The variation in the board members' ownership compared with the previous year				**V**
	Second: Board Composition				
6	The Board Members names, and their nature (Executive-Non-Executive-Independent)				**M**
7	The meeting number during the year				**M**
8	The Board members qualifications and experiences				**V**
9	Publishing a detailed schedule show each member rewards compared with the previous year				**V**
	Third: Audit Committee				
10	The committee members names and their nature (Executive, Non-Executive or Independent)				**M**
11	The committee responsibilities				**M**
12	The number of the committee meetings during the year				**M**
13	The committee members' qualifications and experiences				**V**
14	The board policy to change the committee members.				**V**
	Section Two: Internal Control and Risks				
15	The annual review results of the internal control quality and effectiveness				**V**
16	The risks which treat every activity or segment				**V**
17	The Board strategy to control the risks				**V**
18	The risks effect on the firm future and its activity through the next year.				**V**
	Section Three: Key Performance Indicators				
19	The Exports distributed by products				**M**
20	Net profit distributed by the activities or products				**M**
21	Comparing the actual sales to the target sales through the year				**V**
22	The % of the actual net profit to the target profit				**V**

23	The Profitability ratios (at least one of Net Operational Profit/Sales, Net Operational Profit/ownership equity or capital, Net Operational Profit/Total Assets)				**V**
24	Liquidity Ratio (one of Cash Ratio or Acid test ratio				**V**
	Section Four: Changes in fixed Assets				
25	Information related to the fixed assets have fair values significantly differ from the Book Value, especially lands and real estate.				**M**
26	The Important changes in the fixed assets through the year (such as buying, selling, retirement, Impairment… etc.)				**M**
27	Tables and graphs to show the main changes in the firm assets and liabilities through the three years or more				**V**
	Section Five: Forward-Looking performance disclosure				
28	The management plans to the additions and betterments				**M**
29	The expected sales/revenues in the next year				**V**
30	The expected profits in the next year				**V**
31	The planned finance sources for replacing assets, launching new products, or branches				**V**
	Section Six: Corporate Social and Environmental Responsibility				
32	The employees' numbers				**M**
33	The average for the employee income through the year				**M**
34	The average for the employees' productivity through the year				**V**
35	The training programs to develop the employees' skills through the ended-year				**V**
36	The company participation in reducing the pollution or protecting the environment				**M**
37	The amounts paid by the firm to develop the surrounding community				**M**
38	The taken actions to verify the customers' satisfaction and attract new customers				**V**
39	The company policy to rationalization the water and saving the electricity as well as the unrenewable energy Resources which used in the firm activities				**V**

Appendix Three: Comparing the Disclosure on the Management Report's Items under the Old Regulation and the New Regulation

Items	Under Old Regulation (2 fiscal years)				Under New regulation (3 fiscal years)				Change
	Number of MRs	Frequencies of disclosure	Mean	STD	Number of MRs	Frequencies of disclosure	Mean	STD	
I1	309	76	.246	.431	473	465	.983	.129	+
I2	309	3	.009	.098	473	457	.966	.181	+
I3	309	11	.036	.186	473	454	.960	.197	+
I4	309	1	.003	.057	473	-	.00	.00	-
I5	309	-	.00	.00	473	3	.006	.079	+
I6	309	74	.239	.427	473	471	.996	.065	+
I7	309	11	.036	.186	473	466	.985	.121	+
I8	309	8	.026	.159	473	15	.032	.175	+
I9	309	2	.007	.080	473	12	.025	.157	+
I10	309	20	.065	.246	473	459	.970	.170	+
I11	309	10	.032	.177	473	455	.962	.192	+
I12	309	10	.032	.177	473	449	.949	.220	+
I13	309	2	.007	.080	473	3	.006	.079	No Change
I14	309	-	.00	.00	473	-	.00	.00	No Change
I15	309	2	.006	.080	473	3	.006	.079	No Change
I16	309	133	.430	.496	473	145	.307	.462	-
I17	309	64	.207	.406	473	81	.171	.378	-
I18	309	69	.223	.417	473	95	.201	.401	-
I19	191	81	.426	.496	287	210	.732	.444	+
I20	309	19	.062	.241	473	78	.165	.372	+
I21	309	72	.233	.423	473	86	.182	.386	-
I22	309	24	.078	.268	473	32	.068	.251	-
I23	309	97	.314	.465	473	154	.326	.469	+
I24	309	34	.110	.313	473	43	.091	.288	-
I25	309	9	.029	.168	473	166	.351	.478	+
I26	309	94	.304	.461	473	132	.279	.449	-
I27	309	4	.014	.113	473	6	.0127	.112	No Change
I28	309	146	.473	.500	473	208	.440	.497	-
I29	309	17	.055	.229	473	19	.040	.197	-
I30	309	8	.026	.159	473	10	.021	.144	+
I31	309	2	.007	.080	473	6	.013	.112	+
I32	309	148	.479	.500	473	460	.973	.164	+
I33	309	69	.223	.417	473	417	.882	.323	+
I34	309	63	.204	.404	473	79	.167	.373	-
I35	309	27	.087	.283	473	33	.070	.255	-
I36	309	40	.129	.336	473	315	.666	.472	+
I37	309	51	.165	.372	473	335	.708	.455	+
I38	309	5	.016	.126	473	12	.025	.157	+
I39	309	1	.003	.057	473	1	.002	.046	-