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AN OVERVIEW OF THE USE OF CORPORATE FINANCIAL REPORTS INFORMATION DISCLOSED IN ANNUAL REPORTS BY EXTERNAL USERS IN MALAYSIA

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INTRODUCTION

The primary purpose of preparing financial statements is to provide information that will be useful for a wide range of users in making business decisions. Users of corporate financial information such as shareholders, bankers, securities brokers and governments normally use annual reports together with other sources of information to evaluate the performance or creditworthiness of a company. A financial statement is prepared in order to communicate economic measurement and information about the resources and performance of a reporting entity. According to Epstein and Freedman (1994), the usefulness of annual reports to individual shareholders is not only on the financial part, but they are also interested on certain aspects of social responsibility such as product safety, quality and environment activities.

Starting from January 2006, Malaysian companies are required to implement all the Financial Reporting Standard (FRS) that have been issued by the Malaysian Accounting Standard Board (MASB) in the preparation and presentation of financial statements. The move by MASB to adopt International FRS is a reflection of Malaysia's commitment to align with global accounting standards in order to converge to one common set of standards for the entire developed world in this age of cross-border trading (PricewaterhouseCoopers, 2005). Through convergence, financial statements will become more relevant, credible and more transparent, all of which are critical to the effectiveness of Malaysian capital markets. Since FRS is still new and in a transition process, it is expected to have many problems and issues, thus this study focused on the annual reports prepared by Malaysian listed companies to shareholders prior to FRS implementation.

The annual report is seen by the accounting profession as an important device for financial communication between management and shareholders (Bartlett and Chandler, 1997). Stanton and Stanton (2001) contended that even if users of annual reports are assumed to be knowledgeable, the information itself could be in different degrees of comprehensibility. Hence, the quality of understandability is a characteristic influenced by both users and preparers of annual reports.

LITERATURE REVIEW

The perception of various user groups of financial information about corporate annual reporting has been investigated in a number of studies (see Abu-Nassar and Rutherford, 1996; Rahman 1999; Naser and Nuseibah, 2003; Al-Razeen and Karbari, 2004; Chen and Hsu, 2005 and Mirshekary and Saudagaran, 2005.

It is widely accepted that corporate annual reports are prepared primarily for external users that such reports should be designed, in form and content, according to the needs of external user. Users should therefore be contacted frequently to access their perceptions about various aspects of the reporting practices of public companies since their views will provide the main feedback to improve the communication function of corporate reports (Epstein and Pava, 1993).

The Use of Annual Report

Al-Razeen and Karbari (2004) makes a comparison with previous research elsewhere around the world and found that balance sheets and income statements are the most important section in annual reports. The board of director report was found to be the least popular among the external users.

A similar study was done by Mirshekary and Saudagaran (2005) to examine Iranian perception and characteristic of corporate annual reports that are currently disclosed in Iran. The authors include auditors, tax officers and bank investment officers as additional targeted users of the study by compared to Abu-Nassar and Rutherford (1996). In term of usage of annual report, they found that stockbrokers are the most frequent users while academicians ranked last.

In another Middle East environment, Jordan, Abu-Nassar and Rutherford (1996) undertook a study to discover the view of external users of annual corporate reports. The authors targeted different groups of external users, namely individual shareholders, institutional shareholders, bank loan officers, stockbrokers and academicians. In term of usage of the annual report, Abu-Nassar and Rutherford (1996) found that bank loan officers are the frequent users of the annual report in Jordan, while individual shareholders and academicians were found to be the least. They also found that the income statement and balance sheet to be the most widely read parts of annual corporate reports by all users. The authors documented the low degree of users' satisfaction about many qualitative characteristics of corporate reports in Jordan. In term of importance of the various sources of corporate information, Abu-Nassar and Rutherford (1996) argue that the annual corporate report to be the most important sources of information for all user groups. The only exception being the bank loan officers who indicated that the most important source of information to them was personal visit to companies followed by independent examination to annual reports itself.

Chen and Hsu (2005) focused on institutional investors in Hong Kong and found that the investors make use of annual reports when making investment decisions. They rank usefulness of annual report lower than other alternative information sources such as historical information on stock price, dividends and earnings, company related news, as well as advice from analysts from business magazines. Regarding the annual report itself, the investors demand additional information in particular relevant non-financial information to be disclosed in annual reports to help them make investment decisions. Chen and Hsu (2005) also argue that most of prior user perception surveys only report descriptive information of how users perceived various financial or non-financial items and therefore it provide very limited insight into how and why user perception of information usefulness differs.

Another study on perception of corporate reporting by Naser and Nuseibeh (2003b), reveal that Saudi Arabian investors consider annual reports as the most important primary source of information when making investment decisions. The result show auditor's report was perceived the simplest section to understand where as notes to the account and financial statement are not as simple as other parts of annual reports. The findings aligned with other studies where financial statement are the most important part while auditor's reports and directors reports were ranked least important.

User of corporate financial information such as shareholders, bankers, financial analysts and government normally use annual reports together with other sources of information to evaluate the performance of creditworthiness of a company. Rahman (1999) has done a survey on financial analysts to look up the reasons for using financial information and the perceived importance of different parts of information contained in the annual report. The researcher uses financial analysts as respondents with the assumption they are professional people who have the expertise in analyzing annual reports. Out of nine purposes of using the annual report, the respondents rank making decision on behalf of clients as the most important purpose of using annual reports, followed by advising clients. Furthermore, 14 parts of annual report were also included in the questionnaire and respondents were asked to rate them using a five-point scale. The result shows that the three most important parts of annual reports to the financial analysts are:

- Profit and loss statement
- Balance sheet
- Notes to the account

And the three least important parts are:

- Directors' report
- Auditor's report
- Pictorial statement

Corporate Report and External Users

The financial information provided by public service organizations should assist users in assessing the ability of the government organization in managing their affairs and resources efficiently and effectively. A study by Tayib et al. (1999) in Malaysia examined the relationship between the needs of the users of financial accounts prepared by local authority and the statutory requirements for financial reporting placed on Malaysian local authority. The respondents of the study were local taxpayers from fifteen (15) selected municipal council within peninsular Malaysia.

They found that:

- there is a big expectation gap between the needs of the users of local authorities financial accounts and the statutory requirements for financial reporting in Malaysia; and
- Statements of income and expenditure are the most important part in financial accounts.

The corporate annual report is the most comprehensive of the communication channel and has the potential to make information easily and routinely available in a single document. A study on information gap in annual reports on electrical industry in New Zealand by Hooks et al. (2002) aims to identify stakeholders' expectation of what should be disclosed in the corporate annual reports. The finding suggests several main areas where companies should focus attention on in order to improve the quality of disclosure in line with best practices reporting and the needs of stake holders. Three most important disclosures are:

- management objective and strategies;
- major contractual relationship; and
- segmental information: assets, revenue, expenses, profit.

Joseph et al. (1996), on the other hand, carried out a survey on Chartered Institute of Management Accountants (CIMA) to examine the link between external financial reporting and management accounting through the views of qualified accountants working in the UK industrial and commercial firms. The study was done due to much interest in the impact of external financial reporting on the internal (management) accounting and decision making processes of companies. In conclusion, Joseph et al. (1996), found that the survey had disclosed little evidence of generally held beliefs that external reporting dominates internal reporting. While there is evidence to believe that management can and do not attempt to influence investors' views through accounting policy choice, there were mixed findings regarding the impact of external reporting on management decisions.

Other Disclosure

Naser et al. (2003) reveals that external users of corporate information in Kuwait preferred to extract information directly from the company whether through the published annual or interim reports through direct contacts with companies themselves. The most important thing to consider by users in Kuwait of corporate information are credibility and timeliness. The users believed the financial statements to be the most credible and important part of the reports.

Stanton and Stanton (2002) suggest that the modern corporate annual report uses the tool of management, marketing and communicating theory to construct a picture of the organization. The study looks at how the annual reports are viewed from the perspective of researchers, assuming the researchers are more aware of the techniques employed in the reports. The perspective used by Stanton and Stanton (2002) on the purpose of annual reports from researchers' perception includes image management, marketing tools, organization legitimacy, political economy and accountability.

A re-examination study by Bartlett and Chandler (1997) on Lee and Tweedie (1977) survey, which was conducted twenty years ago on private shareholders in the United Kingdom companies where recent study assumed that much change has taken place within the financial reporting environment and disclosure item. Through a partial replication of Lee and Tweedie (1977), the authors try to determine the extent to which the modern report is read by shareholders. The study revealed that from the point of view of private shareholders, this has changed over the past twenty years, despite the efforts of the accounting profession and the corporate community to improve communications between management and shareholders. Bartlett and Chandler (1997) found that the most widely read section of annual reports is the chairman's statement, a result similar to that found by Lee and Tweedie in the last 20 years. Interestingly, the auditor's report was read the least by individual shareholders. There was also a noticeable decline found in shareholders' interest in the profit and loss account and balance sheet since the Lee and Tweedie (1977) study. As expected, the result of the Barlett and Chandler (1997) study is the association between the rate of usage and degree of importance that individual shareholders place on each section of the annual reports. The authors also disclose that the majority of respondents in their sample desire less information in the form of a summary report rather than the annual report itself.

In making corporate reports valuable, Berry and Waring (1995) discuss the major contribution to the debate on appropriate form and content of financial reports which was being recommended by McMonnies (1988). A number of bank lending officers in the UK had participated in the interview and case study exercise and found that a demand to extend the information in financial statement such as forecast and assumption. This finding has significant implication for the future form of financial reports such as a need for expanded data set to incorporate information on the future financial position and performance of the company together with information on the company background and economic environment.

Epstein and Pava (1993) examine the perception of the United States of America investors about various aspects of annual corporate reports. One of the main objectives of their study is to measure the change of the shareholders' perception about annual corporate reports over two decades. The authors found that individual investors significantly rely on annual reports more than they did about 20 years ago and rely significantly less on advice of stockbrokers. Regarding the different sections of the annual reports, the authors reveal that the US individual investors read and use the income statement and balance sheet more than other parts of the annual reports. Finally, the authors find out that there is a demand for more financial disclosure in the annual reports by the individual investors. For example, they demand disclosure of any pending litigation, unasserted claims, budgeted income for the coming year and restatement using current value. They also demand more non-financial information such as independent evaluation of management's effectiveness, reasons for the change of auditors and statements of audit committee responsibility.

Corporate information on social responsibility in annual reports has been reported in developed countries since the 1990's. However, a number of such reports in developing countries are still small and still a minor issue. A study conducted by Al-Khater and Naser (2003) at four different user groups in Qatar reveals that most companies are not reporting social responsibility due to administrative difficulties and management does not appreciate its social responsibility. The study also indicates that the objectives of the company emphasise its economic rather than social performance. In order to emphasize the accountability concept, the authors believe that the disclosure of corporate social responsibility information should be encouraged by the law rather than enforced by authorities.

In another study by Epstein and Freedman (1994), the authors survey on individual investors on the supply and demand for social information from US corporations. The authors find that there is a significant demand for information concerning this society disclosure, an aspect of the corporation's relationship with society. It is incumbent on the information suppliers to provide the information. Furthermore, if the social disclosures were audited, the external users of financial statements would be more likely to feel that the disclosures were not merely propagandas. Therefore, in order to meet the demand of financial statement users, the authors suggest taking progressive steps in order to have some types of required audited social disclosure that truly reflect the company relationship with society. The result shows that US shareholders feel that the social expenses should be given priority to stop pollution and improve safety products than to pay higher dividends. On the other hand, shareholders are less interested in the corporation using its resources to aid minorities, women or in making charitable contribution.

The disclosure of corporate information about employees has presented a basis in company law in the UK and such form a statutory item in published reports and accounts of larger companies. Day and Woodward (2004) commented on the role of companies' annual report in discharging social accountability. According to the authors, accounting is often referred to as the language of business and the reporting of organizations' corporate social responsibility activities form part of this accounting language. The authors highlight that the level of compliance with disclosure of information required under the Companies Act is rarely low. However, the authors do not provide a rational reason to explain why the companies fail to comply to the Companies Act. Finally, the authors suggest the development of an enforcement mechanism to ensure companies meet the moral responsibilities. The current analysis demonstrates that even where legislation is in place the lack of monitoring of compliance suggests that the government act symbolically by enacting the requirements rather than with the substantive intent of making organisations accountable.

The Quality of Annual Reports

Stanko and Zeller (2003) state that the accounting profession has recognized the need to improve the quantitative and qualitative disclosures in annual reports. The strength on developed countries depends on a financial reporting network that provides reliable and relevant information to the informed customers. For decades the corporate annual reports have provided employees, investors, bankers' analyst and others with valuable financial and non financial information. External users need the information to make sound business decisions in an environment where functioning operations are diverse,, economic events are complex and business units reach across national borders. The content, transparency and distribution of the annual report will likely change. Remaining will be the corporate annual report as the central repository for company information for the investors, employees, governments, suppliers and customers seeking information about the corporation.

To determine the quality of the annual reports, a definition of quality is needed to show the priority. External users and readers value the different items in annual reports. A study by Santema and Ritj (2001) states that much attention is being paid to the financial part of the annual reports of companies. However, not much research have been done on the quality of the reports of the board of directors in Netherlands. The hypothesis is that the way corporations disclose the strategy in annual reports is a variable that positively influences the quality of the annual reports. The finding reveals that Dutch listed corporations generally do not disclose a lot of information about their strategies. The results on little strategy disclosed in annual reports does not mean that firms in Netherlands do not disclose their strategies to all stakeholders. The annual report is only one vehicle to communicate with stakeholders on the strategy of a firm. There are other ways to get information, such as press conferences and analyst meetings.

Financial reporting information had been aimed mainly at internal users and audit officers, but this has changed in recent years. Hernandez and Perez (2004) have provided evidence to Spanish local public financial information that is relevant to credit institution's decision making and has acceptable level of guarantee. The researchers mention several improvements in the financial information or a new information need that credit institutions deem essential so that the information received be more understandable and help users in making decisions. Among the improvements needed are:

- More detailed information regarding the debt; differentiation within the fixed asset that appear on balance sheets between those that can receive a real guarantee and those that cannot, a more developed cash surplus statement;
- Non-accounting information highlights the fact that analysts take into account both financial and non financial variables; in other words, the financial information is not the only data the users need since having qualitative information is also of great relevance; and
- New financial information: the drawing-up of forecast financial statement, consolidated information and net saving statement.

Hernandez and Perez (2004), concludes that any suggestion from specific interest group of users, the compulsory accounting information would need to be extended to include new financial statements and qualitative data.

Liability and Reliability of Corporate Report to Users

Adam and Kimber (1993) suggest that it is the responsibility and sharing the liability between directors, senior managers, financiers as well as auditors to take care of shareholders interest on the financial report. Auditors are not involved in the preparation of the presentation of financial reports rather, they are involved in the independent examination of reporting on that information.

The readability and understandability of annual reports are discussed by Courtis (1995). He notes that, although readability and understandability are related, they are different. Understandability is reader centered and is contingent to the reader's background, prior knowledge, the purpose of the reader, interest and general reading ability. Meanwhile, readability is text centered and no account is taken of reader characteristics. The study was conducted in Hong Kong, where the author made the comparison between annual reports readability undertaken in Western countries where English is the first language of preparers and the annual reports in Hong Kong where English is the second language of the preparers. The result on readability for chairman address and footnotes in Hong Kong lean towards the UK score, which might be explained by the presence and influence of managers in Hong Kong corporations who either are British or are educated in England.

Jones (1996) comments on Courtis (1995) study, on the characteristics which management may manipulate. According to Jones, the study should be seen principally as providing evidence about the syntactical difficulty of accounting text rather then their understandability. As such, Courtis (1995) research should be seen as one of accounting narrative.

Baker and Wallage (2000) point out that financial reports have evolved from relatively simple documents into complex documents that have considerable importance to many people throughout the society. The authors indicate that the historical understanding of the relationship between directors, auditors and shareholders of a limited liability under British company law is that all of the parties are members of the same company (see Figure 1). Pursuant to this understanding, shareholders might be directors at certain times and at other times they might be auditors and then return to being only shareholders.

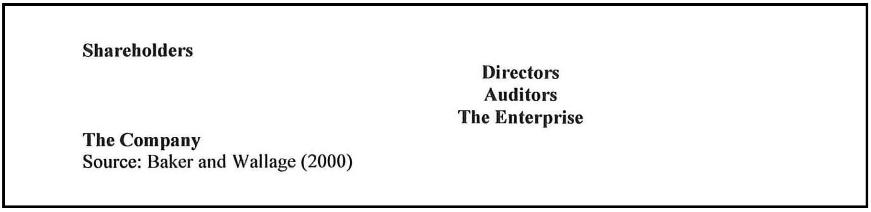

Figure 1: Historical Model of Financial Reporting (Approximately 1400-1850 A.D.)

Figure 2 presents a new model of financial reporting which could provide a basis for achieving a consensus on the goal and purpose of financial reporting in the twenty-first century. The new financial reporting model would be an increased emphasis on the accountability of managing directors to wider group of stakeholders. However, Baker and Wallage (2000) conclude that the future of financial reporting is difficult to predict, but it is likely to be a future marked by change.

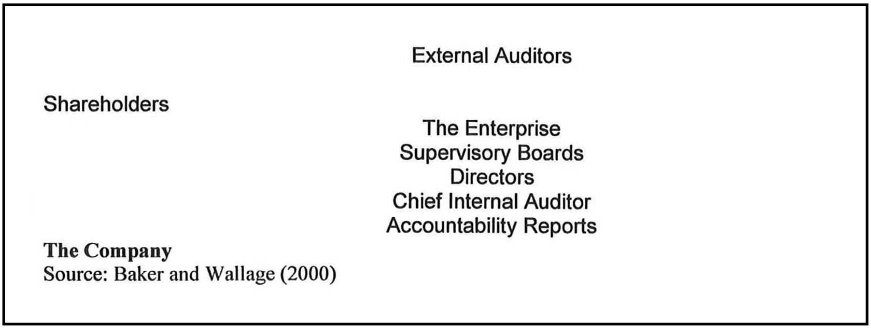

Figure 2: A New Model of Financial Reporting

Graham *et al.* (2005) conducted a survey and interviewed more than 400 executives to find the economic implication of corporate reporting and disclosure decision. The study found out that managers want to meet or beat earning benchmarks to:

- build credibility with capital market;
- maintain or increase the stock prices;
- improve the external reputation of the management team, and convey future growth prospect.

If the managers fail to hit earnings benchmark, it will create uncertainty about a firm's prospect, and raise the possibility of hidden, deeper problem at the firm.

Others Disclosures and User of Annual Reports

Joseph *et al.* (1996) investigated the connection between external financial reporting requirements and internal accounting and decision-making. From the responses that have been obtained through the questionnaire survey, a number of clear patterns have been identified in the expressed perceptions of U.K. qualified management accountants. The survey has disclosed little evidence of a generally held belief that external reporting dominates internal accounting. While there was evidence of a belief that management can and do attempt to influence investors' views through accounting policy choice, there were mixed findings regarding the impact of external reporting on management decisions. There tended to be agreement with the statement that management decisions to allocate resources to particular activities are based primarily on internal accounting reports but a range of opinion was expressed about the statement that externally imposed accounting standards for published financial statements influence management decisions. The findings leave some doubt about the views concerning the impact of external reporting on management decisions.

The timeliness and frequency of publication of annual report had been discussed widely among the accounting profession. Dulla and Tegardenb (2004) stated that under the current reporting or assurance paradigm, if companies report continuously, auditors must monitor and audit on a continuous basis. Current audit standards generally address the outcomes, rather than the detailed procedures that the auditor must follow to meet the objectives of the audit. The author suggested a technique for monitoring continuous financial information using control charts of accounting information. The author used financial data and used to implement control charts. Part of the selected companies had known errors, while others had no known errors. The resulting control charts and common interpretation rules identified potential systematic problems only in the companies with known errors. The finding suggests that control charts may provide a way to continuously monitor business and financial processes. Control charts have been successfully used to monitor manufacturing processes and to identify processes when they become out of control. Examples show they may also be beneficial when monitoring financial processes, by helping identify patterns that may indicate a problem with underlying accounting data.

Graham *et al.* (2005) conducted a survey on 400 executives to determine the factors that drive reported earnings and disclosure decisions in financial reports. The author found that managers would rather take economic actions that could have negative long-term consequences than make within-GAAP accounting choices to manage earnings. A surprising 78% of the study sample admits to sacrificing long-term value to smooth earnings. Managers also work to maintain predictability in earnings and financial disclosures. The finding also reveals that managers make voluntary disclosures to reduce information risk and boost stock price but at the same time, try to avoid setting disclosure precedents that will be difficult to maintain.

The study reports financial executives' opinions and motives for earnings management and voluntary disclosure. The author found this research contributed in four different dimensions. The first dimension is to establish some stylized facts about financial reporting. Second, executives rate the descriptive validity of academic theories about why managers make voluntary disclosures or manage reported earnings numbers. Third, the interviews and surveys suggest new explanations for several phenomena that have not received extensive attention in the academic literature. Fourth, identify simple heuristics that determine the process by which executives make financial reporting decisions.

Barton and Waymire (2004) using a sample of New York Stock Exchange firms during the stock market crash of October 1929, to test whether availability of higher quality financial information lessens investor losses during a period seen as a stock market crash. They provide evidence that managers have incentives to report higher quality financial information absent of a regulatory mandate, and that such reporting provides beneficial investor protection. The authors also measure financial reporting quality along the dimensions of financial statement transparency and credibility and measure investor protection by the reduction in investor losses during October 1929 associated with higher quality financial reporting. The empirical analyses show that we find that the quality of firms' financial reporting increases with managers' incentives to supply higher quality financial information demanded by investors. Moreover, firms with higher quality financial reporting before October 1929 experienced smaller stock price declines during the market crash.

This evidence suggests that managers respond to economic incentives to supply higher quality financial reports even in the absence of regulation. Our analyses also show that investor losses during the October 1929 market crash were statistically and economically smaller for firms with higher financial reporting quality, after controlling for endogeneity in managers' reporting choices, inherent noise in fundamental values and firms' risk profiles.

Hooks *et al.* (2002) done a study to electricity related companies in New Zealand and it also involved listening to the information needs of potential users of electricity company annual reports. Their concern is to make the companies and their activities more transparent by providing sufficient, understandable and easily accessible financial and non-financial information that enables stakeholders to fairly assess performance and progress, including strategies for setting prices. A prime way of achieving this is through more thorough and comprehensive reporting in the corporate annual report. This research provides companies' report preparers with clear indications on the kinds of information and disclosures needed to reduce the information gaps in future. The main areas where companies should focus their attention in order to improve the quality of their disclosures in line with best practice reporting and the needs of stakeholders are such as management objectives and strategies major contractual relationships , forecast of next year's profits/earnings and discussion on major factors influencing next year.

A study by Mack and Ryan (2006) in Australia determine the appropriateness of a general-purpose financial reporting model derived from a "decision-useful" framework for government departments. The survey was conducted in order to access users of government department general purpose financial reports and is innovative because it has directly studied actual users across the entire public sector.

The authors indicate that general-purpose financial reports are used to satisfy financial accountability and public accountability rather than decision making – indicative of users having an accountability focus rather than a "decision-useful" focus. This provides systematic empirical evidence against the current financial reporting model used internationally in the public sector.

Moreover the findings for the information content of the general-purpose financial reports of government departments support the contention that the current general-purpose financial reporting framework is not relevant for users needs. Users in this research indicated that they preferred performance information to general-purpose financial information. The major finding of this research concerns the purposes for which information is required, and the implications this has for the basis from which general-purpose financial reports are prepared. The finding that general-purpose financial reports are used to satisfy accountability requirements rather than for economic decision making is indicative of users having an accountability focus rather than a "decision-useful" focus. Ideally, reports prepared from an accountability framework would contain different information than those prepared from a "decision-useful" framework.

Hirshleifer and Teoh (2003) study firms' choices between alternative means of presenting information, and the effects of different presentations on market prices when investors have limited attention and processing power. The authors examine the effects of alternative: levels of discretion in pro forma earnings disclosure, methods of accounting for employee option compensation, and degrees of aggregation in reporting in a market equilibrium with partially attentive investors. The study has examined the consequences of limited attention for disclosure, financial reporting policy and market trading. Hirshleifer and Teoh (2003) approach addresses the issue of why practitioners care about the choice between recognition versus disclosure, and between informationally equivalent forms of disclosure. Owing to limited attention, such choices can affect investor perceptions and market price. In our approach, investors sometimes neglect relevant aspects of the economic environments they face, such as strategic incentives of firms to manipulate investor perceptions. To show the range of applicability of this approach, analyses have been made on the relation of limited attention to pro forma disclosure of non-GAAP earnings measures, the effects of expensing employee stock option compensation when granted, and to aggregated versus segment reporting in diversified firms.

Transition from International Accounting Standard (IAS) to International Financial Reporting Standard (IFRS) has given an impact on the financial reporting. Goodwin and Ahmed's (2006) study on the impact on the small and medium sized companies in Australia suggest that the transition to IFRS has not been onerous for small firms. Most small firms are unaffected by IFRS and those that are affected have fewer changes to make to net income and to equity than both medium-and large-sized firms. The authors conclude that the transition to IFRS has not been onerous for small firms. However, the results for medium-sized and large firms are mixed with some indicating a variability decrease, especially for medium-sized firms.

Since, most small firms are unaffected by A-IFRS the changes in earnings variability are due to a few firms that have large changes in (scaled) net income. The author added that IFRS has not had as detrimental affect on small firms as on medium and large firms.

Studies by Benschopa and Meihuizenb (2002) analyse representations of gender in the financial annual reports of 30 corporations. Building on several critical theoretical perspectives, it examines how annual reports contribute to the gendering of organisations through an empirical study of representations of gender in their texts, statistics and images. The results suggest that stereotypical images are dominant and the representational practices reinforce the traditional gendered division of labour. The author concludes that the masculine connotation of financial reports thwarts a more diverse representation of gender in organizations.

This study shows how the representations of gender in financial annual reports contribute to the gendering of organisations. The results of analysis support the critical accounting notions that undermine the accounting profession's claims to neutrality and independence. The gender representations found in annual reports serve the processes of power and domination studied by critical organisation theories. Especially, the male dominance in organisational arrangements and the gendered division of labour highlighted in socialist feminist theories are broadly reinforced in annual reports.

Benschopa and Meihuizenb (2002) added that the corporate identity captured in visual signals often reflects male, grey-suited, businesslike, reliable managers, adorned with symbols of power, who devote their lives to their careers in prosperous organisations. The dedication to work is equally manifest in pictures of non-managerial men featuring in high-tech factories or construction sites, communicating a corporate identity saturated with manifestations of masculinity. Compared to men, women are underrepresented in the corporate identity as organisational insiders. In their capacity as organisational outsiders, women symbolise the private sphere and are often reduced to their attractive or even sexy bodies, devoid of the power of speech or the power of the gaze.

Finally, the author concludes that financial reports have a masculine connotation that reinforces the masculine logic of accounting. With these representations of gender in their corporate identities, organisations keep up traditional appearances concerning femininity and masculinity. They build on fossilised norms that lag behind the current developments in gender relations in organisations. Further, since representations constitute reality, they impede women's rise to positions of power and consequently deprive the organisation of women's talents and expertise.

Web Based Annual Report

The internet is increasingly important for financial reporting. The majority of the listed companies in developed countries now have a website on which they publish financial information. Jones and Xiao (2004) stated that, internet potentially has the power to revolutionise external reporting. Company websites can include that traditional annual report together with additional financial and non financial information in multiple formats. The use of multimedia presentation formats also allows corporate information to be presented in innovative ways. Reporting companies will benefit from using the internet as a cheaper and faster shareholder communication medium, however will incur additional cost meeting the increased demand for customized and customizable information, protecting data integrity and enhancing security.

The technological environment today allows information providers to make financial information available to decision makers using internet. Many public companies using their own websites provide their current financial statement information in more aesthetically pleasing format including graphics. Dull et al. (2003) looks at the annual report presented in paper versus multimedia format. The presentation at using multimedia looks more entertained, but users had better recall using the paper reports. In term of decision making, they did not find any differences relating to the ability to persuade either in multimedia and traditional presentation.

Future Research

It is suggested that future research should aim to explore the understanding of the financial reporting in Malaysia by seeking opinions of various user groups. The study should also examine the importance of the different sections of the corporate annual reports.

The research objectives that are recognized for the future research are:

1. To examine the use of annual reports by individual shareholders, bankers, stockbrokers and academicians;
2. To identify the users' perception of financial reporting items that are disclosed in annual reports and the rating of the elements based on usefulness.
3. To determine the importance of non-accounts disclosure in annual reports that influence users' investment decisions.

The intended new knowledge gained from future research is believed to benefit the academicians, standards setters, regulators and also add to the existing stock of literature. This study will provide a significant finding to indicate the purpose of using the financial reports and other information disclosure in the annual reports among various Malaysia user groups. The findings can also be used as a comparison, yardstick and reference for academic purposes.

CONCLUSION

This paper has reviewed the perceptions of user groups of corporate annual reports in Malaysia and the degree of consensus among users of corporate annual reports. It can be concluded that the reliability and usefulness of corporate annual reports to various user groups depends on the:

- Level of importance of different sections in the corporate annual reports among various Malaysian user groups which are influenced by the characteristics of the annual reports, ability to access information by the users and adequacy of the financial items disclosed.
- Perceptions of various user groups regarding the understanding of information contained in corporate annual reports which are influenced by their knowledge, language competency and readership.
- Perceptions of various user groups on the characteristics of useful corporate information which are influenced by their education background, type of company, job description and length of service.

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