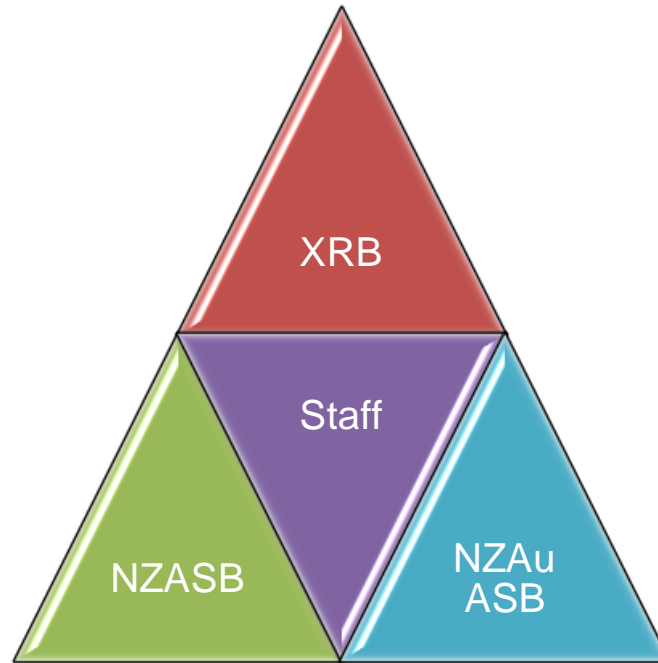


User Information Needs For-profit entities operating in New Zealand Capital Markets

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Research Summary
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Introduction: about us



- External Reporting Board (XRB)
- New Zealand Accounting Standards Board (NZASB)
- New Zealand Auditing and Assurance Standards Board (NZAuASB)

Introduction: use of IFRS in New Zealand

- NZ IFRS comprises:
 - IFRS Standards as issued by the IASB
 - Some additional standards and disclosures
- Applied to publicly accountable for-profit entities, including:
 - Listed companies
 - Other issuers of debt or equity securities
 - Banks and other financial institutions
 - Insurance companies
 - Large state-owned enterprises

Research focus and purpose

- Research focused on the information needs of users of the financial statements of for-profit entities operating in NZ capital markets
- The aim of the research is to:
 - Determine if user information needs are the same or different for domestic entities vs international entities
 - Understand if financial statements are meeting user information needs
- The XRB commissioned Massey University to undertake the research

Participants

- Online survey of 145 respondents, and 10 in-depth interviews



- Participants' interest in domestic and international markets



User information needs for domestic vs. international markets



- Users interested in domestic market entities are not significantly different from those interested in international market entities.

Sources of information used by participants in decision making

31% of users see financial reports as their primary source of information, second only to advisors'/analysts' reports

FINANCIAL REPORTS **31%** **35%** ADVISORS'/ANALYSTS' REPORTS

Technical ability is a factor here. Non-users of financial reports tend to have less technical knowledge

Use of financial reports

- Are corporate financial reports used in decisions relating to investments and/or corporate performance?

	Investors	Lenders	Intermediaries	Regulators	Overall
Yes	82%	86%	74%	88%	79%
No	18%	14%	26%	12%	21%

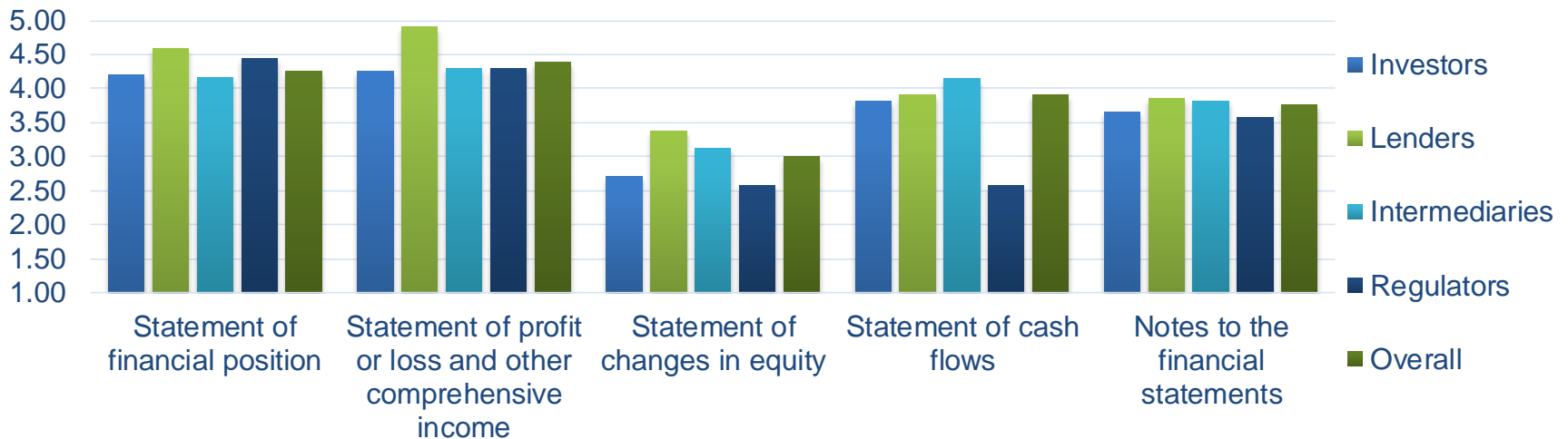
79%

**use corporate
financial reports**

They use both the financial statements
and management narrative

Components of financial statements

■ Usefulness of components of financial statements



■ 1 to 5 scale, where 5 is the most useful

Information in the financial statements

- Financial statements contain information that is not useful or could be left out

	Investors	Lenders	Intermediaries	Regulators	Overall
Yes	41%	16%	13%	43%	24%
No	59%	84%	87%	57%	76%

76%

of respondents find all financial statement information useful
– “all helps to build a picture”

- Information is not included in the financial statements that would be useful

	Investors	Lenders	Intermediaries	Regulators	Overall
Yes	73%	53%	25%	43%	46%
No	27%	47%	75%	57%	54%

Suggestions for improving financial statements



- Greater consistency in the format/ presentation of financial statements;
- Simplifying and standardising reporting and the language used;
- Improving disclosures on contingencies, guarantees, obligations and related party transactions;
- Providing 5-year summaries, key performance indicators and forecasts;
- Providing more non-financial and sustainability information; and
- Improving timeliness of reporting.

Other information in financial reports

- The usefulness of supplementary information in financial reports

	Investors	Lenders	Intermediaries	Regulators	Overall
Information on business strategies, and prospects for future financial years	4.38	4.42	4.41	3.83	4.35
Narratives that explain entity's performance and financial position	4.31	4.75	4.00	3.33	4.20
Information about entity's business	3.34	4.33	3.86	2.83	3.64
Summary financial information	3.34	3.75	3.64	2.33	3.42
Others	1.72	1.17	1.09	1.00	1.36

- 1 to 5 scale, where 5 is the most useful*

- Required additional supplementary information that is not included in current corporate financial reports

	Investors	Lenders	Intermediaries	Regulators	Overall
Yes	64%	55%	31%	75%	48%
No	36%	45%	69%	25%	52%



Questions

