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REPORTING OF ACCOUNTING INFORMATION: A REVOLUTION IN FINANCIAL ACCOUNTING FIELD

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Abstract: The study aimed at assessing the revolution came in through reporting of financial information. This assessment came about following the pitfalls they were during book keeping era when financial (accounting) data were just kept in the book of accounts. In that era the collected financial data were just managed in the books of account .In book keeping, reporting was ideal implicating that financial data were for the interest of management called internal users only. Following inventions in book keeping and indeed after a revolution of accounting requiring commercial firms present financial reports, then reporting has been a vital process .Reporting and presentation of standard financial accounts or final accounts has been a rule and platform, accounting and finance unit s has to comply with. To reveal these un-coveries, the study used positivistic philosophy, survey as a research strategy and explanatory research design. From a population of 1,000 being practioners; academicians specialized in accounting field from colleges and universities found in Mbeya; CPA holders were involved in which a sample of 107 was derived. Moreover the facts revealed from a sample frame involved were collected using questionnaire. Analysis of collected data were done using inferential statistics tools including variance inflated factor(V.I.F), canonical correlation, partial correlation and principal analysis. The results of analysis shown that the revolution brought through reporting of financial information is that the interest of users of such information was sustainably met. The interest to be met included liquidity, efficiency, profitability and leverage adequacy of the business those users contracted with. This was moreover revealed to help users especially external users get assured of going concern, survival and ongoing relationship. This also found to ascertain survival, growth and performance of users' businesses. It is from these results, the study recommends that business firms should be reporting and presenting standardized financial statements.

Keywords: *Financial/accounting information, Reporting, Financial field.*

1.0 Introduction

The process of keeping or managing financial/accounting information has been undertaking evolution since then today. While in old times financial details were just recorded in the books of accounts prior to its collection. Later and in order to meet the users demand, those information are to be subjected to financial reporting (Faccia, AlNaqbi & Lootah, 2019). It is through reporting where financial accounts/reports are analyzed and interpreted for them to be understood by external users (Taylor, 2003). In ancient time where financial data were just kept in the books of account, the process was called bookkeeping. The books of accounts were financial details were kept include journals, ledgers, trial balance and financial statements. It is through financial reporting; now book keeping has been changed to accounting. In accounting which is expressed in term of accounting cycle where the last stage is reporting prior to data analysis.

Financial reporting which is accompanied by analysis and interpretation of financial accounts/reporting employ three methods including comparable, trend and structural analysis (Hassani, Farahani Hedayati & Najafi-Ghodsi, 2013). It is from this kind of analysis where liquidity, efficiency, profitability and financing mix of a firm is revealed. The listed predictors above enable users of financial reports decide to enter a business contract with a firm, withdrawal or establish ongoing relationship (Weil, Schipper & Francis, 2013).

Using comparative analysis technique, a user decides wisely on the firm to contract with. As it is under structural analysis where accounting ratios are applied, comparative analysis function the same (Welc, 2022). Comparing the two companies say A and B in terms of efficiency for instance reveal that, a company whose turnover is greater is the one which attract customers (users) contract with. Efficiency or turnover is a measureable of the extent to which a firm is able to convert the assets (resources) it has into revenues/sales. The assets under discussion measuring management efficiency include debtors, inventory, fixed assets, total assets, net assets (Nusari, AlFalasi, Alrajawy, Khalifa & Isaac, 2018).

Trend analysis method as it is with other methods i.e. structural and comparative checks for the accounting period during which the firm was say the more liquid than in other accounting period (Shen, Chen & Wang, 2019). Normally a worse financial trend withdrawal or cause customer not creates business relationship with a given company but a good progressive trend.

Structural analysis method applies ratios called accounting ratios (Welc, 2022). This is a typical and common method of comparing two predictors under analysis. For instance in determining the year or which company is profitable than the other the profitability ratios are used including gross profit margin, net profit margin, return on assets (ROA), return on equity (ROE), return on capital employed (ROCE), interest cover and dividend cover accounting ratios.

Using gearing accounting ratios such as debt to equity, debt to asset, debt to capital, the way in which a firm finances its operations/plans is revealed. It is through gearing or leverage ratios therefore users/customers (Kahl, Lunn & Nilsson, 2019) such as liquidators/creditors would be in position to offer or not offer its merchandises (supplies) on credit. Normally for a firm which finances its operations using external source i.e. debt financing is delicate not to be learnt or supply goods with it on credit or on account. This is from the fact that, that firm would be in danger o becoming insolvent and therefore declared bankruptcy. A declared bankruptcy firm might be not able to settle for obligations on hand both long term and short term ones (Afolabi, Olabisi, Kajola & Asaolu, 2019).

According to Westerdahi (2021) in Sweden, it was revealed majority of suppliers were revealed to be attracted in offering their supplies to buyers/purchasers of which their financial statements read liquidity. It is with this fact which shows that a business firm reading more liquidity is capable of settling for short term debts(current liabilities), the liquid firm also indicate that finances its operations using assets the firm own which is good in business doing.

In Namibia and according to Simasiku (2020) it was reported that a firm reporting efficiency of more turn over attracted for more investors and lenders. This is from the reality that a firm reporting more efficiency shows to appropriately utilize its resources. That means the going concern of business operations is there certain and that even the money to be learnt or invested would be efficiently utilized to realize sales/revenues. Revenues/sales are returns from operations of which then it will be a certification and certainty for the dividend (to investors) and returns /repayments to lenders to be executed.

In Rwanda, 80% of the firms reported profitable were reported to be first prior for investors enter contracts with them (Celestin, 2019). This is from the assurance that a firm reading profit is able to settle for long term debts/obligations together with paying for dividend (return from investments). It is through sustainable or assurance of dividends to be paid what reported to help investors continue injecting shares for prosperous of the company business. Short of that the investors (shareholders) might decide to withdrawal from the company. This has reported to be the causative agent for most of companies wind up or cease their operations.

From the background reviews above, none have said on why accounting, what is the knowledge gap this study has addressed. Financing accounting which ends up with reporting has been useful in meeting customers (external users) demand. Through the model picker-product which insists on quality innovation of the product for sustaining customers-innovation trade-off is the issue why this study was conducted. Customer innovation or picker-product model put emphasize on cost/investment to be done by customers/users should trade-off with returns from such investment/businesses. The same, financial accounts/reports-the products should be of quality to sustain the interest of users. The quality financial reports or statements or accounts are appropriate tools for customers (users) become economical, efficient and effective in their businesses. The thorough presented, analyzed and interpreted financial reports are innovative tool for users (customers) meet their insights/interest or demand. Thus, it is through financial reporting where customer-service centricity is attained.

2.0 Literature Review

2.1 Theoretical Literature Review

The study adopted picker-product model founded by Picker (1993). The model proposes on meeting customer need or interests by identifying the problem first. Under problem identification the actual need of customers now, users of financial reports/statements is identified. The model reports on the advantages of ensuring a trade-off between the product now financial accounts and satisfaction of users those information products. Picker was a professor of wireless technology in which he proposed that through inventing on innovative technology the services become customer centric which then maximizes the customer satisfaction. The picker in accordance to this study implies the financial users and the product implies financial accounts/reports/statements. The fairly presented financial reports are the key for users' being efficiency (Isidro, Nanda & Wysocki,2020).The concrete analyzed and interpreted financial reports help users customers) make an effective decision (Kimmel, Weygandt & Kieso, 2020). For a user contracting or establishing strong relationship with a particular firm depend on the factor satisfaction or simply the need/interest of that particular customer is achieved. Short of that a customer (user) may decide to withdrawal or bleach a contract relationship (Vitolla, Raimo & Rubino, 2020)

2.2 Empirical Literature Review

In Belgium, the listed manufacturing firms revealed to prepare and present financial reports. It was from this managerial practice in which by 85%, it was revealed to attract more investors invest in those companies (Hendrickx, Truyens, Donders & Picone, 2021). Financial reporting found to provide assurance to investors to attain what they expected from their investment i.e. returns from investment.

In China construction firms, both small and large ones gain trust to be given credits/bonds for execution of contracts (Li, Xiang & Djajadikerta, 2020). The trusting found to be great to the extent of receiving contract performance bond from its host country and other international financial institutions including World Bank brought through presentation of fair financial reports. It was moreover explicitly found that Chinese contractors gain a great trust and that is why they are able to win most of complex and high valued contracts (projects). The wide spreading of Chinese construction companies in the World including

Tanzania is the indicator of a great trust paired to them due to preparation and presentations of financial statements.

Presentation of financial reports was an indicator of institutionalization and professionalism censed by SMEs in Zimbabwe (Nelson & Onias, 2011). It is through institutionalization created which gave trust to incubators donates SMEs for their growth. It is through institutionalization sustained through disclosure of financial reports which assures donors/sponsors for the firms to realize performance (Dlamini, 2020). Institutionalization is the indicator of pillars of good governance which is an assurance of financial management stakeholders to the firm to operate to efficiency.Presentation of financial statements/reports is a sign of commitment and accountability of the firm management (Jachi & Yona, 2019). It moreover shows the extent to which the firms' management is efficient in the use of its resources (assets).

Presentation or disclosure of financial details by trading firms in Kenya found to raise firm transparency by 70% (Tanui, 2020). It is through presentation of financial statements to users in which dictation over transparency and good governance attributes was achieved (Gichaaga, 2014). It is through transparency in which creditors, lenders got trusted with such firms. It is through demonstration of transparency one of the element of pillar of good governance in which assurance of the trading firm to operate in foreseeable future was found to be certain by 65% (Gichaaga, 2014).

3.0 Methodology

The study was conducted in Mbeya from which accounting entities was involved. The study used to the selected firms and the main focus was with practioners and those who found to be not used to financial statements analysis as a picker-product innovation model. The pilot survey conducted revealed the traditional method from which majority of personnel in were just managing the books of accounts i.e. simply keeping financial records without reporting them. That means the financial data were kept in the books of accounts without being disclosed to people interested with who are then external users as refers to financial accounting.

Survey research strategy was used and explanatory research design being employed to reveal the fact behind the scene regarding financial reporting and revolution in accounting field. From 1000 population of practioners, academicians specialized in accounting from colleges and Universities found in Mbeya such as St Augustine University of Tanzania, Tanzania Institute of Accountancy, Mzumbe University, Mbeya University of Science and Technology and Teofilo Kisanji University. Apart from involving practioners, academicians, also CPA holders were involved through its professional association i.e. NBAA Association in Mbeya from which a sample of 107 was derived. The derivation of sample applied the margin of error (α) =0.1 and through Cochran formula the stated 107 sample was then obtained. Sampling employed systematic sampling technique, from which in the interval of 3 at least 30 respondents were obtained from a sampling frame of 800 practioners, 150 academicians and 50 CPA holders. The data collection used questionnaire made in a 5 point likert scales of 5= strongly agree, 4= agree, 3= neutral, 2= disagree and 1=strongly disagree. The collected data were processed, coded and subjected for analysis. The analysis used inferential statistics tools including VIF, Canonical correlation, partial correlation and principal component analysis (PCA). The equations guided the analysis were:-

$$FL = \beta_0 + \beta_1 CUR + \beta_2 QR + \beta_3 CR + \varepsilon \qquad (1)$$

Where FL = Firm liquidity; CUR= current ratio; QR=Quick ratio; CR=cash ratio; e=error term.

$$FE = \gamma_0 + \gamma_1 ITRP + \gamma_2 DTP + \gamma_3 CDP + \varepsilon \qquad (2)$$

Where FE=firm efficiency; ITRP=Inventory turnover; DTP=debtors' turnover period; CDP= creditors' deferred period

$$FP = \delta 0 + \delta_1 GPM + \delta_2 NPM + \delta_3 ROA + \varepsilon \qquad (3)$$

Where FP= firm profitability; GPM =gross profit margin; NPM=net profit margin; ROA=return on assets

$$FL_e = \alpha_0 + \alpha_1 DE + \alpha_2 DA + \alpha_3 DCE + \varepsilon \qquad (4)$$

Where DE =debt to equity; DA=debt to asset; debt to capital employed

4.0 Results and Discussion

4.1 Financial Accounting and Realization of Liquidity of the Firm

In here the study aims at determining the effects of financial accounting in realization of liquidity of the firm. The items included under discussion were current assets, current liabilities, cash and current assets- (inventory + prepaid). The results of analysis as shown in Table 1 prove for the fact that financial reporting had a positive influence on revelation of liquidity of the firm.

Table 1: Variance inflated Factor results

Constructs	**Factors**	**df**	**VIF**
Current ratio	55.64	107	0.52
Quick ratio	65.27	107	0.61
Cash ratio	57.78	107	0.54

Source: Author's computations (2022)

With VIF >O.5 indicate that the positivistic relationship exist between financial reporting and determination of liquidity of the firm. The VIF =0.52 for the current assets/current liabilities shows a surplus working capital achieved by the firm. This is also an indicator for recommended 2:1, current ratio attained b the firm (Ferreira, 2020). Opposite of that means deficit working capital which discloses that the firm finances its operations using debt external sources. Acute debt financing might end up with a firm being solvent before being declared bankruptcy.

With VIF =0.61 for current assets - (inventory +prepaid)/current liabilities shows that the firm cash conversion cycle over inventory and prepaid amount is satisfactory for the firm before liquid in short determinable time period. The positive results over VIF=0.61 indicates the threshold level for acid test ratio to be 1:1.

With cash ratio= (cash/current liabilities), given VIF=0.54 was an indication that the firm solvency situation is achieved for when a firm has adequate cash and cash equivalent. It is with these blessing positive results also given Chi-2=6 (Refer Table 5) in which it shows that proper analysis of financial reports help to disclose the liquidity capacity of the firm business.

Using trend analysis technique an accounting period when say the current ratio, quick and test or cash ratio read more or a recommended level is said to be a more liquid time of the firm. Thus for the user enter a contract with a given firm, the liquidity should be adequate over or equal to recommended levels in a progressive trend. The same scenario is taken by customers (users) in creating business relationship with a firm. In which a choice is based on liquidity comparative analysis (Dianova & Nahumury, 2019).The liquidity reading shows the capacity of a firm to foster its daily operations by using internal sources i.e. cash and other current (liquid) assets.

4.2 Financial Accounting and Realization of Efficiency of a Firm

Using this subtitle, the study aimed at determining the effects of financial accounting on realization of efficiency of a firm on the use of organization assets. The predictors underwriting this determination included inventory turnover, debtors' turnovers, creditor's turnover and net assets turnover. The results of analysis were as shown in Table 2 below.

Table 2: Canonical Correlation

Variates	**R^c**	**Wilks'-λ**	**χ2**
Inventory turnover	0.64	0.64	0.01
Debtors' turnover period	0.57	0.34	0.01
Creditors' deferred period	0.59	0.26	0.03

Source: Authors' computations (2022)

With canonical correlation results Rc = 0.64 shows inventory turnover >1.The physical meaning of this ratio indicates that management is efficient in the use of inventories it has to convert them into sales or cost of sales. The same positive results was over R^c =0.57 regarding debtors' collection turnover. This implies the same on the less efficient period used in collections as it is supposed to be with inventory turnover period (AlBreik & Nobanee, 2019).

Given canonical correlation coefficient results R^c = 0.59 pertaining creditors' deferred turnover shows the great credit purchases of merchandise executed. It is under the same scenario in which creditors' deferred period showed to be longer to allow or make the firm remain liquid/solvent. This is again the efficiency of the management in the use of financial resources. It is with structural (ratios) or trend or comparative analysis in which the most efficient firm has comparative advantage for its management get promoted due to performance realized .The promotion or remuneration increase might be due to the turnover shown from excel of net assets/total assets or fixed assets. This would only be demonstrated when the results R^c = 0.70 or the like are achieved. It is with better management or use of fixed assets (the capital/producer goods) which increases production outputs and therefore sales marginalization (Guay & Verrecchia, 2018).

4.3 Financial Accounting and Realization of Profitability of the Firm

Under this subtitle, the study motivated at examining the effects of financial accounting on realization of profitability of a firm. This is from the fact that a firm reporting to make profit attract for more liquidator or creditors. Also profit making organization assures a security to employees of a given organization (Osadchy et al., 2018).The assurance is due to increment of salaries and bonus beneficed to happen from the performance demonstrated.The results of analysis through employment of partial correlation were shown in Table 3.

Table 3: Partial correlation

Variables	GPM	NPM	ROA
Gross Profit Margin (GPM)	0.55	0.12	0.07
Sig.	0.00	1.00	1.00
N	107	107	107
Net Profit Margin(NPM)	0.01	0.08	0.67
Sig.	0.00	1.00	1.00
N	107	107	107
Return on assets (ROA)	0.04	0.50	0.09
Sig.	1.00	0.00	1.00
N	107	107	107

Source: Author's computations (2022)

Given r=0.55 at p=0.00 shows that a gross profit margin is an indicator or determinant of a firm to make profit. The same results were with other profitability ratios ie net profit margin given r=0.67 at p=0.00 and return on assets 0.50 at p=0.00.These positive results has implication to external users such as employees and creditors. Employees are assured with increment of salaries and provision of bonuses. Moreover, profit realization has implication to the creditors that whatever purchases made on credits would be paid. Profitability of a firm therefore provides assurance to the user for a firm settle for short term obligations.

Use of comparative analysis regarding profitability of the firm hold that the more profitable firm is the one which attract for more users say liquidators enter contract with it. It is also to employees in which a profit making firm arose them to put more effort to produce more and earn more salaries and bonuses (Falahuddin, Fuadi, Munandar, Juanda & Ilham, 2022). Therefore profit making firm increases chances for employee's retention.

4.4 Training, Education Level and Youth Employment Creation

Under this subtitle the study aimed at determining the effects of financial accounting on realization of firm leverage. Leverage is a capital gain resulting from financing business operations using debt or/and equity methods. Applying the three capital structure /leverage ratios i.e. Debt to equity, debt to assets and debt to capital employed. The reality was found and presented in Table 4.

Table 4: Principal component analysis results

Constructs	1	2	3
Debt to equity			0.64
Debt to assets	0.61		
Debt to capital employed		0.73	

Source: Author's computations (2022)

With 0.64 as a principal component analysis result regarding debt to equity , this was clear sentiment that gearing ratios help to determine how the firm is financed .With debt to equity results>1 it shows the 0.64 as a PCA to be attained and therefore that means the firm is financed by external source i.e. debt financing. This method of financing is highly risky and on the other hand it is tax and interest deductable (Modigliani & Miller, 1961) which pile up transaction cost of which might not be able to meet. But on other hand when debt to equity is <1, this also gives PCA =0.64 but now the firm is said to be financed by using common stock (the internal source) not tax deductable

Debt financing normally enhances growth of the firm, though perpetuity may be in trouble. While equity financing is a long term means of financing firm but it help firm retain its value. Equity financing is simply for assurance of the firm to operate in foreseeable future while at the same time the shareholders' wealth is being maximized.

Positive and significant results with debt to equity given PCA =0.64 was the same to other leverage ratios ie debt to assets ratio, PCA =0.61 and debt to capital employed , PCA=0.73.Normally opting for debt financing is to enhance operating leverage(while choosing for equity /assets/capital employed is motivated at attaining financial leverage (Feng & Wu, 2021). Debt financing is appropriate for short term booming project (Aziz & Abbas, 2019). Debt financing is an overdraft kind of investment in which a firm is to be sure of the investment to retain profit in one accounting period (Pandey & Sahu, 2019) while equity or assets financing is for long term projects whose profit is accounted after one accounting period. It is from advantage and disadvantages for users or investors decide on which firm to invest between those two main forms i.e. that one which is financed by debt or the one financed by firm equity/assets.

4.0 Conclusion and Recommendations

Financial reporting has been a revolution in a accounting managerial practices .Financial reporting has been a picker-product innovation model. Financial reporting discloses financial details for external users decide wisely. For instance, liquidators would like to see a firm record liquidity .This become assurance for them be paid their money/ credit within 1 accounting period. Indeed given the assets turnover is good become a message to shareholders, lenders and other users in interest with the financial information of that particular firm to be revealed efficient in the use of its resources(assets).With a firm reading financial leverage shows such firm to be financed through equity .The same results was with firm reporting profitability, this was not a blessing information to management only but also other external users say the government (eg Tanzania revenue authority). It is from the advantages of financial reporting revealed, this study recommend the following:- the accounting unit should be used to prepare financial reports; the internal auditing should be routine operations. Moreover presentation of financial reports should be fairly done by adhering to accounting standards both local and international ones. The prepared financial reports statements should be presented before the corporate board members say quarterly in one accounting period. Furthermore financial reports are to be subjected to external auditing.

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Appendix

Glossary of terms

1) Current ratio = Current assets
Current liabilities
2) Quick/ Acid test ratio = Current assets- inventory
Current liabilities
3) Cash ratio = Cash
Current Liabilities

4) Inventory turnover = Cost of sales
Average /closing inventory

5) Inventory turnover period = Inventory *365
Cost of sales
6) Debtors' turnover = credit sales
Debtors
6) Debtors' collection period = Debtors * 365
Credit sales
7) Creditors' turnover = Credit purchases
Average creditors

8) Creditors' deferred period = Creditors *365
Credit purchases
9) Net asset turnover = Sales revenue
Net assets

10) Gross Profit Margin = Gross profit *100%
Sales

11) Net profit Margin= Net profit *100%
Sales
12) Return on assets (ROA)= Profit after interest and taxes*100%
Total assets
13) Return on equity (ROE) = EAT * 100%
Equity

14) Return on capital employed (ROCE) = $\frac{\text{EAT}}{\text{Net assets}} * 100\%$

15) Debt to equity ratio = $\frac{\text{Long term debts}}{\text{Equity}} * 100\%$

16) Debt to asset ratio = $\frac{\text{Long term debts}}{\text{Total assets}} * 100\%$

17) Debt to capital employed ratio = $\frac{\text{Debts}}{\text{Capital employed}} * 100\%$