

Qualitative Characteristics Of Accounting Information (Declared With IFRS Standards) And Financial Performance : Statistical Study And Correlation Test

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ABSTRACT : In an international context characterized by the dismantling of economic barriers, the globalization of monetary operations and the fluidity of financial movements, The application of IFRS standards is no longer a luxury, but rather an increasingly persistent necessity for Moroccan and international companies. In this context, and given that the primary objective of IFRS is to provide accounting and financial information that helps in making investment and credit decisions, this research, and using statistical analysis on SPSS, consists of assess the correlation between the quality of accounting information (with IFRS) and the financial performance (short term and medium and long term) of Moroccan companies. This quantitative research which uses a Likert-type questionnaire scored from 1 to 5, and through the responses collected from a sample of 314 individuals (composed of accountants, chartered accountants, professors, trainers, doctors and doctoral students), target to demonstrate and verify, statistically, the relationship of correlation and interdependence that connects: Between the fundamental qualitative characteristics 1) the characteristics improving the accounting information, and the financial performance at short term; & 2) Between the fundamental qualitative characteristics / the characteristics improving the accounting information, and the financial performance in the medium and long term.

Keywords: Qualitative characteristics, accounting information, financial information, IFRS standards, financial performance, correlation

1 - RESEARCH METHODOLOGY :

1.1 - Research approach :

The main objective of this work is to analyze the statistical correlation between the quality of financial information (with IFRS) and the financial performance of companies publishing financial reports adapted to international accounting standards.

For this, the present research will essentially aim to dissect this correlation relationship between:

- ✓ The qualitative characteristics of financial and accounting information identified by the conceptual framework developed by the IASB and the FASB in 2008, and subdivided between :
 - The fundamental qualitative characteristics ;
 - The enhancing qualitative characteristics.

Fundamental qualitative characteristics	Relevance : Relevant financial information is capable of making a difference in the decisions made by users. Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both.
	Faithful representation : To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.
Enhancing qualitative characteristics :	Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items.
	Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent.
	Timeliness means having information available to decision-makers in time to be capable of influencing their decisions.
	Understandability is the quality of information that enables users to comprehend its meaning.

Source : FASB

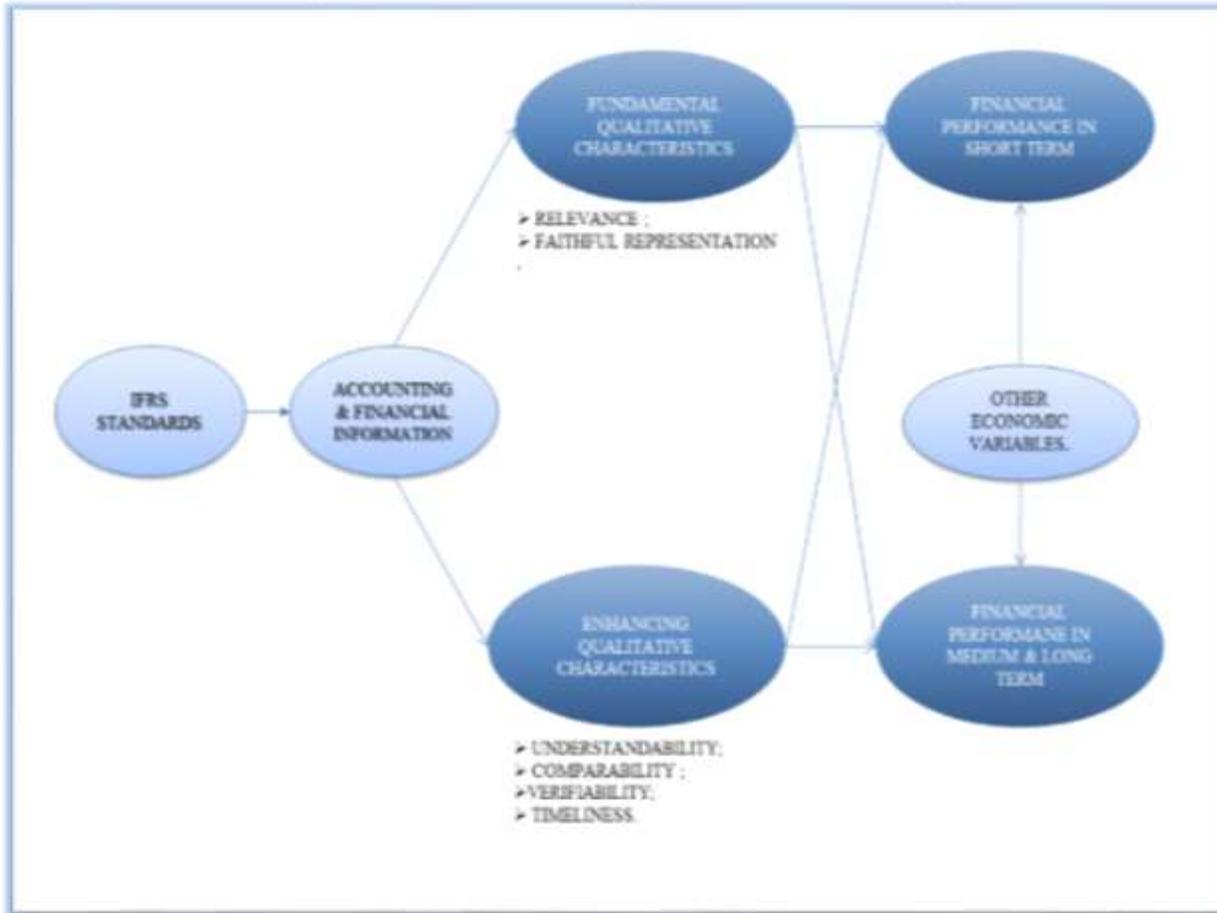
- ✓ & Financial performance, in the short term and in the medium and long term, measured and evaluated by the return on equity ratio (the indicator most used by researchers to estimate financial performance) :

$$ROE = (NET RESULT / EQUITY) \times 100$$

Based on a bibliometrical study, Bonaventura, Silva and Bandeira-De-Mello (2012) indicated that, in the years 1996-2010, the most commonly used variables to represent the financial performance were ROA, ROE, sales growth, ROS (Return on Sales), contribution margin, Tobin's Q, market share, firm's risk, ROCE (Return on Capital), operating income, cash flow, share earnings. For measuring the corporate financial performance, several of the authors have chosen to use the ROE : Callan and Thomas (2009) ; Waddock and Graves (1997) ; Mahoney and Roberts (2004) ; Moneva and Ortas (2010).

1.2 - Research model :

The relationship that connects these variables can be schematized and visualized in the model undermentioned :



1.3 - Administration of the questionnaire :

A - The questioned sample:

Our selected sample includes 314 people, it is made up of:

- Accountants ;
- Chartered accountants ;
- Accounting teachers ;
- Doctors and doctoral students.

The population questioned must have, at least and at a minimum, a master's degree in accounting and auditing.

B - Collection of responses:

The questionnaire was distributed (paper version) to an initial sample of 232 people and the responses were immediately collected. The questionnaire was sent for a second sample by the Google platform and the answers were received, on average, after a duration of 23 days.

C- Software used for data analysis :

IBM SPSS Statistics is the world's leading statistical software used to solve business and research problems by means of ad-hoc analysis, hypothesis testing, and predictive analytics. researchers use IBM SPSS Statistics to understand data, analyze trends, forecast and plan to validate assumptions and drive accurate conclusions.

2 – STATISTICAL INTERPRETATION OF THE RESULTS :

2.1 - Table of results :

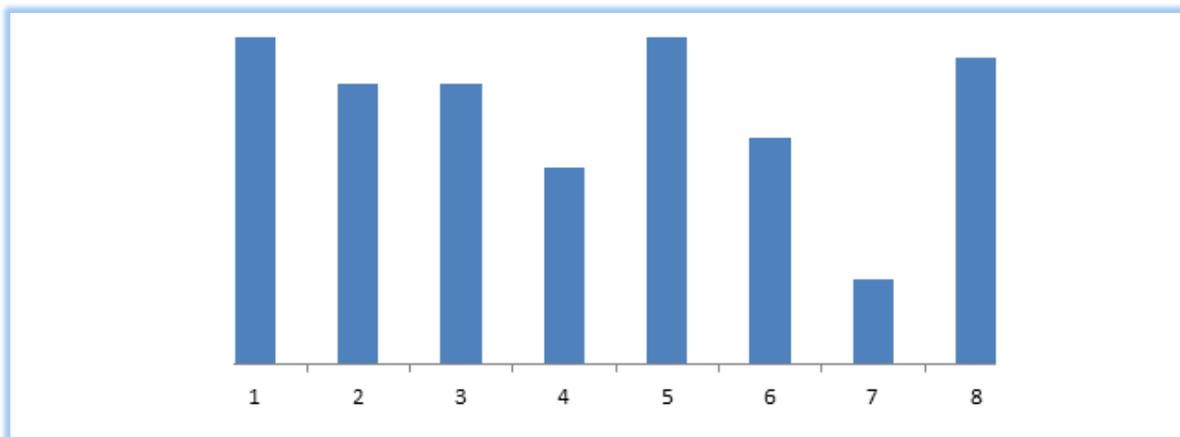
RESPONSE CODE	1	2	3	4	5
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MEANING	VALUELESS	LITTLE – SLIGHTLY	MODERATELY-ACCEPTABLE	QUITTE WELL	VERY WELL
NUMBER OF ANSWERS – RELEVANCE	12	16	44	63	179
NUMBER OF ANSWERS - FAITHFUL REPRESENTATION	21	27	81	108	77
NUMBER OF ANSWERS – UNDERSTANDABILITY	18	48	145	60	43
NUMBER OF ANSWERS – COMPARABILITY	24	143	113	23	11
NUMBER OF ANSWERS - VERIFIABILITY	9	16	48	72	169
NUMBER OF ANSWERS – TIMELINESS	21	69	161	43	20
NUMBER OF ANSWERS - FINANCIAL PERFORMANCE IN ST	293	13	7	1	0
NUMBER OF ANSWERS - FINANCIAL PERFORMANCE IN MLT	14	11	59	128	102

2.2 - Interpretations :

- 57.01% of people confirmed that the application of IFRS standards makes accounting & financial information very relevant.
- 34.39% say that the adoption of IFRS makes the representation of accounting & financial information quite faithful.
- 46.18% of respondents declare that the application of IFRS standards moderately facilitates the comprehensibility of accounting & financial information.
- 45.54% of the population questioned think that the application of IFRS standards slightly simplifies the comparability of accounting & financial information.
- 53.82% of respondents believe that the application of IFRS standards makes accounting & financial information very verifiable.
- 51.27% of the target population see that the application of IFRS standards moderately increases the celerity of accounting information.
- 93.31% of respondents estimate that financial performance does not improve in the first year of adopting IFRS and 40.76% confirmed that the application of IFRS standards sufficiently improves the financial performance of the company in the medium and long term.

2.3 - Graphic representation :



1 : The relevance of the accounting & financial information (declared with IFRS standards), and on average, was assessed by an average score of 4,21 out of 5 (with a variance of 1,216 and a standard deviation of 1,103).

2 : The Faithful representation of the accounting information (declared with IFRS standards), and on average, was assessed by an average score of 3,61 out of 5 (with a variance of 1,305 and a standard deviation of 1,142).

3 : The Understandability of the accounting information (declared with IFRS standards), and on average, was assessed by an average score of 3,61 out of 5 (with a variance of 1,085 and a standard deviation of 1,042).

4 : The comparability of the accounting information (declared with IFRS standards), and on average, was assessed by an average score of 2,54 out of 5 (with a variance of 0,761 and a standard deviation of 0,872).

5 : The verifiability of the accounting information (declared with ifrs standards), and on average, was assessed by an average score of 4,20 out of 5 (with a variance of 1,117 and a standard deviation of 1,057).

6 : The « timeliness » of the accounting information (declared with ifrs standards), and on average, was assessed by an average score of 2,91 out of 5 (with a variance of 0,874 and a standard deviation of 0,935).

7 : The financial performance in the short term (after using IFRS standards), and on average, was assessed by an average score of 1,1 out of 5 (with a variance of 0,151 and a standard deviation of 0,388).

8 : The financial performance in MLT (after using IFRS standards), and on average, was assessed by an average score of 3,93 out of 5 (with a variance of 1,053 and a standard deviation of 1,026).

3 - CORRELATION ANALYSIS:

3.1 - Theoretical review :

A - Definitions & interpretations:

A correlation coefficient is a number between -1 and 1 that tells you the strength and direction of a relationship between variables. In other words, it reflects how similar the measurements of two or more variables are across a dataset (Pritha Bhandari 2022).

Correlation, in the finance and investment industries, is a statistic that measures the degree to which two securities move in relation to each other. Correlations are used in advanced portfolio management, computed as the correlation coefficient, which has a value that must fall between -1.0 and +1.0 (Adam Hayes 2022).

There are three possible results of a correlational study: a positive correlation, a negative correlation, and no correlation :

Correlation coefficient value	Correlation type	Meaning
1	Positive correlation	When one variable changes, the other variables change in the same direction.
0	Zero correlation	There is no relationship between the variables.
-1	Negative correlation	When one variable changes, the other variables change in the opposite direction.

B - Correlation vs Causation :

Causation means that one variable (often called the predictor variable or independent variable) causes the other (often called the outcome variable or dependent variable).

A correlation between variables, however, does not automatically mean that the change in one variable is the cause of the change in the values of the other variable. A correlation only shows if there is a relationship between variables.

C - Types of correlation coefficients :

The table below is a selection of commonly used correlation coefficients :

Correlation coefficient	Type of relationship	Levels of measurement	Data distribution
Pearson's r	Linear	Two quantitative (interval or ratio) variables	Normal distribution
Spearman's rho	Non-linear	Two ordinal, interval or ratio variables	Any distribution
Point-biserial	Linear	One dichotomous (binary) variable and one quantitative (interval or ratio) variable	Normal distribution
Cramér's V (Cramér's φ)	Non-linear	Two nominal variables	Any distribution
Kendall's tau	Non-linear	Two ordinal, interval or ratio variables	Any distribution

The most commonly used correlation coefficient is Pearson's r because it allows for strong inferences.

D - Pearson Correlation Coefficient :

The Pearson's product-moment correlation coefficient, also known as Pearson's r, describes the linear relationship between two quantitative variables.

The Pearson's r is a parametric test, so it has high power. The formula for the Pearson's r is complicated. In a simpler form, the formula divides the covariance between the variables by the product of their standard deviations.

✓ Formula :

$$r = \frac{n \sum xy - (\sum x)(\sum y)}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

✓ Explanation :

- r_{xy} = strength of the correlation between variables x and y
- n = sample size
- \sum = sum of what follows...
- X = every x-variable value
- Y = every y-variable value
- XY = the product of each x-variable score and the corresponding y-variable score

The sample and population formulas differ in their symbols and inputs. A sample correlation coefficient is called r, while a population correlation coefficient is called rho, the Greek letter ρ.

3 . 2 – Correlation tests on spss:

A - Correlation test between « Fundamental qualitative characteristics of accounting and financial information -declared with IFRS standards- » & « Financial performance » :

A . 1 - Correlation test between « Fundamental qualitative characteristics of accounting and financial information -declared with IFRS standards- » & « Financial performance in short term » :

Correlations			
	RELEVANCE	F. REPRESENTATION	PF_IN_ST

RELEVANCE	Corrélation de Pearson	1	,573**	-,429**
	Sig. (bilatérale)		,000	,000
	N	314	314	314
FAITHFUL REPRESENTATION	Corrélation de Pearson	,573**	1	-,356**
	Sig. (bilatérale)	,000		,000
	N	314	314	314
PF_IN_ST	Corrélation de Pearson	-,429**	-,356**	1
	Sig. (bilatérale)	,000	,000	
	N	314	314	314

** . La corrélation est significative au niveau 0.01 (bilatéral).

We observe that :

- The correlation between « Relevance of accounting and financial information -declared with IFRS standards- » & « Financial performance in short term » is negative.
- The correlation between « Faithful representation of accounting and financial information -declared with IFRS standards- » & « Financial performance in short term » is negative.

A . 2 - Correlation test between « Fundamental qualitative characteristics of accounting & financial information -declared with IFRS standards- » and « Financial performance in medium and long term » :

Correlations				
		RELEVANCE	F. REPRESENTATION	PF_IN_MLT
RELEVANCE	Corrélation de Pearson	1	,573**	,436**
	Sig. (bilatérale)		,000	,000
	N	314	314	314
FAITHFUL REPRESENTATION	Corrélation de Pearson	,573**	1	,460**
	Sig. (bilatérale)	,000		,000
	N	314	314	314
PF_IN_MLT	Corrélation de Pearson	,436**	,460**	1
	Sig. (bilatérale)	,000	,000	
	N	314	314	314

** . La corrélation est significative au niveau 0.01 (bilatéral).

We deduce that :

- The correlation between « Relevance of accounting and financial information -declared with IFRS standards- » & « Financial performance in medium and long term » is moderate.
- The correlation between « Faithful representation of accounting and financial information -declared with IFRS standards- » & « Financial performance in medium and long term » is strong.

B - Correlation test between « Enhancing qualitative characteristics of accounting & financial information -declared with IFRS standards- » and « Financial performance » :

B . 1 - Correlation test between « Enhancing qualitative characteristics of accounting & financial information -declared with IFRS standards- » and « Financial performance in short term » :

Correlations						
		UNDERST AND	COMP ARA	VERIFIA BI	TIMELIN ESS	PF_IN_ST
UNDERST AND	Corrélation de Pearson	1	,720**	,651**	,619**	-,385**
	Sig. (bilatérale)		,000	,000	,000	,000
	N	314	314	314	314	314

COMPAR A	Corrélation de Pearson	,720**	1	,530**	,499**	-,284**
	Sig. (bilatérale)	,000		,000	,000	,000
	N	314	314	314	314	314
VERIFIABI	Corrélation de Pearson	,651**	,530**	1	,570**	-,545**
	Sig. (bilatérale)	,000	,000		,000	,000
	N	314	314	314	314	314
TIMELINE SS	Corrélation de Pearson	,619**	,499**	,570**	1	-,307**
	Sig. (bilatérale)	,000	,000	,000		,000
	N	314	314	314	314	314
PF_IN_ST	Corrélation de Pearson	-,385**	-,284**	-,545**	-,307**	1
	Sig. (bilatérale)	,000	,000	,000	,000	
	N	314	314	314	314	314

** . La corrélation est significative au niveau 0.01 (bilatéral).

We notice that :

- The correlation between « Understandability of accounting and financial information -declared with IFRS standards- » & « Financial performance in short term » is negative.
- The correlation between « Comparability of accounting and financial information -declared with IFRS standards- » & « Financial performance in short term » is negative.
- The correlation between « Verifiability of accounting and financial information -declared with IFRS standards- » & « Financial performance in short term » is negative.
- The correlation between « Timeliness of accounting and financial information -declared with IFRS standards- » & « Financial performance in short term » is negative.

B . 2 - Correlation test between « Enhancing qualitative characteristics of accounting & financial information -declared with IFRS standards- » and « Financial performance in medium and long term » :

		Correlations				
		UNDERST AND	COMPAR A	VERIFIABI	TIMELINE SS	PF_IN_MLT
UNDERST AND	Corrélation de Pearson	1	,720**	,651**	,619**	,807**
	Sig. (bilatérale)		,000	,000	,000	,000
	N	314	314	314	314	314
COMPAR A	Corrélation de Pearson	,720**	1	,530**	,499**	,665**
	Sig. (bilatérale)	,000		,000	,000	,000
	N	314	314	314	314	314
VERIFIABI	Corrélation de Pearson	,651**	,530**	1	,570**	,781**
	Sig. (bilatérale)	,000	,000		,000	,000
	N	314	314	314	314	314
TIMELINE SS	Corrélation de Pearson	,619**	,499**	,570**	1	,669**
	Sig. (bilatérale)	,000	,000	,000		,000
	N	314	314	314	314	314
PF_IN_MLT	Corrélation de Pearson	,807**	,665**	,781**	,669**	1
	Sig. (bilatérale)	,000	,000	,000	,000	
	N	314	314	314	314	314

** . La corrélation est significative au niveau 0.01 (bilatéral).

We remark that :

- The correlation between « Understandability of accounting and financial information -declared with IFRS standards- » & « Financial performance in medium and long term » is very strong.
- The correlation between « Comparability of accounting and financial information -declared with IFRS standards- » & « Financial performance in medium and long term » is quite strong.
- The correlation between « Verifiability of accounting and financial information -declared with IFRS standards- » & « Financial performance in medium and long term » is very strong.
- The correlation between « Timeliness of accounting and financial information -declared with IFRS standards- » & « Financial performance in medium and long term » is quite strong.

CONCLUSION:

In explanation of the results, and according to the confirmations deduced after the realization of the semi-structured interviews with the aforementioned sample :

- The negative correlation relationship between « Qualitative characteristics of accounting and financial information - declared with IFRS standards- » & « Financial performance in short term » is necessarily due to the increase in equity of the entities without any immediate impact on the net result.
- The positive correlation relationship between « Qualitative characteristics of accounting and financial information - declared with IFRS standards- » & « Financial performance in MLT » is explained by the increase in net profit caused by the enrichment of fixed assets and the strengthening of the production capacity of entities.

Finally and in conclusion, this study, more statistical, forms an exploratory research and the beginning of a broader scientific work and a confirmatory study which aims to model the interrelationships between these studied variables.

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