Financial Reporting and Organizational Liquidity in Nigeria: the Accounting Bases Perspective.

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Abstract

The purpose of this paper is to identify the influence of financial reporting from the perspective of accrual and cash bases on organisational liquidity; with cashflow adopted as a measure of liquidity. Agricultural companies quoted on the Nigerian Stock Exchange were studied. Data are collected through questionnaire. Analyses were performed using descriptive statistics and Pearson's product moment coefficient of correlation. Findings indicate that accrual basis sub-domain of financial reporting has a statistically significant weak negative relationship with cashflow while cash basis has a statistically significant moderate positive association with cashflow. Similarly, results of the descriptive statistics indicate that the adoption of accrual basis improves cashflow by 48.5% while that of cash basis improves cashflow by 85.0%. Based on empirical findings, it was concluded that cash basis of financial reporting provides a better assessment of liquidity in the context of cashflow than accrual basis. Consequently, financial reporting should emphasis liquidity, particularly, through the incorporation of cashflow statements; this will enhance identification of organisation's ability to meet obligations as they become due.

Keywords: Financial reporting, liquidity, agriculture, Nigerian Stock Exchange, Nigeria.

Introduction

Financial reporting is concerned with the presentation of financial statements in a form for comprehension by users of financial information. It is essentially a process of communication of financial information and also represents an instrument of identifiable stewardship (Obazee 2005 p. 18). Similarly, financial reporting is the medium of communicating information about the financial affairs of both profit and non-profit organizations and constitutes an important service that is so special which the accounting profession extends to societies of economic and social systems. It is by no means, the only avenue by which managers of organizations (public and private) give account of their stewardship to their owners and other stakeholders (Adebayo, 2005 p. 33).

Generally accepted accounting principles (GAAP) which, according to Libby *et al* (2001), are the measurement rules used to develop the information in financial statements, guide the preparation of financial reports. Of immense importance is the disclosure of accounting policies which provide the bases on which information contained in financial statements are reported. Accounting policies are the specific accounting bases judged by management of an enterprise to be most appropriate to their circumstances and adopted by them for the purpose of preparing their financial accounts so as to ensure a true and fair view of the enterprise's performance and financial position, for example the methods for depreciating fixed assets and consumption of stock (Harvey and Keer, 1978).

Along this line, the defunct Nigerian Accounting Standards Board (NASB) (1984), recognizes accounting policies as those bases, rules, principles, conventions and procedures adopted in preparing and presenting financial statements, noting that judgment is required in the choice of the accounting policies which are appropriate to the circumstances of an enterprise and are best suited to present the true and fair view of its results and financial position. According to the Board, the following non-exhaustive list contains examples of areas in which differing accounting policies exist: consolidation policy, taxation, long term contracts, events subsequent to the balance sheet date, leases, hire purchase or installment transactions and related interest, conversion or translation of foreign currencies including the disposition of exchange gains and losses, franchises and overall accounting policy (e.g. historical cost, general purchasing power, replacement value). Others are debtors or receivables, stock and work – in – progress (inventories) and related cost of goods sold, depreciable assets and depreciation, growing crops, land held for development and related development costs, investments: subsidiary companies, associated companies and other investments, research and development, patents and trademarks, goodwill, liabilities and provisions, methods of revenue recognition, maintenance, repairs and improvement expenditure, gains and losses on disposal of property, etc.

On the other hand, accounting bases are the acceptable ways of dealing with financial transactions and items, both as they are related to accounting periods over which revenues and costs are to be recognized and in the determination of the materiality of items to be shown in the balance sheet (Harvey and Keer, 1978). Accordingly, NASB (1984) documents that accounting bases are the totality of methods adopted by an enterprise for applying fundamental accounting concepts to its financial transactions. They include, for example, the determination of the accounting periods for the purpose of revenue and costs recognition and the values to place

on items appearing in the balance sheet as at the end of each accounting period. Notable amongst accounting bases are the accrual and cash bases.

Attempts have been made in the past to conduct studies in the area of financial reporting. Ebhomielen (2002, p. 41) did a work on accounting practices and financial reporting in public enterprise sector and found that the accounting and financial reporting practices of Federal Government commercialized public enterprises (CPES) vary from one CPE to the other, noting that the basis for uniformity of practices in CPEs is yet to be established and the infrastructure for embarking on setting standards needs to be mobilised. He concluded that CPEs should have set of standards relevant to their circumstances and integrate a framework to determine the scope of integration of particular private sector standards; Nigerian Accounting Standards Board (NASB) should be strengthened institutionally with enhanced capacity to integrate setting of mandatory accounting standards for CPEs and some provisions of the Companies and Allied Matters Act (CAMA), laws of the Federation of Nigeria 2004 should apply to CPEs with necessary modifications effected by way of authoritative directives based on empirical study. In another dimension, Ofoegbu and Okoye (2006, pp. 45-53) examined the relevance of accounting and auditing standards in corporate financial reporting in Nigeria with emphasis on compliance and observed that the globalization of economic activity has made it more imperative for a high quality, internationally comparable financial information to be demanded by participants in the international capital market. In their opinion, critics of accounting profession allege inadequate financial information, lack of transparency, inadequate accounting standards and inconsistency in application of these standards as factors contributing to the financial crises being experienced in some key industries particularly in the United States of America, drawing attention to the call from the International Forum on Accountancy Development (IFAD) for improved financial reporting, accountability and transparency worldwide.

Also, in Spain, Hernandez and Perez (2004, pp 118 – 135) investigated the relevance of Spanish local financial reporting to credit institution decisions based on a sample of 54 credit institutions. The study aims to obtain evidence on the information that is shown to be useful to these institutions on their decision making by looking at the Spanish financial reports. Causes that restrict the usefulness of local financial information were considered. The results reveal that owing mainly to legal reasons, the profit and loss account and the balance sheet are the least relevant financial statements to credit institutions' indebtedness operation decision making. They observed that current local financial information needs to become more opportune, reliable, complete and understandable. Lapsley (1992, pp. 281-298), in the United Kingdom, analysed user needs and financial reporting – a comparative study of local authorities and the National Health Service. Their findings identified the need for simplified reporting system which recognize different levels of capability and resource availability to interrogate financial information and the need to articulate with, but decrease total reliance on the traditional general purpose financial report.

None of the above studies associated financial reporting with organizational liquidity which is considered prime in credit management and decision analyses. This study departs from others by empirically examining the influence of financial reporting on organizational liquidity, focusing on accrual and cash bases sub-domains of accounting policies and drawing data from the agricultural sector in Nigeria, a developing economy. The next section will discuss literature review and methodology. This will be followed by data presentation and analysis, discussion of findings, conclusions and recommendations.

Literature Review

Consumers of Financial Reports

The consumers or users of financial reports according to Alexander and Britton (1999) are equity investors, loan creditors, employees, business contact groups (including customers, trade creditors and suppliers) and the adviser group including financial analysts. Others are the government and the public including taxpayers, consumers and other community and special interest groups. From the views of Pandey (1979), users of accounting information could be classified into two categories; those with direct interest and those with indirect interest.

Direct interest parties are owners, managers, creditors, investors, employees, customers and tax authorities, while indirect interest parties are financial analysts, trade associations, trade unions etc.

Users of financial reports have different objectives or purposes. These purposes vary from one interest group to another. As stated by Alexander and Britton (1999), equity investors require information about profit performance for the purposes of establishing return on their investments by way of dividends, as well as estimating share prices which also is influenced by profit performance. Loan creditor groups (short, medium and long-term) constitute the providers of finance. Their interests depend on the time horizon associated with funds made available. Short term loan providers are interested in liquidity or cash position of a company to enable them recover the principal and interest on loans extended within the short-term, while long term financiers aim to identify future cash and profit positions of the company to be able to recoup their investments together with interest in the longer-term.

Similarly, employees are interested in both future cash and profit positions of a company for regular payment of their salaries and job security. Suppliers and trade creditors are concerned with cash position of a company to enable them receive payments on their supplies within the short-term. Government authorities evaluate profitability performance for the levying of taxes while the public which represents the larger society where the business operates are interested in both liquidity and profit performance of a company for the purposes of assessing responsiveness to social responsibilities, for example, donation to charities, education and health.

From the foregoing, though, profitability is an indication of an organization's going concern ability; more weight is placed on solvency/liquidity to be able to meet cash obligations both in the long and short-terms.

Objectives of Financial Reporting

Financial reporting objectives vary from one organization to the other depending on the nature of activities. Whereas in a public sector, the objective may be to showcase how taxpayers resources were utilized in the provision of social and infrastructural facilities, in a private sector, the aim is to report how owners' resources were applied to generate income and whether such application increased or decreased their wealth. Adebayo (2005, pp. 33-34) identified the following as some of the objectives of financial reporting: to provide useful information for making economic decisions for resource allocation, to provide information for evaluating the stability and liquidity of organizations and to provide information about performance generally. Others are to provide information especially for government and non-profit making organizations for evaluation of effectiveness of management of resources in achieving set societal goals, to provide information for predicting, comparing and evaluating the status of an organization in the industry and economy as a whole and to provide relevant statements of financial activities of an organization.

Contributing on this topic, Libby *et al* (2001) epitomized the primary objective of financial reporting as the provision of useful economic information about a business to help external parties, primary investors and creditors, make sound financial decisions.

Attributes of Financial Information

The body of knowledge reveals that what makes a difference in financial reports is the nature of financial information contained therein. Consequently, certain attributes or characteristics are expected of data contained in financial reports. Alexander and Britton (1999) identify that financial information should be relevant, understandable, reliable and complete. In addition, they should also be objective, timely and comparable.

By being relevant, data contained in financial reports are expected to satisfy the requirements of users (investors, managers, government etc) for their intended purposes. Such information are also expected to be understandable by interested parties; though simplicity may undermine the presentation of specialized activities, too much complexity is not encouraged in order to accommodate groups with divergent knowledge in accounting and finance. Reliability is another essential characteristic of financial reports. Information contained in financial reports should provide reliable evidence of financial activities of an organization. Financial information should in addition to these other attributes be complete. Information should not be partially reported; it should be total to provide full picture of events.

Financial information is expected to incorporate objectivity as an important attribute. In this direction, financial data should not be biased or slanted to benefit or discredit the interest of a particular user. It should be adequately reported to present a true and fair view. Information presented in financial reports should be timely to be relevant for decision making. Facts contained in financial reports are also expected to be comparable. This makes it possible for the performances of a particular business to be compared over periods of time as well as with those of other businesses in the same industry at the same or different periods of activities.

Accrual Basis of Financial Reporting

Accrual basis is a major sub-component of accounting bases employed in the preparation of financial reports. This basis recognizes revenues and expenses in the period in which they relate and in which they are earned and incurred and not when they are received or paid (NASB, 1984). Accordingly, profits for a given period are recognized based on invoices issued to clients and expenses incurred irrespective of whether settlement of those invoices and expenses are made at a later date in the future.

Accrual accounting also recognizes fixed assets and liabilities acquired and incurred so long as ownership and responsibility is transferred. As a consequence, depreciation on fixed assets are recognized and applied against revenue earned. Its advantage is that it provides full financial information about the activities of an enterprise during a reporting period. It is appealing to investors, long term loan providers and company management as it provides a better assessment of profitability. A few demerits are associated with this approach. For example, it is time consuming and requires elaborate documentation. Prominently, profit reported may not be a good representation of cash position; whereas profit performance may be favourable as a result of incorporation of unsettled invoices, cash position may be unfavourable thus impacting liquidity and ability to settle obligations.

Cash Basis of Financial Reporting

In contrast to the accrual basis is the cash basis of accounting. This aspect recognizes the financial effects of transactions only when the cash has been received or paid (Obazee 2005, p. 22). As a result, profits are arrived at on the basis of invoices settled and expenses paid. The profit declared is cash profit and not accounting profit as unpaid expenses and unsettled invoices are ignored. Assets are recognised on cash basis.

The cash basis is appealing to non-accountants as it does not give rise to further reconciliation of profit position and cash balance. It gives the satisfaction that profit/loss declared represents actual increase or decrease in cash. Dividend decisions under this scenario are based on cash position and not accounting profit.

A few disadvantages are associated with this dimension of accounting bases. By ignoring accrued expenses and incomes, it fails to present a full picture of an organisation's financial activities. Profits/losses are under declared thereby leading to inadequate provision of financial data for use by interested parties in analyzing the performance of a company. Except by way of notes, it ignores liabilities incurred which give a wrong impression that the company has no indebtedness.

Liquidity

Organizational liquidity has often constituted a major index of performance. Recent dictates by regulatory authorities, for example the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) have increased emphasis in this area of organizational measurement. It refers to cash (money) or items that can easily be converted into cash depending on the degree of liquidity; cash for example is the most liquid. In respect of other assets, aside cash for example marketable securities, liquidity consideration flows from two perspectives; the time required for metamorphosing into cash and the level of certainty surrounding their conversion into cash (Van Horne 2002).

Alternatively, liquidity is a measure of an organisation's ability to meet its debt obligations as they become due (Longenecker *et al,* 1997). When viewed in relation to an accounting period, it is the time required to convert an asset into cash (Ainsworth *et al,* 1997). Thus, liquidity consideration is a vital benchmark for credit institutions in evaluating an organisation's borrowing power. The same is applicable to investors and suppliers as corporate bodies with bankruptcy indications are unlikely to attract financial patronage.

Measures of liquidity differ amongst organizations as a consequence of heterogeneity of functions. In trading entities for instance, liquidity evaluations recognize the components of current assets in relation to current liabilities while in not-for-profit institutions e.g. charities, cash position is the only measure of ability to meet obligations as they become due. However, most commonly used measures of liquidity in accounting and finance literature are current ratio, quick (acid test) ratio and cash ratio (Libby *et al,* 2001 and Longenecker *et al,* 1997).

Current ratio is a measure of the relationship between current assets and current liabilities. A ratio of 1:1 indicates that for every one naira current liability there is one naira current asset. Though, this is a healthy situation, a ratio of 2:1 is better as some funds are still available after settling short-term obligations. Another variation to the current ratio is the quick (acid test) ratio, which assesses short term liquidity by relating current assets net of stock and prepaid expenses to current liabilities. This is a better measure of liquidity than the current ratio because it ignores items which cannot easily be converted into cash. A ratio of 1:1 is a good indication of liquidity. However, a higher ratio of 2:1 is preferable as it portrays a company's ability to meet its short term debts and still remain liquid. The cash ratio on the other hand is a measure of the sufficiency of available cash to meet obligations. It is expressed as a relationship of the sum of cash and near cash assets e.g. marketable securities to current liabilities. Mathematically, the formula is:

$$\text{Cash ratio} = \frac{\text{Cash + Marketable Securities}}{\text{Current Liabilities}}$$

A ratio of 1:1 is a favourable indicator of ability to defray short term liabilities. However, a higher ratio is more preferable than a lower one. As much as it is necessary to have adequate cash to guide against unforeseen circumstances, excess cash is not advocated. Excess cash should be invested in profitable ventures so that the enterprise continuously remains afloat.

A further elongation of measures of liquidity addressed ability to convert debtors and stock into cash (Longenecker *et al,* 1997 and Libby *et al,* 2001). In this direction, time taken to collect debt and sale trading stock are essential parameters in predicting cashflow. The time taken to collect cash from debtors is measured by the average collection period ratio which is expressed as the relationship between trade debtors and credit sales multiplied by number of days in a year. Mathematically, it is expressed thus:

$$\text{Average Collection Period} = \frac{\text{Trade Debtors x Days in the year}}{\text{Credit Sales}}$$

A lower ratio is preferable than a higher one as it indicates quick conversion of debtors into cash which enhances liquidity. Similarly, the frequency with which stocks are converted into cash is measured by the stock turnover ratio. Two formulae are adopted to calculate this ratio.

$$1.\ \text{Stock turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$$

$$2.\ \text{Stock turnover} = \frac{\text{Sales}}{\text{Closing Stock}}$$

Average stock in the first formula is the average of closing and opening stocks. A higher stock turnover ratio is a yardstick that stocks are frequently sold to realize cash. It is considered better in liquidity assessment than a lower ratio.

The predominant use of these traditional balance sheet ratios have brought about contentions amongst scholars as to what constitutes appropriate measure of liquidity. In reaction to this bandwagon, several studies have leaned towards the adoption of cashflow as a better indicator of liquidity than the usual current and quick (acid test) ratios which incorporate accrual information (Heath and Rosenfield, 1979 pp. 48 – 54 and Ainsworth, 1997). Cashflow represents the cash position of a company and, therefore constitutes its financial background towards settling obligations. Consequently, liquidity in this study is measured in terms of cashflow.

Methodology

The study adopted a survey design approach. Information was obtained through the use of questionnaire. Respondents were required to complete questionnaire drawn on a five point Likert- type scales ranging from "strongly agree" to "strongly disagree" on whether accrual or cash bases of financial reporting improves cashflow. They were also required to rate their companies' cashflow performance on the adoption of these financial reporting sub-components using a five point scale ranging from "outstanding" to "fair". Accrual basis has two questions; cash basis has three questions while cashflow the measure of liquidity also has two questions.

Agricultural companies listed on the floor of the Nigerian Stock Exchange constitute the study population. From the 2009 Fact Book of the Nigerian Stock Exchange, seven agricultural companies were listed. All the companies were sampled representing 100% of the population. The companies are engaged in maintenance of oil palm plantation, processing of palm fruits into special palm oil and palm kernel; development of oil and rubber plantations, palm oil milling, palm kernel processing and sale of wet cup lumps; manufacture and sales of animal feeds and concentrates. Others are the manufacture and sales of textile fabrics, yarn and vegetable oil; fish farming and processing of cocoa beans and palm kernel into cocoa cake, liques, butter, powder and palm kernel oil and palm kernel cake.

The use of questionnaire was preferred to historical financial data. Though subjective, it avoids any bias arising from possible managerial manipulations associated with historical financial statements. To confirm the data collected the following hypotheses were tested:

Ho_1 There is no significant relationship between accrual basis of financial reporting and cashflow.

Ho_2 There is no significant relationship between cash basis of financial reporting and cashflow.

Data Presentation and Analysis

Fifty – six (56) sets of questionnaire were distributed to respondents. Fifty (50) were returned and ten (10) were rejected (Table 1 of appendix1). The spread shows a response rate of approximately 89.29%. The number considered for analysis is forty (40), which is 71.43% of total questionnaire distributed.

Univariate Analysis

Accrual Basis of financial reporting and Cashflow

The data in table 2 and figure 2 respectively, summarise the reaction of respondents on whether accrual basis of accounting improves cashflow. Five respondents representing 12.5% strongly disagreed while 21 respondents representing 52.5% disagreed that accrual basis of accounting positively improve cashflow. Seven (7) were undecided while six (6) and one (1) respondents representing 15% and 2.5% respectively strongly agree and also agree that accrual basis of accounting positively improves cashflow.

The mean score of the responses is 2.4250. This is below average when compared with the maximum score of 5.00.

Cash Basis of financial reporting and Cashflow

A total of thirty four (34) respondents (17 each for both agree and strongly agree categories representing 42.5% each) accept that cash basis of financial reporting improves cashflow. One (1) which is 2.5% of total respondents disagreed while five (5) which is 12.5% were undecided (figure 3). From these responses, overall acceptance of the positivism of cash basis of financial reporting on cashflow is 85.0%. The recorded mean score is 4.2500 which is above average when compared with the maximum score of 5.00 (Table 3).

cashflow performance on cash basis.

Table 4 provides a rating by respondents of cashflow performance on cash basis of financial reporting. Twenty two (22) representing 55.0% rated cashflow performance "very good" while seven (7) which is 17.5% rated it "excellent". Two (2) respondents are of the opinion that it is outstanding (5.0%) while nine (9) representing 22.5% indicate a "good" rating status. On the average, the performance of cashflow under cash basis of financial reporting was scored 3.0500. This is 61.0% when compared with overall rating of 5.00 (Table 5)

cashflow performance on accrual basis.

The assessment of the performance of cashflow on accrual basis of accounting is shown in tables 6 and 7 respectively. From table 6, one (1) respondent representing 2.5% rated it "excellent", seventeen (17) which is 42.5% scored it "very good" while fifteen (15) which is 37.5% indicate "good" over its performance on accrual basis. Only seven (7) respondents representing 17.5% reported a "fair" performance. The mean score as shown under table 7 is 2.3. This is below average and reflects none acceptance of accrual basis of accounting as a basis that improves cashflow performance.

Bivariate Analysis

Aside indentifying the opinion of respondents on the variables studied in relation to cashflow, which in this study measures liquidity, they were subjected to bivariate analyses. The scatter diagram showing the pattern of relationship between accrual basis of accounting and cashlow is presented in figure 4. The diagram is negatively sloped downwards indicating that increases in the adoption of accrual basis of accounting, decreases cashflow.

The strength of relationship of these variables is shown by the correlation analysis in table 8. The result reflects a weak significantly negative relationship between accrual basis of accounting and cashflow. With a coefficient of correlation (r) of -0.328, the coefficient of determination (r^2) is 0.107. This implies that 10.7% of decreases in organisation's liquidity, measured by cashflow is accounted for by the application accrual basis of accounting. Other factors apart from accrual basis of accounting negatively impact cashflow by 89.3%.

Figure 5 on the other hand indicates the pattern of relationship between cash basis of accounting and cashflow. The diagram is sloped upwards from the left hand side to the right hand side showing a positive relationship between cash basis of accounting and cashflow. The correlation analysis in table 9 measures their strength of relationship. From the analysis, the coefficient of correlation is 0.401. This indicates a moderate positive significant relationship between cash basis of accounting and cashflow. With a coefficient of determination of 0.161, cash basis of accounting explains increases in cashflow by only 16.1%. This implies that factors other than cash basis of accounting account for increases in cashflow by 83.9%.

Discussion of Findings

Results of both the bivarate and univariate analyses indicate acceptance of cash basis of accounting as a better measure of liquidity from cashflow perspective than the accrual basis. Whereas the mean rating of accrual basis as a platform for proper assessment of liquidity measured by cashflow is 2.4250 or 48.5%, it is 4.2500 or 85.0% for cash basis.

These findings are in agreement with result of previous empirical works. Sharma and Iselin (2003, p. 1117) in their study of the relative relevance of cashflow and accrual information for solvency assessments: a multi-method approach, found greater relevance of cashflow information in judgments regarding solvency. The behavioral experiment carried out indicate that commercial lending managers (CLM) using only cashflow information made more accurate solvency assessments than CLM using only accrual information. Also, the archival analysis performed produced similar results; it showed that the cashflow model reported better prediction accuracy than the accrual model.

The strength of association of these independent variables (accrual and cash bases) with cashflow from liquidity dimension based on the correlation analysis performed document -0.328 and 0.401 for accrual and cash basis respectively. Though, the liquidity assessment power of cash basis is moderately positively significant, it provides strong reliable data on cashflow than the weak negatively significant impact of accrual basis of financial reporting on cashflow. From this analysis, accrual basis accounts for decreases in liquidity by 10.7% (coefficient of determination 0.107%), while cash basis explains increases in liquidity by 16.1% (coefficient of determination 0.161).

The foregoing presupposes that there are other factors that decrease or increase liquidity other than accrual and cash information. Previous researchers in accounting suggest that attitudes of managers who manipulate documents and financial records may be contributory, particularly where bonuses and other incentive schemes

are in existence or conditions of financial distress (Sharma, 2001; Schwartz, 1982; Lillian *et al*, 1988 and DeAngelo *et al*, 1994*)*. Though, this is more with accrual data because of its flexibility than cash information.

Conclusions and Recommendations

Cash basis of financial reporting has a moderate positive significant relationship with cash flow. Empirical findings indicate that it explains increases in cashflow by 16.1%. On the other hand accrual basis of financial reporting has a significantly weak negative relationship with cashflow. It accounts for decreases in cash flow by 10.7%. Survey results rate cash basis of financial reporting 85.0% in evaluating liquidity, it is therefore, a more reliable parameter for assessing liquidity in the context of cashflow. Contrarily, the accolade for accrual basis of accounting as a spring board for evaluating liquidity from the perspective of cash flow is 48.5%; this is below average. Consequently, cash basis of financial reporting from empirical evidence remains a better assessor of liquidity in the context of cashflow. However, from profitability dimension, accrual basis, which encompasses the totality of financial transactions (paid and unpaid), gives more informative result.

This study draws data from the agricultural sector, a labour intensive industry. It may be necessary to undertake studies with data drawn from other establishments such as manufacturing or banking sector. The study is also significant as it enriches financial reporting literature in the context of accrual and cash bases, particularly in Nigeria, an emerging economy.

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Appendix 1 – Univariate Analysis

Table 1

Questionnaire administration and collection

| Companies	No. Administered	No. Returned	No. Rejected
1	8	6	2
2	8	6	2
3	8	7	1
4	8	7	1
5	8	6	2
6	8	7	1
7	8	7	1
	56	**50**	**10**

Source: **March, 2013 Survey data**

Table 2

Descriptive statistics on whether accrual basis of financial reporting improves cashflow.

	N	Minimum	Maximum	Mean	Standard Deviation	Variance
	40	1.00	5.00	2.4250	.98417	.967
Valid N(list wise)	40					

Scale: **Strongly disagree 1, disagree 2, undecided 3, agree 4, strongly agree 5.**

Figure 2

Respondents' opinion on whether accrual basis of financial reporting improves cashflow.
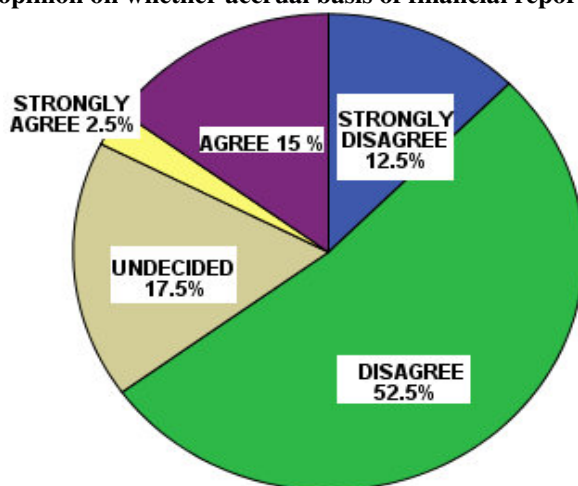
*Source***: March, 2013   Survey data and IBM SPSS 20.**

Appendix 1 continued.

Table 3

Descriptive statistics on whether cash basis of financial reporting improves cashflow.

	N.	Minimum	Maximum	Mean	Standard Deviation	Variance
	40	2.00	5.00	4.2500	.77625	0.603
Valid N(List wise)	40					

Scale: **Strongly disagree 1, disagree 2, undecided 3, agree 4, strongly Agree 5.**

Figure 3

Respondents' opinion on whether cash basis of financial reporting improves cashflow.
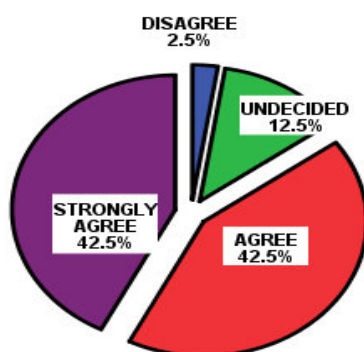
Source: **March, 2013 Survey data and IBM SPSS 20.**

Table 4

Respondents rating of cashflow performance on the adoption of cash basis of financial reporting.

	Frequency	%	Valid %	Cumulative %
Valid good	9	22.5	22.5	22.5
very good	22	55.0	55.0	77.5
excellent	7	17.5	17.5	95.0
outstanding	2	5.0	5.0	100.0
Total	40	100.0	100.0	

Scale: **Fair 1, good 2, very good 3, excellent 4, outstanding 5.**

Appendix 1 continued

Table 5

Descriptive statistics on respondents rating of cashflow performance on the adoption of cash basis of financial reporting.

	N.	Minimum	Maximum	Mean	Standard Deviation	Variance
Valid Missing	40 0	2.00	5.00	3.0500	.78283	.613

Source: **March, 2013 Survey data and IBM SPSS 20.**

Table 6

Respondents rating of cashflow performance on the adoption of accrual basis of financial reporting.

	Frequency	%	Valid %	Cumulative %
Valid fair	7	17.5	17.5	17.5
good	15	37.5	37.5	55.0
very good	17	42.5	42.5	97.5
excellent	1	2.5	2.5	100.0
Total	40	100.0	100.0	

Table 7

Descriptive statistics on respondents rating of cashflow performance on the adoption of accrual basis of financial reporting.

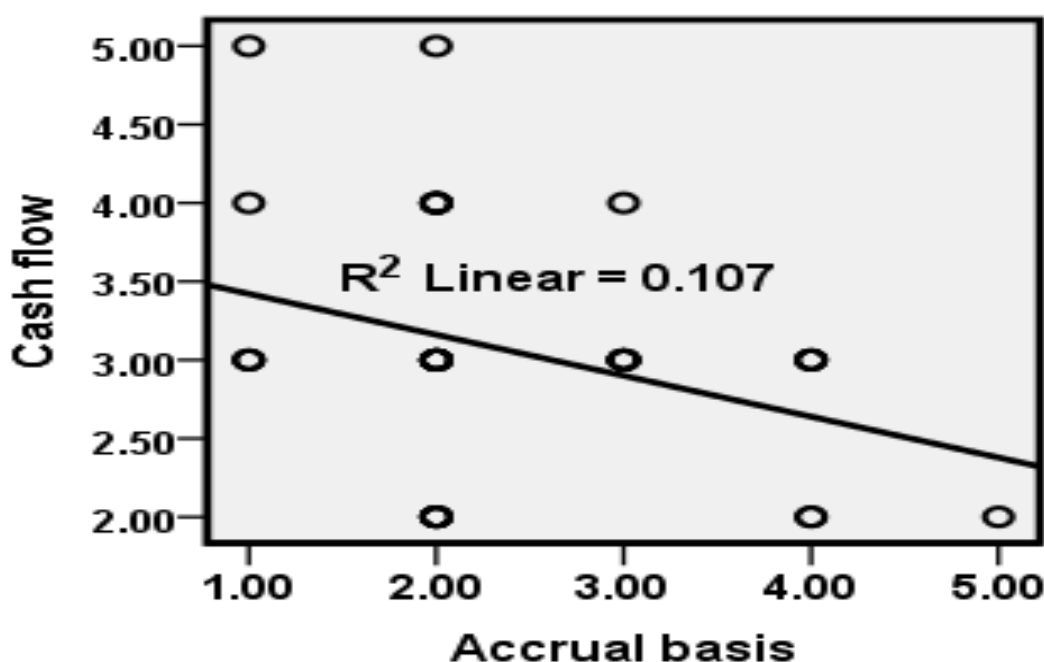|	N.	Minimum	Maximum	Mean	Standard Deviation	Variance
Valid N(Listwise)	40 40	1.00	4.00	2.3	.79097	.626

Scale: **Fair 1, good 2, very good 3, excellent 4, outstanding 5.**
Source: **March, 2013 Survey data and IBM SPSS 20.**

Appendix 2 – Bivariate Analyses.
Figure 4
Scatter diagram between accrual basis of financial reporting and cashflow.

Source: IBM SPSS 20.

Table 8

Pearson product moment correlation coefficient: accrual basis and cash flow.

		Accrual basis	Cashflow
Accrual basis	Pearson correlation	1	-. 328*
	Sig. (2 – tailed)		.039
	N	40	40
Cashflow	Pearson correlation	-. 328*	1
	Sig. (2 – tailed)	.039	
	N	40	40

 * Correlation is significant at 0.05 level (2 – tailed).
        Source: IBM SPSS 20.

Appendix 2 continued
Figure 5
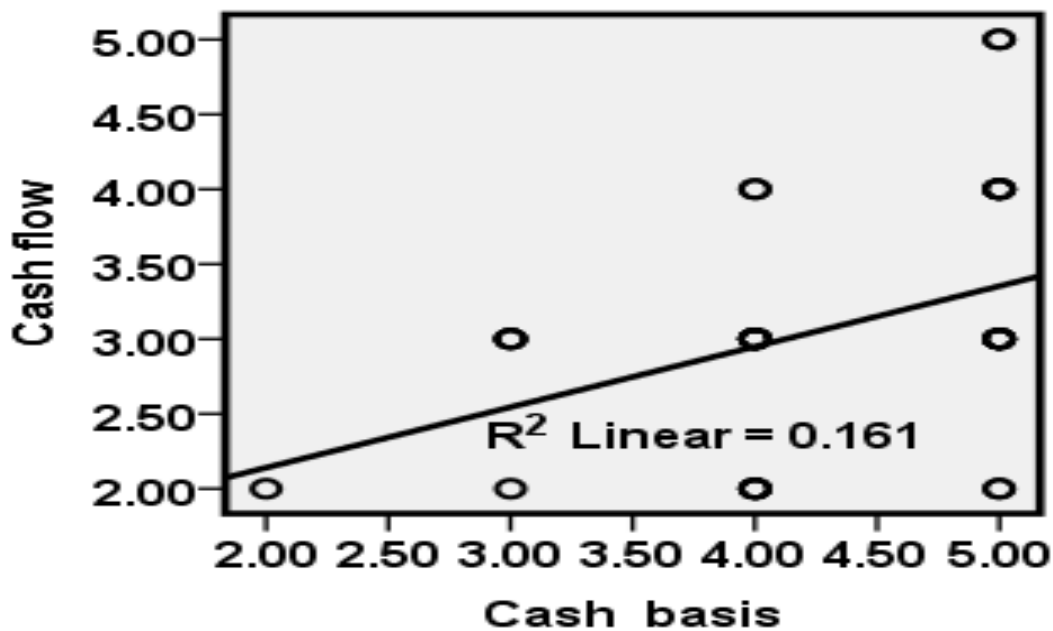**Scatter diagram between cash basis of financial reporting and cash flow.**

Table 9
Pearson product moment correlation coefficient: cash basis and cash flow

		Cash basis	Cashflow
Cash basis	Pearson correlation	1	. 401*
	Sig. (2 – tailed)		.010
	N	40	40
Cashflow	Pearson correlation	. 401*	1
	Sig. (2 – tailed)	.010	
	N	40	40

 * Correlation is significant at 0.05 level (2 – tailed).
*Source:*IBM SPSS 20.

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