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**Factors Affecting The Content Of Information
In The Use Of Financial Reports And The
Needs Of Users' In Sudan**



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Abstract: Financial reporting is intended to provide information that is useful in making economic decisions and it should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence. It should also provide information about the economic resources of the enterprise. To accomplish these objectives, financial reporting must portray economic transactions and events, and economic performance in a neutral way, without slanting the results to favor any one economic interest (Parker, 1998).

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1.1 Introduction:

Financial reporting is intended to provide information that is useful in making economic decisions and it should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence. It should also provide information about the economic resources of the enterprise. To accomplish these objectives, financial reporting must portray economic transactions and events, and economic performance in a neutral way, without slanting the results to favor any one economic interest (Parker, 1998).

The content of financial reports is being subjected to ongoing discussion and there is tension between preparers, users, auditors and academic accountants. This is mirrored in the tension that exists between theory and practice. Preparers favor reports that are based on historic transaction that are readily recorded and do not provide shareholders or competitors with a basis for holding them accountable ; users favors reports that are based on forecast transaction that are relevant in estimating future dividends ; auditors favor reports that are verifiable so that the figures can be substantiated to avoid them being proved wrong at a later date, academic accountants favor reports that reflect economic reality and are relevant in estimating future dividends ; auditors favor reports that are verifiable so that the figures can be substantiated to avoid them being proved at a later date, academic accountants favor report that economic reality and are relevant either in appraising the performance of the management or in assessing the capacity of the company to adapt (Elliott, 1993).

Concerning the Sudan as one of the developing countries (Siddig, 1994) reported that ‘ there are differences in the use of accounting information not only within different user groups but also within the same group or sub-group. Moreover, there are similarities between different groups with respect to the use of such information. Investors for example, are found to be using accounting information differently as far as their subgroups are concerned, and the majority of users in the Sudan are categorized as less sophisticated users a fact which affects the use of accounting information negatively. Hence, such users depend on informal information in making their decisions”. Such lack of trust referred to in the literature as a problem of reliability that is inherent in the financial statements.

Elbasri (2006) stated that “the reality of accounting in some of the third world countries including Sudan indicted that there is a very limited use of accounting information in making economic decisions “This absence may be the result of a gap between user needs and the contents of the financial reports”.

The incapability of financial of satisfying the users information needs also can be recognized in stock market, Motwali (2005) indicated that “a lack of transparency has been one of the significant reasons which led to the weakness

of Khartoum Stock Exchange efficiency. That weakness resulting from the financial reports and statements which have been prepared by each company whose shares were actively traded in Khartoum Stock Exchange, these reports and statements were annual and they have included only income statement, profit and loss account and balance sheet and they have not been provided in the right time, a factor that has contributed to the delay of communicating the information to the investors in order to enable them to make investment decisions, and such information could not meet their needs, furthermore, the statements have suffered from a lack of relevance and credibility of accounting information what leads to improve the investors ability on decision –making and their ability on predicting the potential result.

1.2 Statement of the Problem:

What is mentioned by Siddig (1994), Motwali (2005), Ahmed (2005), Elbasri (2006) reveals that, the financial reporting systems of business in the Sudan were not useful for economic decision making. They were also not fulfilling the requirements of these businesses involvement in international trade and business. That may be related to the gap between the contents of financial reports and needs of users, that gap attributed by the authors to many factors. The financial reports to not delivering accurate, reliable, relevant, and comparable information. And the problem of the research stems from this gap. Hence, the main questions addressed in this research are: what are the factors underlying the gap between the financial reports contents and the needs of the users of accounting information, where this gap does reside in and how wide is this gap.

1.3 Research Hypotheses:

H1: The failure of financial reports in satisfying the users need may be results of the accounting profession's lack of awareness and the non-grasping of the defects and in capabilities of such reports.

H2: The in capability of financial reports in the Sudan to meet the users' needs may be attributable to the absence of the accounting profession's willingness to treat the defects and shortages which characterize the financial reporting systems.

H3: The gap of accounting information in the Sudan may be wide enough to encourage the users to adjust and treat as untrustworthy most information in the financial reports provided by the companies.

1.4 Research Objectives:

- The main objective of this study is to identify the factors underlying the gap between the financial reports contents and the needs of the users of information.
- In addition to that, this study aims to differentiate the factors which relate to the weaknesses of accounting profession regulation from that factors which relate to the financial reports prepares. Furthermore, to distinguish among them and the factors relate to the in appropriateness of imported accounting standards to the local environment.
- This study also aims, to highlighting the attempts of the users to substitute the

absence of the appropriate information –useful in making decision which resulting from the gap between the financial reports contents and the needs of the users, to illustrating the factors underlying the gap to the users themselves.

1.5 Research Methodology:

This is a descriptive study and a hypothesis testing. The present study attempts a survey approach to investigate the problem. This approach the researcher to establish a form of control over independent variables at the data analysis stage.

1.6 Data Collection:

The study will use major approaches to gathering information about the situation and problem of incapability of financial reports content to respond the user's needs. Information required has already been available and needed only be extracted. However; there have been times when the study needed to collect information. Based upon these broad approaches to information gathering, data will be categorized as ; primary data, and secondary data (kumar, 1996).

1.6.1 Primary Data:

According to the nature of the study and the type of the variables studied, the questionnaire was adopted as the most relevant tool to gather the primary data for the purpose of the study.

1.6.2 Secondary Data:

To collect secondary data, this thesis will focus on earlier research, journals, references, and mass media (newspapers) professional bodies responsible for financial reporting, articles and internet websites.

1.7 Sampling Technique and Sampling Size:

Stratified sampling will be an appropriate method for the sake of this thesis ; because the population embraces a number of district categories. Hence, the sampling frame will be organized by these categories into spate “strata “.

The size of sample will be important for testing the hypotheses or establishing the association. To determines the appropriate sample size, it will calculate by

$$\text{the following formula: } n = \frac{z^2 p (1-p)}{d^2}$$

Where:

n= the required sample size

z= value statistic for level of confidence (1.96 for 95% confidence level)

P= percentage of population picking a choice, expressed as decimal (0.5 used for sample size needed)

d = precession (margin of error at (0.07) = +%7

The sample size according to the previous equation therefore equal:

$$N = \frac{(1.96)^2 \times 0.5 \times 0.5}{(0.07)^2} = 196$$

After the data will be entered and, to analyze the data collected, the study will adopt two statistical methods, descriptive statistic and empirical method.

1.8 Descriptive Statistical Analysis:

These theses will calculate frequency distribution in percentages of items under study, test data for normality of distribution skewness, calculate measurers of central tendency –mean and mode and establishing norms, calculate measure of dispersion standard deviation, and calculate measurers of relationship – coefficient of correlation.

1.9 Empirical Methods:

To measure and examine the association (or relationship) between the variables, the study will adopt the Bi-Variate which involves the analysis of two variables (often denoted as x, y) for the purpose of determining the empirical relationship between them.

Because the type of scale are ordinal and nominal, the study will adopt the Spearman's Rank –order (Spearman's Correlation Coefficient) to examine the relationship between two variables.

Chi –Square (X^2) and Mann –Whitney (U) test will be adopted by the research as appropriate techniques to test the difference in perception between both users and auditors.

2.1 Literature Review:

Introduction: According to the importance of financial reporting and its effect on a verity of parties who deal with its outcome and place heavy reliance upon it, financial reporting has become a subject of extensive and continued debate, and there have been a great deal of attention devoted to the issues and difficulties encountered by financial reporting.

Benjamin (1983) has gone further and suggested that “ accounting is basically a process of reporting and communicating financial information to a variety of internal and external users.As more and more decision are based on information obtained from accounting reports the communication aspect of an accounting is of particular significance “ that imply the accounting is not the ultimate goal of accounting.At that context Benjamin (1983) stated that “ financial reports is not and end in its self but it intended to provide information that is useful in making business and economic decisions”. Based upon what its mentioned above the purpose of this chapter, is to review the major aspect of the financial disclosure and its effects on decision making and eventually, it aimed also at describing and discussing the literature about the aspect of the gap between financial reports and the users' needs and about the reasons that lie behind that gap as well.

2.2 Objective of financial Reporting:

The nature and the specification of financial accounting objective are issues that recently have received considerable attention (Beaver and Demski (undated). There were many efforts which have been made by then academic accountants, accounting professional organizations, and accounting practitioners, to determine the objectives of accounting.All the studies conducted to determine the objective s of financial reporting are derived such objectives from the needs

of the external users of accounting information. Those objectives centered on making decisions concerning the use of limited resources, directing and controlling an organization's human and material resources. More over on maintaining and reporting on custodianship of resources (this objectives is commonly called stewardship), and lastly facilitating social functions and controls. All these objectives required a capacity to provide information that is useful in the decision making process. The true blood committee was charged with using APB statement No.4 as a vehicle for refining the objective of financial statement as a part of a met theoretical structure. A total of twelve objectives of financial accounting were enumerated by the report of study group on the objectives of financial statements (Wolk et al, 1989), which including the following:-

1. The basic objective of financial statements is to provide information useful for making economic decisions.
2. An objective of financial statements is to provide information useful to investors and creditors for predicting, comparing, and evaluating potential cash flows to them in terms of amount, timing, and related uncertainty.
3. An objective of financial statements is to provide users with information for predicting, comparing and evaluating enterprise earning power.
4. An objective of financial statement is to provide information useful for the predictive process, financial forecasts should be provide when they will enhance the reliability of users' prediction.
5. An objective of financial statement for governmental and nonprofit organizations is to provide information useful for evaluating the effectiveness of the management of resources in achieving the organization's goal. Performance measures should be quantified in terms of identified goals.

In attempting to specify what the objectives of accounting might be or should be, Kieso and Weggandt (1989) discussed and summarized the objectives of financial reporting in three points:

1. To provide information that is useful in investment and credit decisions.
2. To provide information that is useful in assessing cash flow prospect.
3. To provide information about resources claims to those resources, and changed in them.

2.3 Users and their Information Needs:

Under the decisions usefulness approach, the main role of the financial reporting is a provision of financial information that will be useful to those directly (and some extent indirectly) connected with an enterprise those who namely users.

Benjamin's et all (1983), they manifested that " the accountant must know the users ' needs and perception and prepare the report so that the user understands the report to express indeed corresponds with what the accountant intended to express in the report. Bedford and Baladouni call this fidelity the correspondence between what the accountant intended to express in his report ". Along time the same line, Johnson (1995) stated that " tendencies toward bias are quite natural,

as is the fact that some players may regard accounting measures as rather irrelevant in relation to what they are supposed to be doing. Many important effects are difficult to observe, not least long term influences on frames of references attitude and knowledge. Accounting information. In society and firms, must be selected with regard to actual use, not in accordance with some idea of how it should be used”.

Furthermore, Black and Champion (1961) suggested that “ to serve all need of the users equally well should place an almost impossible burden on the accounting system. The business should take these various requirements in the consideration in deciding what classes of the information to collect. However when the requirements of groups differ substantially, the basic system must usually be geared to turn out the information desired by the most important statement users owners and management and only incidentally to serve the needs of the groups. When purpose records and reports of financial status progress do not furnish the information which some groups need.

2.4 Users of Accounting Information:

There are along and advise number of users of published financial statements. what is not clear, however, is whether their information needs for the various types of the objectives can be satisfied by general purpose statements prepared under conditional of neutrality, list of possible user groups is indeed lengthy (Wolk et al, 1989).

There is one group, namely the management of organization, whose information needs are so specialized that a spate type of accounting has evolved called management accounting. However, there are other groups, each of which may believe it unrestricted access to the business and so have to rely on management to supply suitable information. These groups include the owners, where the owners are not also the managers, but extend further to the employees, lenders, suppliers, customer, government and its branches, and the public interest (Hopwood, 1980).

Many type of people use accounting information. Each type requires slightly different information from the basic financial data produced by the accountant. The accountant must therefore design his reports in such way that the appropriate information is visible and understandable.

2.5 Characteristics of Accounting Information:

It is useful not only to consider the purpose for which the information is required but also to consider the characteristic of useful information (Alexander, 1990). As we mentioned previously, the general objective of financial reporting is to provide useful information to present and potential investors, creditors, and others to help them make investment, credit and others decisions. There is a general agreement that, before it can be regarded as useful in satisfying the needs of various user groups, accounting information should possess certain qualitative characteristic.

Kieso and Weggandt (1989) discussed that “choosing an acceptable accounting

methods, the amount and types of information to be disclosed, and the format in which information should be presented involves determining which alternative provides the better (the most useful) information for decision making purpose. Financial reporting is concerned in varying degrees with decision making. as consequence, the overriding criterion by which accounting choices can be judged is that of decision usefulness, that is providing information that is the most useful for decision making.

The FASB in its concepts statement No.2 has identified the qualitative characteristics of accounting information that distinguish better (more useful) information from inferior (less useful) information for decision making purposes.

2.6 Decision Makers (Users) and Understandability:

Alexander (1990) "different users will obviously have different levels of ability as regards understanding accounting information. Understandability does not necessarily mean simplicity. It means that the reports must be geared to the abilities and knowledge of the users concerned. Complex economic activities being reported to an expert user may well require extremely complicated reports. Simple aspects being reported to users with little or no background knowledge will need to be very simple. The problem really arises when we have the task or reporting on complex activities but to the non-expert user". Understandability means that users must understand the information within the context of the decision being made.

As stated in concepts statement No.2 "the qualities that distinguish better (more useful) information from inferior (less useful) information are primarily the qualities of relevance and reliability, with some other characteristic that those qualities imply". (Kieso and Weggandt, 1989).

2.7 The Need for Communication:

It is worth mentioning that a communication of accounting information is as important as preparing. Meigs (undated) reported that "recording, classifying, and summarizing are the means of creating accounting of information. However, the accounting process includes more than the creating of information, it also involves communicating this information to interested parties and interpreting accounting information to help in the making of specific business decisions". As we know accounting is about the provision of useful figures to people about their resources. Alexandre and Brittons (1993) noted that "in accounting the means of communication is essentially a few numbers, usually prepared by someone who was not actually involved in the financial events supposedly being portrayed anyway. But it is useful idea to bear in mind, however impossible to achieve".

2.8 Communication of Financial Information:

Surveys conducted in the United States suggest that publishers of accounts focus their attention on where the company has been in the past, aim their communication primarily at shareholders, yet believe that stockbrokers and

investment advisory services are superior to annual reports as a source for decisions be unsophisticated investor. It therefore appears that annual report producers may be concentrating their efforts upon the communication of historical, financial information to sophisticated investment institutions and financial experts. Whether they are managing to do this effectively is open to question. A number of surveys have been conducted internationally to test the correlation between the importance attached to various annual report information items by annual report producers and financial analyst, bank loan officers and business media editors. These studies have consistently demonstrated significant differences in importance rankings between the two groups. Thus, report producers may be seriously miss judging the information requirements of the audience they appear to be targeting, and may therefore be failing to communicate effectively. The dimensions of this failure may be suggested by the following criticism, which have been leveled at annual reports by their audience (Parker, 1989):

1. Annual reports conform to minimum legislated disclosures, competitor's disclosures, and past practice.
2. Financial statements are excessive in length and detail, poorly organized, and include irrelevant information.
3. Important information, such as sales and earnings breakdowns, is often not provided.
4. Notes to the accounts are excessively long and complex.
5. Summaries of five to ten year financial and operating statistics are often inadequate, incomplete or poorly presented.

2.9 The Gap in Financial Reports:

The expectation gap is considered one of major issues confronting the accountancy profession. Because this research is concerned with the financial reporting gap, the consideration of this part is the expectation gap in terms of the communication of information, readability of information, qualitative characteristics of accounting information, the amount of information, and the factors underlying the gap between financial reports and users' needs.

2.10 The Aspects of the Gap between Financial Reports and User's Needs:

1. Information inadequacy:

Some time there is a gap between the information provided by financial reports prepares and the information needed by users, Mutaz (1978) stated that "a lack of reliable information necessary for an investor to assess the relative risks and opportunities of investment possibilities may occur either for acceptable or unacceptable reasons. The absence of disclosures of an important contingent liability, there may be no valid reason for failure by the company to provide the information needed.

2. Inability to Use or Disregard for Information:

The information gap may be due to the inappropriateness of such information to the users. Mautze and May (1978) argued that “even if adequate and reliable information is made available. There are a number of reasons why investors may not use it effectively, reasons which also increase investors risk. In some cases, the information it's too complex or voluminous for an investor comprehends satisfactorily.

3. Communication Gap:

There are two communication gaps suggested by Parker et al (1989). Firstly, they manifested that “ while report producers recognize the importance of sophisticated users such as financial analysts, and direct their communication via the annual report to this group in particular, they may still be failing to communicate effectively. The second communication gap is of a slightly different nature. The private shareholder group emerges as a potentially important user of annual reports, yet is apparently neglected by reports producers. This group would most likely benefit from attempts to simplify reported financial information, and might also profit from alternative styles of presentation.

4. Readability Gap:

Some time there is a gap between the language that used to prepare the financial report and the capability of users to read this financial report, Parker et al (1989) argued that “a term in accounting language may possess a quite different meaning to same term in the vernacular. This problem of accounting jargon can cause some accounting report readers to interpret messages differently from accountant s' intended meanings.

5. Timeliness Gap:

Today, annual and even quarterly reports do not capture and communicate material developments in sufficient time to meet market informational needs. Product cycle have shortened and products and whole companies become obsolete much more quickly now than ever before. It is hard to obtain picture of a quickly moving and changing items when only slow snapshots are taken. There are numerous examples where firms presented, accurately, glowing reports for a few years and then crashed (Wallman, 1995).

6. Understandability Gap:

Empirical research suggests for example, that the average non-expert reader of published accounts doesn't understand most of it in fact that doesn't even read most of it (Alexander, 1990). Perhaps we could paraphrase this and suggest that it is better to be approximate, but understood, than to be exact and incomprehensible” (Alexander, 1990).

2.11 The Users of Accounting Information in the Sudan:

Having in mind the question of culture, environment, and the requirements of users of accounting report as the basic parameters for formulating relevant accounting theory, the users of accounting information have their distinguish characteristics and classification, which resulting from the socio-cultural

environment. Almahi (2004) stated that “ the shape financial statements presented will mainly decide the strength of those financial statements and their reliability as with regard to users. Simultaneously, the social and cultural background of those users will determine the degree of utilizing the financial statements”.

2.12 Features of Accounting Practice in the Sudan and Factors that shaped it:

Accounting system in every country should provide the necessary information for its socioeconomic development planning and control. The difference countries having in mind the need of different users of financial statement when setting national accounting requirements (Almahi, 2004). It is important to note that, accounting in the development countries does not play the role it plays in the advanced world; it does not participate in the economic development process because of its failure in providing the information needed for economic decision making (Abu-Algasim, 1992).

Unfortunately, accounting practice in the Sudan is not exception of those countries (developing and Islamic countries), since its evolution it has addressed many circumstances and factors which affected and shaped its features:

A- Absence of Nationally set Accounting Standards:

Due to the absence of the nationally set accounting standards, the Sudanese certified accountants refer to the American, British and international accounting principles, (Almahi, 2004). Hence, one of factor shaped the current accounting practice in the Sudan was the using of imported accounting.

B-Membership of Foreign Accounting Professional Bodies:

Lodu (1997) stated that “membership of the British or the American professional accounting bodies has had great impact on accounting practice in the Sudan, membership conveys many of the advantages of a passport providing ready access to senior accountancy posts not only in one’s own country, but also, and more importantly, in a wide range of overseas countries”.

3.1 Analysis and Results:

This part presents the data analysis through description statistics and Mann-Whitney u test for the likert scale questions and chi-Square test for the questions without linear and numeric scale. The second part is assigned to the test of the hypotheses through the Spearman correlation coefficient. The description statistics are used to describe the data collected and the aspects of the issue. The Mann –Whitney u test is used to see whether there is a significant difference between the perceptions of the users and auditors or not.

The study provides analysis of the option and perceptions of the users of financial reports on the one hand and the auditors (as representatives of the accounting profession) on the other hand, about their use of the types of financial reports:-

Table (2.1)

The Types of Financial Reports relied upon by the Users in Making Economic Decisions

Type of Report	Mean	Mode	SD	Min	Max	Skewness	M-w Sig
Income statement (profit and Loss Account)	4.59	5	0.55	3	5	-0.886	0.977
Statement of Financial Position (Balance Sheet)	4.51	5	0.58	3	5	-0.728	0.560
Statement of Change in Financial Position.	4.35	4	0.69	2	5	-0.697	0.705
Sources and Users of Funds Statement.	4.16	4	0.80	2	5	-0.822	0.749
Report of the Executive Management.	3.94	4	0, 89	2	5	-0.859	0.356
Internal Auditor's Report (Chief Accounts Report).	4.01	4	0.95	1	5	-1.156	0.805
Report of the Chairman of the Board of Directors.	3.84	4	0.95	1	5	-0.813	0.353
Notes to the Accounts.	3.99	4	0.90	1	5	-0.853	0.535
Statistical Data	4.23	4	0.76	1	5	-1.441	0.878
Different Financial Information.	4.07	4	0.83	1	5	-1.315	0.847
Historical Summary about the financial Operations.	4.18	4	0.83	1	5	-1.146	0.191

Source: Prepared by Researcher (2020)

Table No (2.1) above shows that the vast majority of the respondents in both groups tend to agree that the users rely on all the types of financial reports in making their decisions, this is evident from the mean values ranging between 4.59 and 3.84, and the mode is 5 for the first two types and 4 for the remaining types and the negative coefficient of skewness in all the cases.

Looking again at table (2.1), the results of the Mann-Whitney u test show that there is no significant difference in the perceptions of the two groups (the users and auditors) at a 0.05 level.

Actually, about four-fifths of the users (between 81.6% and 97.4%) and more than 95% of the auditors either strongly agree or tend to agree that the users rely heavily on the income statement, statement of financial position, statement of changes in financial position, statistical date, different financial information and historical summary of financial operations. While nearly four –fifth of both surveyed groups (between 77, 2% and 85.7%) either strongly agree or tend to agree that the users rely on the statement of sources and uses of funds, executive management reports, chief –accounts report and notes to the accounts. Only about three –quarters of the users (77.2%) and two –thirds of the auditors (66.7%) either strongly agree or tend to agree that the users rely on the report of the chief of the board of director. On the other side, only 12.3% and less of the users and 19.0% and less of the auditors wither strongly disagree or tend to disagree that the users rely on

the previous types of financial reports. It is worth mentioning that no one of the auditors disagree that the users rely on the third, fourth, ninth and tenth types of the reports mentioned in the table.

The results of the descriptive statistic and the Mann-Whitney u test together reveal that all the types of financial reports –income statement, statement of financial position, statement of change in financial position, sources and users of funds statement, report of the executive management, internal auditors report (chief account s’ report), report of the chairman of the board of directors, notes to the accounts, statistical data, different financial information and historical summary about financial operation –were relied upon by the users in making economic decision despite the deficiencies of the current financial reports which provide specific types of information, concentrating only on financial information and ignoring the non-financial information. They also provide insufficient and inadequate information on addition to their inability to provide on time information. Both groups perceived these reports as important and necessary to the users in making economic decisions.

3.2 The Extent of Reading the Financial Reports:

This part of the study provides analysis of the opinions and perceptions of the users and auditors about the extent of reading the financial reports:

**Table (2.2)
The Extent of Reading the Financial Reports**

Financial Report	The Users			The Auditors			Chi – Square	Asymp Sig.
	Full Reading	Brief Reading	Not Being Read	Full Reading	Brief Reading	Not Being Read		
1. Income Statement (Profit and loss Account)	93.0%	7.0%	00.0	95.2	00.0	4.8%	6.912*	0.032*
2. Statement of Financial Position (Balance Sheet)	73.7	25.4	0.9	95.2	00.0	4.8	8.218*	0.016*
3. Report of the Board of Directors.	62.3	31.6	6.1	42.9	47.6	9.5	2.773	0.250
4. Managers Reports.	54.4	40.4	5.3	52.4	42.9	4.8	0.049	0.976
5. Notes to the Financial Statement	72.8	22.8	3.5	71.4	28.6	00.0	1.174	0.759
6. Statistical Data.	73.7	22.8	1.8	71.4	24.6	00.0	0.494	0.781
7. Auditors Report.	73.7	26.3	00.0	90.5	9.5	00.0	2.765	0.096

Source: Prepared by Researcher (2020)

Table No.(2.2) above shows the extent to which the users of financial reports read each type of such report. The table provides some sufficient evidence that the users are concerned with giving a full reading to most types of the financial reports and their contents, and giving a brief reading to some of them. The percentage frequencies show that more than 90% of the users give a full reading in the case of income statement, and about three –quarters of them (between 73.7% and 72.8%) give a full reading to the statement of financial position,

notes to the financial statements, statistical data and the auditors reports. And about one quarter of them give a brief reading to the same four types of the financial reports. And nearly one half give a full reading to the report of the board of directors and the managers reports, while close to one –half of the users give a brief reading to those reports. On the other side, more than 90% of the auditors believe that the users give a full reading in the case of the income statement, statement of the financial position and the auditor's report. While nearly three –quarter (71.4%) of the auditors think that the users give full reading to the auditors see that the users give a brief reading to the same two reports. The remaining two reports (the board of director report and managers' report) are given a full reading by about one –half of the auditors and a brief reading by about another one-half of them. Only 9.5% or less of both groups believe that the users tend to ignore reading the financial reports completely.

This result implies that the two groups believe that the users attached high importance to the reading of the financial reports; this is evidence from the fact that the users read them either fully or briefly.

3.4 The level of Difficulty in Reading the Financial Reports:

This part of the study provides analysis of the opinions and perceptions of the users and the auditors of the financial reports about the level of difficulty in reading the financial reports:

Table No (2.3)

The level of Difficulty in Reading the Financial Reports which the users face in the Sudan

Degree of Difficulty	Percentage	
	The Users	The Auditors
1. High Difficulty	21.1	33.3
2. Moderate Difficulty	58.8	47.6
3. Do Not Know	4.4	9.5
4. Little Difficulty	7.0	4.8
5. No Difficulty	8.8	4.8

Chi –Square =2.940

Significance level=0.568

Source: Prepared by Researcher (2020)

From table No. (2.3) above, the percentage frequencies show that one –third of the users (33.3%) and nearly one fifth auditors (21.1%) think that the users in the Sudan face a high level of difficulty in reading the content of the financial reports, whereas about one-half of the users (47.6%) and three –fifths of the auditors (58.8%) find that the users encounter nearly a moderate level of difficulty when they read such reports. Only 9.5% and less of both groups either they don't know or they see is a little difficult in that reading or no difficulty at all. As shown by chi-square test, there is an insignificant difference in percentage between both groups at a 0.05 level.

The results of the percentage frequencies and chi –Square test indicate that the

users of the financial reports find either a high or a moderate level of difficulty in reading when they deal with such reports.

3.5 Difficulties Related to the Reading of the Financial Reports:

The table below reports the results of the descriptive statistics and Mann-Whitney u test with regard to the direction of the response of the surveyed groups of the sample about the difficulties related to the reading of the financial reports:

**Table (2.4)
Difficulties of Reading the Financial Reports**

Difficulties	Mean	Mode	SD	Min	Max	Skewness	M-W Sig.
1. Complexity and difficulty of the language used in preparing the financial reports	3.98	5	1.20	1	5	-0.956	0.023*
2. The accounting term in the report contains more than one meaning	3.93	4	0.94	2	5	-0.851	0.976
3. Preparation of the report in a language incomprehensible to the average reader (layman)	4.34	5	0.89	1	5	-1.436	0.058
4. Financial report contains technical terms that can only be understood by professional users.	4.11	4	0.81	1	5	-1.156	0.700
5. Weakness of the user's ability to read and understood the reports.	4.13	5	1.07	2	5	-0.964	0.312
6. Using of multiple terms for the same item.	3.87	4	1.02	1	5	-0.864	0.958
7. Using vague and unclear terms which lead to confusion and misunderstanding.	4.04	5	1.13	1	5	-0.997	0.082

Source: Prepared by Researcher (2020)

Looking at table (2.4) above and based on the descriptive statistic used to analyze this part, one can note that the respondents agree with the difficulties facing the users when they read the contents of the financial reports. This is evident from the mean values ranging between 4.34 and 3.87 and the mode values ranging between 5 and 4 and the negative coefficient of skewness for all the potential difficulties shown in the table.

As per table (2.4) above, there is no significant difference in the perceptions of the surveyed groups about the difficulties encountered by the users except in the case of the first difficulty where the perceptions differ at a 0.05 level of significance as shown by the Mann-Whitney u test. With respect to the first difficulty, while about one half of the users (49.1%) strongly agree that the complex and difficult language which is used to prepare the financial reports is one of the obstacles which stand in the face of the users to read and understand the messages which the firms seek to send, only about one-quarter (23.8%) of the auditors strongly agree that this is case. In contrast to that, only 27.2% of the users tend to agree while about two fifths of the auditors (42.9%) tend to agree. On the other side, only 16.7% of the users either strongly disagree or tend to disagree. The low support given by the auditors to this difficulty may be attributed to the fact that the auditors are more aware of the technical language

of accounting than the users.

With regard to the remaining six difficulties, the Mann-Whitney u test reveals that the difference in the responses is significant at a 0.05 level. More than three quarter (between 75, 5% and 86.8) of both groups believe that the multi – meaning of the terms in accounting, preparing the reports in not understandable and incomprehensible language to the average users (laymen), preparing the reports in technical terms that can only be understood by professional users, the weakness of the user's ability to read and understand the reports, and finally, the use of multiple terms for the same item, all these are factors result in difficulties in reading the contents of the financial reports. While only between 5, 3% and 14.9% of the users and between 9.5% and 23.8% of the auditors believe that this in not case. For the last difficulty, about three –quarter of the users (76.3%) and two –thirds of the auditors (66.7%) think that one of the difficulties of reading the financial reports is the use of vague and unclear terms which leads to the confusion and misunderstanding of such reports. Only 13.2% of the users and 23.2% of the auditors see that this is not the case. The indication from the above results is that there is consensus between the two groups that the difficulty of reading the content of the reports is attributed to all the factors listed in the above table but the difference is that the users felt more strongly than the auditors that the complexity and difficulty of the language which is used in preparing the financial reports leads to the difficulty in reading the contents of such reports.

3.6 Weakness of the Accounting Profession in the Sudan:

Concerning the profession as one factor that affecting current accounting practice in the Sudan, Lodu (1997) demonstrated that “Accounting as a recognized discipline is relatively young and the profession has yet to secure its role in the regulation accounting practice, the accounting profession in the Sudan has very limited control on current accounting practice. The professional standards of the native body (ACCA) are yet to be issued, and there is shortage of qualified accountants to do the job. The SCCA members are not active in research and also do not devote full time efforts to the council's affairs the council does not have full time members to run its affairs”.

H1: The failure of financial reports in satisfying the users need may be results of the accounting profession's lack of awareness and the non-grasping of the defects and in capabilities of such reports.

The results of Spearman's correlation rejected the hypothesis that the failure of financial reports in satisfying the user's needs may be the result of the accounting profession's lack of awareness and non –grasping of the defects ad incapability of such reports. Since there is no causal relationship, it implies that the lack of accounting profession's awareness of the existence of the gap is not one of the factors resulting in and widening the gap. However, this variable is affecting some aspects of the gap. This result appears not being in line with Brand (2012) conclusion that “improvement needs to begin with greater self-

awareness, since the accountancy profession's views of itself are sometimes more positive than public perceptions. As a result, the profession is not always able to fulfill its potential. This is a problem that prevents the profession from adding additional value to employers and client's".

H2: The incapability of financial reports in the Sudan to meet the users' needs may be attributable to the absence of the accounting profession's willingness to treat the defects and shortages which characterize the financial reporting systems.

The results of Spearman's correlation test accepted the hypothesis that the financial reports in the Sudan may be incapable of satisfying the user's needs because the accounting profession doesn't have the abilities and skills to correct the situation attributed to the defects in the financial reports and proved the existence of a causal relationship. This causal relationship provides a solid ground to conclude that the inability of the accounting profession to deal with and treat the existing gap (the defects) is one of the most important factors underlying and widening the gap. This result is not far from the conclusion drawn by Wallman (1995) who stated that "the issue now is not whether we should continue to tinker with the existing financial reporting system, but whether we have the knowledge, courage, and vision to evaluate and make forward looking changes in our reporting system that will make available to investors the most relevant and useful information".

H3: The gap of accounting information in the Sudan may be wide enough to encourage the users to adjust and treat as untrustworthy most information in the financial reports provided by the companies.

The results of Spearman's correlation test accepted the hypothesis that the gap of accounting information in the Sudan may be wide enough to encourage the users to adjust and treat as untrustworthy most information in the financial reports provided by the companies at 99% confidence and proved the existence of a causal relationship between the variable (making adjustments in the financial reports) and all the components of the gap (the shortcomings).

From this result, one can conclude that the gap of the financial reports played a greater role in encouraging the users to adjust and treat the information provided through such reports as untrustworthy because they are not satisfied with the amount and quality of the information provided through the financial reports.

4.1 Conclusion and Implications:

The studied of the gap between the financial reports information contents and the users' needs in the Sudan. It aimed mainly at investigating the factors that underlined this gap. The results of this investigation, which is based on the data collected from both the users and auditors, revealed that there are several conclusions can be drawn. These deficiencies can be outlined as follows:

1. Poor organization of the contents of the report in a logical and useful way.

2. Weakness in directing the content of the report in a way that helps in decision making.
3. The content and style of the report were not designed in a way that responds to the users' needs and interests.
4. The difficulty of reading the contents of the report.
5. Difficulty in understanding the contents of the report.
6. The financial reports are inappropriate to disclose adequately all the important aspects and information that users need in decision making.
7. Lack of means of communication between the preparers of the financial information and the users (ineffective communication).
8. The financial reports contain wrong and misleading information.
9. Reliance on the financial reports puts more financial and psychological burden on the users to trust the information.
10. The financial reports are biased to specific parties or to specific purposes.
11. Complexity and difficulty of the language used in preparing the financial reports.
12. The accounting terms in the reports carry more than one meaning.
13. Using vague unclear terms which lead to confusion and misunderstanding.
14. Preparation of the reports in a language incomprehensible to the average reader.
15. Weakness and recentness of the accounting profession and professional organizations, and their inability to influence the practice of the accounting profession and to set national (local) standards consistent with the needs of the Sudanese environment.
16. Lack of knowledge and awareness of professional organizations about the needs of the users.
17. Deficiency and weakness of the standards and principles and guides of accounting which result in a deficiency in financial reports.
18. Accounting legislation in the Sudan does not provide adequate disclosure for the purpose of users of financial reports.
19. Absence of the obligatory accounting principles for measurement and disclosure.
20. Weakness of qualification and training of the preparers of the financial reports and their inability to prepare the financial statements that can meet the needs of the users.
21. Lack of awareness of preparers of financial reports of the amount and quality of information needed by users and of the shortcomings and disadvantages of the financial reports that they provide to users.
22. Concentration of the financial reports preparers on following the regulations and rules of preparing the reports and also preparing the reports in order to meet the legal requirements (registration, taxes, official transactions, etc.) Without paying attention to the needs of users.

Implications:

The implications from all the above is that the factors underlying the gap between financial reports contents and the users' needs are intertwined and complement each other and it is difficult to spate the effect of one factor from the other. It is obvious that most of the deficiencies and shortcomings encountered by the financial reporting system in the Sudan were attributed to its inability to comply with its local environment needs. The financial reporting system has been affected by several factors including the users unawareness and weak ability to read and understand the information in the financial reports. The preparers weak skills and unwillingness to disclose reliable, relevant and more information to the users.

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