Investment Decision-Making of Shareholders in the Stock Exchange of Thailand

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

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Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Chutiya Kanthapanit

4 July 2016
I am greatly appreciative of my Principal Supervisor Dr. Alan Montague, and my associate supervisor Dr. Paul Myers for their kindly encouragement, warmth, support, and professional guidance. I will never forget their invaluable advice, comments and suggestions which contributed to the completion of this thesis, and without whom I would not have completed this doctorate.

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Finally, I am deeply indebted to my family (the Jeamwijuck) especially, my father, my mother, my sister, my brother, my husband and my lovely daughter Kate, for their love and trust in me, and their financial and emotional support during my study.
LIST OF PUBLICATIONS

A paper based on this thesis was been presented at an international conference, and subsequently this work was accepted for publication in a peer-reviewed journal. Details are as follows:


ABSTRACT

The International Accounting Standards require entities to report useful and accurate information, enabling shareholders and others to make informed investment decisions. This research investigates the array of factors that influence the investment decision-making of shareholders in the Stock Exchange of Thailand (SET).

The research employed a mixed research methodology that combines quantitative and a qualitative analysis to obtain empirical data on the factors that impact on Thai shareholders investing in large asset-based industries in the SET. Data were collected from shareholders who invested in 204 listed companies within three industries: namely, Resources; Industrials; and Property and Construction. The Department of Business Development (DBD) provided the list of shareholders. Multiple responses and cross tabulations were used to analyse the survey data to determine the association between seven variables (factors) that influenced the decision-making of shareholders. Furthermore, the Kruskal-Wallis and Mann Whitney Tests were used to analyse the possible influence of age, gender, and education on the investment decisions of the Thai shareholders.

The quantitative survey, involved 121 respondents which represented 28.81 per cent of the possible informants who received the survey through the post. The qualitative interviews were conducted with ten randomly-selected shareholders from lists of shareholders of specific large asset-based industries in Thailand, as provided by
The findings show that the sources of information that shareholders rated as most important when making investment decisions ranked as follows. Financial statements, both income statements and balance sheets were number one; relevance and reliability of accounting information ranked second; the reputation of audit firms and managing directors followed; and then financial/investment opinions from stockbrokers, financial advisors and the media; and financial reports prepared in accordance with the impairment of assets standard (IAS 36).

The results of this study contribute towards achieving a greater understanding of individual Thai shareholders’ use of accounting information in company financial statements when making their investment decisions in the Stock Exchange of Thailand.

This research makes a unique contribution through gauging the importance that Thai investors place on certain sources and forms of information when buying, selling, and holding in their share-trading decision processes. The research adds to the extant body of knowledge in two key ways. Firstly, the decision-making processes of Thai shareholders have not been researched previously. Secondly, a major finding of this research was the importance which the majority of investors placed on the Impairment of Assets Standard.
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<td>ANOVA</td>
<td>A One-Way Analysis of Variance</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>ASIC</td>
<td>Australian Securities and Investment Commission</td>
</tr>
<tr>
<td>BOT</td>
<td>Bank of Thailand</td>
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<tr>
<td>BSAP</td>
<td>Board of Supervision of Auditing Practices</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CG</td>
<td>Corporate Governance</td>
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<tr>
<td>CGU</td>
<td>Cash-Generating Unit</td>
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<tr>
<td>CPA</td>
<td>Certified Public Accountants</td>
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<td>CSR</td>
<td>Corporate Social Responsibilities</td>
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<td>DBD</td>
<td>Department of Business Development</td>
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<td>DMIS</td>
<td>Decision-Making of Individual Shareholders</td>
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<td>EPS</td>
<td>Earning Per Share</td>
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<td>EU</td>
<td>European Union</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>FAP</td>
<td>Federation of Accounting Professions</td>
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<td>Acronym</td>
<td>Full Form</td>
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<td>FASB</td>
<td>Financial Accounting Standard Board</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FTI</td>
<td>Federation of Thai Industries</td>
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<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<td>HCA</td>
<td>Historical Cost Accounting</td>
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<td>IAS</td>
<td>International Accounting Standards</td>
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<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
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<td>IASC</td>
<td>International Accounting Standards Committee</td>
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<td>IASCF</td>
<td>International Accounting Standards Committee Foundation</td>
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<td>IAS 36</td>
<td>Impairment of Assets Standard</td>
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<td>ICAAT</td>
<td>Institute of Certified Accountants and Auditors of Thailand</td>
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<td>IFAC</td>
<td>International Federation of Accountants</td>
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<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IOSCO</td>
<td>International Organisation of Securities Commissions</td>
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<td>IPO</td>
<td>Initial Public Offering</td>
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<td>ISA</td>
<td>International Standards on Auditing</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
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<td>LCM</td>
<td>Lower of Cost or Market</td>
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<td>MOC</td>
<td>Minister of Commerce</td>
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<tr>
<td>MNCs</td>
<td>Multinational Corporations</td>
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<tr>
<td>NESDB</td>
<td>National Economic and Social Development Board</td>
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<tr>
<td>NICS</td>
<td>Newly Industrialised Countries</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PPE</td>
<td>Property Plant and Equipment</td>
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<tr>
<td>ROA</td>
<td>Return on Assets</td>
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<td>SAC</td>
<td>Statement of Accounting Concepts</td>
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<td>SEA</td>
<td>Securities and Exchange Act</td>
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<td>SEC</td>
<td>Securities and Exchange Commission</td>
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<td>Statement of Financial Accounting Concepts</td>
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<td>SFAS</td>
<td>Statement of Financial Accounting Standards</td>
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<td>SIC</td>
<td>Standards Interpretations Committee</td>
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<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
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<td>Abbreviation</td>
<td>Description</td>
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<td>TAS</td>
<td>Thai Accounting Standards</td>
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<td>United States</td>
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<td>US GAAP</td>
<td>United States Generally Accepted Accounting Principles</td>
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<td>WFE</td>
<td>World Federation of Exchanges</td>
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CHAPTER 1-INTRODUCTION

1.1 Introduction

The International Accounting Standards Committee (IASC) was established in 1973 with the objective of creating and publishing accounting standards that countries would follow to be consistent and comparable (IASC 2000). The IASC was formed employing an agreement made by professional accountancy bodies including Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom (England, Scotland, Wales and Northern Ireland), and the United States of America. The objective of IASC is to achieve uniformity in accounting principles that are used by businesses and other organisations for financial reporting around the world (IASC 2000).

This study investigates the array of factors that influence the investment decision-making of individual shareholders in the Stock Exchange of Thailand (SET). The International Accounting Standards (IASs) require entities which report accounting information to shareholders, or to other users, to provide useful and accurate information needed to make investment decisions. The Impairment of Assets Standards (IAS 36) are a major focus of this research, as these standards prescribe the procedures that enterprises listed on the SET should apply to ensure that their assets are stated at no more than the recoverable amount. If the assets’ carrying value exceeds the amount to be recovered through use or sale of the asset, the asset is described as impaired (IASC 2000). Thus, an enterprise should recognise an impairment loss. Impairment loss means “the amount by which the carrying amount of an asset or cash-generating unit exceeds
its recoverable amount [IAS 36.6] (IAS plus webpage)”. In other words, where impairment losses occurred the asset is reported as being a certain amount, however, if the asset is exposed in the market and sold as a lower price than this represents an impairment loss. Furthermore, this standard also specifies when an enterprise should reverse an impairment loss and it prescribes a mechanism which allows certain disclosure for impaired assets (IASC 2000).

This research focuses on investigating the factors that impact on shareholders concerning their investment decision-making, including the adoption of the revised standard on measurement of assets affected by The International Accounting Standards (IAS). The IAS 36 Impairment of Assets is a prominent aspect of the research as it was mentioned by over half of the persons surveyed, as discussed in detail within this exegesis. Research into the US implementation of Accounting for SFAS 144 (or IAS 36) by Reinstein and Lander (2004) found that all respondents believed that this standard improved the level of financial reporting and increased the fairness of the process. Giannini (2007) pointed out that asset write-downs may provide useful information on an asset’s value, its decline in value and significance of that decline, in regards to how it may affect users of the financial information.

1.2 Significance of the Study

This topic is significant as it provides in-depth research and analysis, for the first time, on the relative importance of a range of factors that influence the decision-making processes of shareholders in Thailand. Given the scarcity of research in this area, this
study provides a significant contribution to knowledge through providing insights into the effects on shareholders’ decision-making in industries that have a large asset base. The thesis further contributes to the international accounting literature on the necessity of relevant and reliable financial performance information (both actual and forecast) that enables sound decision-making of shareholders in Thailand. This research may also have applicability to the research on investment practices within other developing countries in South East Asia.

The research is of specific interest to the Stock Exchange of Thailand and its shareholders, as it provides data that reveal the needs of potential investors and verify the range of information required. An original finding is that it shows that the Stock Exchange of Thailand (SET) is reflecting the needs of shareholders through its range of policies and practices comprehensively. In Thailand, for example, listed companies are required by the SET to follow these International Accounting Standards (IASs) (Ernst & Young 1996; Ma 1997; Ball, Robin & Wu 2003; Federation of Accounting Profession 2009b). The principles of IASs require companies which report accounting information to shareholders or other users to provide useful information needed to make well-informed economic decisions (Damant 2000; Myers 2001; Mizuno 2004). Previously, shareholders relied on Thai Accounting Standards (TASs) (Federation of Accounting Profession 2009a) to assist them with decision-making, but in recent times their investment decisions are assumed to be made in accordance with the IASs (Barth, Landsman & Lang 2008). Today, shareholders’ decisions are based on consideration pertaining to information compliant with the IASs, as international standards are now mandatory practice (Whittington 2005).
In this study, the term ‘shareholders’ specifically refers to the list of shareholders provided by the Department of Business Development (DBD). In Thailand, the shareholders make their investment decisions based on accounting information provided by listed companies in their financial reports. For this study, a ‘shareholder’ is defined as a person who holds shares in their name; and this may or may not exclude companies such as trusts, mutual funds, and superannuation funds (Myers 2001). However, whether the shareholder acts as an individual or as a representative is not significant here as the research focuses on their investment decision-making with IAS 36, which is a critical issue as half the persons surveyed commented on this particular standard. The auditors’ profession recommended that clients set up provisions for any impairment of asset loss (Srijunpetch 2004).

This study has been designed to investigate the effect of the relevant items in the income statement, net profit, and earnings per share on which shareholders rely to make informed decisions. In this respect, the level of earnings per share is dependent on the net profit of the business. Furthermore, the net profit of the commercial enterprise is affected by related expenses, which in part are usually calculated based on information prepared according to the Impairment of Assets Standard. In Thailand, as this standard has been recently integrated into the IASs, the basis of measurement has changed (Liang & Wen 2007). Here, the assumption is that when the basis of measurement is different, the earnings (or dividends returned to shareholders) per share may be different, and return on equity (profit over equity) will also be affected. Different measurement values for assets will also be reflected in commonly used ratios such as return on assets and asset turnover. All of these have an impact on
shareholders’ decisions. This study contributes to knowledge of the types of reports and information that investors require, and may have some bearing on the Stock Exchange of Thailand (SET) and companies to provide more useful information to potential investors.

The topic of this study is of particular significance to large listed industries on the SET. As discussed earlier, the key significance of the study is that it is the first time that Thai shareholders have been surveyed to provide complementary information to the relevant literature, thus enabling professionals responsible for providing accurate and ethical information to the market with a better understanding of the factors that influence Thai shareholders’ investment decision-making. The literature on decision-making among Thai investigators is scant. Prior studies on decision-making of shareholders/investors in many countries (i.e. Alijarde (1997) - Spain, Myers (2001) - Australia, and Anderson et al. (2003) - Australia, New Zealand and US, and Alattar & Al-Khater (2007) - Qatar, are complemented by this research on Thailand. This adds another point of originality to the thesis. The research also questions the policy direction which SET is adopting to inform shareholders through company annual reports, a range of other reports and communication channels, thus providing an additional research contribution. Thailand is an emerging country and is becoming increasingly important to the ASEAN Economic Community. The performance of the companies listed on the SET is crucial to Thailand’s economic development and research of this nature (albeit minor in the scheme of global economies) has the potential to make a major contribution. A specific original finding of this research was that the majority of the survey respondents
(57.9 per cent) agreed that financial statements prepared explicitly in accordance with IAS 36 relied heavily on this component within the Impairment Assets Standards.

This research examines listed entities in the Resources, Industrials and Property and Construction sectors which at the time of the investigation represented 53 per cent of the market capitalisation of listed companies in the Stock Exchange of Thailand. The adoption of accountability theory and stakeholder theory in this study will be useful in assisting shareholders in major asset-based industries to make their investment decisions by identifying rates of return, earnings per share, and other factors in financial reports that influence their decision-making. This study also contributes to the types of reports and information investors require and may have some impact on the SET and companies to provide more useful information to potential investors.

This study is also significant because its findings have the potential to affect a large number of shareholders in their investment decision-making. In Thailand, the number of shareholders has increased markedly, from 400,000 in 2008 up to 600,000 individual shareholders investing in 651 listed companies in 2013 (SET 2013). The results of this thesis, which is based on accountability theory and stakeholder theory, have the potential to improve the quality of accounting information and auditing standards, which will influence the decision-making of shareholders in the major asset-based industries in Thailand.
1.3 Research Objective and the Main Research Question

The objective of this research was to investigate the influential factors that impact on the investment decision-making of Thai shareholders through the Stock Exchange of Thailand. The specific research aims are to address the following issues concerning individual Thai shareholders:

1. To focus on factors that influence the decision-making of Thai shareholders.
2. To investigate the relationship between asset size and the type of decision-making by shareholders.
3. To explore the effect of audit firms’ reputation and the quality of accounting information, regarding the qualitative characteristics of relevance and reliability on the decision-making of shareholders.
4. To identify the association between the rates of return and earnings per share on the decision-making of shareholders.
5. To explore whether gender, age, and the level of education of shareholders have an impact on their investment decision-making.

The Main Research Question is:

What factors influence the investment decision-making of Thai shareholders?

The subsidiary questions are:

1. Does the adoption of impairment of asset standards affect the investment decision-making of individual shareholders?
2. Does the asset size affect the type of decision-making of shareholders?

3. Is decision-making by shareholders based on audit firms’ reputations?

4. To what extent does the quality of accounting information, concerning relevance and reliability, affect the decision-making of shareholders?

5. To what degree do the rates of return and earnings per share impact on the investment decision-making of shareholders in general?

6. Do personal characteristics (age, gender, and level of education) affect and influence the decision-making by shareholders?

1.4 Research Methodology

This research employed a quantitative questionnaire and qualitative interview methodology to investigate the factors that influence the investment decision-making of shareholders in Thailand. In relation to the collection of data in this study, the Thai Department of Business Development (DBD) provided a list of shareholders in large industries in Thailand namely Resources, Industrials, and Property and Construction. This list of shareholders is public information and is consistent with the DBD’s professional role and responsibilities. This department is directly involved in the regulatory aspects of businesses in four ways: (i) business registration (including lists of company shareholders), (ii) business promotion, (iii) business supervision, and (iv) creation of corporate governance (DBD 2010). This body is also the “complete business information centre” for commercial enterprises (DBD 2010). Comprehensive details covering details of the research methodology are outlined in Chapter 4.
1.5 Theory underpinning the study

Accountability and stakeholder theories were used in the research because it underpins key data that investors use in their investment decision-making as discussed subsequently.

1.5.1 Accountability theory

“Corporate management accountability is simply a process that holds management accountable for the corporate performance during a specific period. This means that since management has the authority to direct and conduct the business, it also has corresponding responsibility to account for the outcome of the business operation (Karim and Taqi 2013, p. 60)”.

In a nutshell, accountability theory enables insights into an exploration of the relationship between a company and its shareholders, and financial information in annual reports that provide useful information to shareholders in making share-related decisions (Barton, 1982, Gray, Owen and Adams 1996, Karim and Taqi 2013). The informants were shareholders themselves but also brokers representing various organisations and individuals who were also stakeholders as investors.

The notion, or definition, of accountability, is broad and means that the Stock Exchange Thailand listed companies are required to report all transactions, resources, and obligations of the firm - accountably (Barton 1982; Sutthachai and Cooke 2009). Also information on the past activities is required for periodic reporting by professional management on the use of resources of the firm to its owners. Gray, Owen and Adams
(1996) defined accountability as the duty to provide an account or reckoning of those actions for which one is held responsible. Aspects of this include particular action involving the provision of an account of an action (Gray, Owen and Adams 1996; Sutthachai and Cooke 2009). This study uses the accountability theory to explain relationships between factors that influence the decision-making processes of shareholders in large asset-based industries in Thailand. Accountability theory is relevant because it underpins key data that investors use in their investment decision-making (Karim and Taqi, 2013).

**1.5.2 Stakeholder theory**

Stakeholder theory is strongly linked to accountability theory because potential investors are stakeholders who respond to the information provided by listed companies as outlined by Karim and Taqi (2013).

According to Donaldson and Preston, 1995 (p. 87):

“Stakeholder theory is that managers should acknowledge the validity of diverse stakeholder interests and should attempt to respond to them within a mutually supportive framework, because that is a moral requirement for the legitimacy of the management function (p.87).”

Stieb (2009) claimed that stakeholder theory refocuses decision-making power and the benefits of labour from those who invest money (stockholder) to (stakeholders). He cites Freeman’s (“the originator of stakeholder theory”) founding the definition of stakeholders as... “any group or individual who can affect or is affected by the
achievement of the activities of an organization” (Freeman, 1984, p. 46). This thesis focuses on stockholders (Individual shareholders) as the key stakeholders.

The roles of responsibility concern the moral consideration of stakeholders which encourages the important part of managerial objectives of the firm to develop the accountability of management for benefiting shareholders (Donaldson and Preston, 1995, Dawkins 2014). Brenner and Cochran (1991 p. 452) claimed that the two major purposes for the stakeholder theory were to describe how organisations operate and to help predict organisational behaviour. Freeman (1984) defined stakeholders as any group or individual who may be affected or may have impacted on an organisation’s achievement in terms of its goals and overall purpose. Phillips (2003, p. 25) referred to stakeholders as “any individual or group that is the legitimate object of managerial attention.” Shareholders are one group of the stakeholders of a company because they support the financial and legitimate shareholding of company shares (Shleifer & Vishny, 1997).

1.6 Structure of the thesis

The thesis is organised into eight chapters. A brief summary of the contents of the following chapters is presented below.

Chapter 2 provides background information and definitions of key terms to place the research in context.
Chapter 3 reviews the literature in the field and the research issues studied, by reference to existing research, relevant professional and public documents. The chapter presents the objectives and basic concepts of accounting, and reviews the literature on the adoption of IASs, including national differences; regulations and harmonisation in accounting; shareholders as users of accounting information for decision-making; and factors affecting the decision-making of shareholders.

Chapter 4 discusses the methodology used in this study, describing the research design, sample selection, approval by the human research ethics committee, hypotheses, and factors affecting the decision-making of shareholders under IAS 36 requirements.

Chapters 5 and 6 present the survey and interview findings from the study. The analysis in this chapter is based on the questionnaire survey including a scrutiny of the five groups of variables of information sources for decision-making, a test of normality, and the influence of age, gender and level of education of respondents. Secondly, the analyses of the qualitative interview findings are presented.

In Chapter 7, a discussion of the results of the quantitative questionnaires and qualitative interviews is provided to show the factors that influence share investment decision-making by shareholders in Thailand.

Chapter 8 presents the conclusions, implications and limitations of the study, as well as recommendations and suggestions for further research.
CHAPTER 2 - THE THAI ACCOUNTING FRAMEWORK AND DEFINITION OF KEY TERMS

In this chapter, background information and definitions are outlined to place the overall research in context.

2.1 Brief Economic Background of Thailand

Thailand was traditionally an agricultural country. However, since Thailand opened the country to global trade in 1980 (Srijunpetch 2004), the Thai economy has inexorably changed from an economy which was agriculture-based to one which is based on an industrialised economy (Kuasirikun & Sherer 2004; Srijunpetch 2004). This led to Thailand being referred to as one of the “newly industrialised countries” (NICs). The Thai government has an open economic policy which provides business opportunities to local and foreign investors, and this opening up of the industrial sector to foreign direct investment (FDI) is a key to raising growth in the Thai economy (Srijunpetch 2004). As a result, Thai exports have increasingly moved from being resource-based and labour-intensive to high-tech and capital intensive (World Bank 2008b). Added to this, the government supports the workers by enhancing their skills to make them suitable for meeting the needs of an expanding industrial development context (IASC 2000).

Between 1990-1996 Thailand achieved considerable economic success as measured by the observed annual growth in GDP of 7.8 per cent (Phongpaichit & Baker 2000).
However, in recent years, Thailand’s real GDP growth has dropped from 6.2 per cent in 2002-2004 to 4.8 per cent in 2005-2007, which is lower than other developing East Asian countries which have an average growth of 8.3 per cent in 2005-2007 (World Bank 2008b). This reduction in GDP is thought to be due to intensifying global competition and higher commodity prices (World Bank 2008b). Therefore, to mitigate potential risks arising from this situation, Thailand needs a long-term strategy to improve its productivity and its competitiveness (World Bank 2008b).

### 2.1.1 The Thai industrial and economic context

Table 2.1 shows the number of companies in the Stock Exchange of Thailand in 2008, with this listing categorised into eight industry groups. There are 60 companies in Financials, 26 in Resources, 108 in Property and Construction, 37 in Technology, 84 in Services, 43 in Agro and Food Industry, 70 in Industrials, and 40 in the Consumer Products industry.

As Thailand is one of the prominent NICs, its industry sectors are becoming increasingly important for its economic development. Of the eight industry groups noted in table 2.1, this study examines 204 representatives of the Resources, Industrials, and Property and Construction categories. These are the large industries, which together represent 53 per cent of the market capitalisation of listed companies (Table 2.2).
Table 2.2 demonstrates the majority of the companies which have been studied are from the Property and Construction industry (52.94 per cent of the sample), which includes three sectors: 51 companies from the Property Development sector; 31 from the Construction Material sectors; and 21 from the Property Fund sector. Next, Industrials (34.31 per cent) comprises 12 companies from Petrochemical and Chemicals sector, 20 from the Automotive sector, 13 from the Packaging sector, two from the Paper and Printing Materials sector, and 23 from the Industrial Materials and Machinery sector. This is followed by the Resources industry (12.75 per cent) which includes 24 companies from the Energy and Utilities industry area and two companies from the Mining sector.
Table 2.1 Companies listed in the Stock Exchange of Thailand in 2008

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>Sector</th>
<th>No. of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financials</td>
<td>Banking</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Finance and Securities</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td><strong>Total 1. Financials</strong></td>
<td><strong>60</strong></td>
</tr>
<tr>
<td>2. Resources</td>
<td>Energy and Utilities</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Mining</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td><strong>Total 2. Resources</strong></td>
<td><strong>26</strong></td>
</tr>
<tr>
<td>3. Property &amp; Construction</td>
<td>Property Development</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Construction Materials</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Property Fund</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Information and Communication</td>
<td></td>
</tr>
<tr>
<td>4. Technology</td>
<td>Technology</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Electronic Components</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Total 4. Technology</strong></td>
<td><strong>37</strong></td>
</tr>
<tr>
<td>5. Services</td>
<td>Commerce</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Media and Publishing</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Health Care Services</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Tourism and Leisure</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Professional Services</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Transportation &amp; Logistics</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td><strong>Total 5. Services</strong></td>
<td><strong>84</strong></td>
</tr>
<tr>
<td>6. Agro &amp; Food Industry</td>
<td>Foods &amp; Beverages</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Agribusiness</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td><strong>Total 6. Agro &amp; Food Industry</strong></td>
<td><strong>43</strong></td>
</tr>
<tr>
<td>7. Industrials</td>
<td>Petrochemicals &amp; Chemicals</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Automotive</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Packaging</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Paper &amp; Printing Materials</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Industrial Materials and Machinery</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total 7. Industrials</strong></td>
<td><strong>70</strong></td>
</tr>
<tr>
<td>8. Consumer Products</td>
<td>Fashion</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Home &amp; Office Products</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Personal Products &amp; Pharmaceuticals</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total 8 Consumer Products</strong></td>
<td><strong>40</strong></td>
</tr>
<tr>
<td><strong>Total 8 Industry Groups</strong></td>
<td></td>
<td><strong>468</strong></td>
</tr>
</tbody>
</table>

Source: The Stock Exchange of Thailand
Table 2.2 Number of companies in the three large asset-based industries in 2008

<table>
<thead>
<tr>
<th>Industry</th>
<th>Sector</th>
<th>No. of Companies</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Resources</td>
<td>Energy and Utilities</td>
<td>24</td>
<td>11.77</td>
</tr>
<tr>
<td></td>
<td>Mining</td>
<td>2</td>
<td>0.98</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>26</strong></td>
<td><strong>12.75</strong></td>
</tr>
<tr>
<td>2. Industrials</td>
<td>Petrochemicals and Chemicals</td>
<td>12</td>
<td>5.88</td>
</tr>
<tr>
<td></td>
<td>Automotive</td>
<td>20</td>
<td>9.80</td>
</tr>
<tr>
<td></td>
<td>Packaging</td>
<td>13</td>
<td>6.37</td>
</tr>
<tr>
<td></td>
<td>Paper and Printing Materials</td>
<td>2</td>
<td>0.98</td>
</tr>
<tr>
<td></td>
<td>Industrial Materials and</td>
<td>23</td>
<td>11.28</td>
</tr>
<tr>
<td></td>
<td>Machinery</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>70</strong></td>
<td><strong>34.31</strong></td>
</tr>
<tr>
<td>3. Property and</td>
<td>Property Development</td>
<td>56</td>
<td>27.45</td>
</tr>
<tr>
<td>Construction</td>
<td>Construction Materials</td>
<td>31</td>
<td>15.20</td>
</tr>
<tr>
<td></td>
<td>Property Fund</td>
<td>21</td>
<td>10.29</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>108</strong></td>
<td><strong>52.94</strong></td>
</tr>
<tr>
<td><strong>Total 3 Industry Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>204</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: The Stock Exchange of Thailand

According to Myers (2001), factors which identify reliability include audit independence and the use of approved accounting standards in which the quality of accounting information is relevant. Furthermore, the information that accountants as professionals have provided to the shareholder is assumed to be also relevant. In agreement with Barth (2000, p. 16), Myers (2001, p. 16) stated that “relevance refers to the ability of the item to make a difference to decisions of financial statement users.”

Drever, Stanton and McGowan (2007) stated that accounting standards are based on the accountability theory that views a corporations’ management as being accountable to shareholders and other stakeholders. Ijiri (1975) claimed that “the
responsibility of management is to report on achieving goals for the effective and efficient utilization of enterprise resources” (p. 186). Following this work, Ijiri, Wolk, Francis and Tearney (1992) asserted that accountability is demonstrated through measurement of assets which identifies preservation or impairment. Therefore, the measurements are based on the accountability objectives which include earnings per share, return on investment and its components (e.g. profit margin), and evaluation of the performance of the enterprise (Ijiri et al 1992).

The assumption is that individuals have made their decisions based on information prepared by approved accounting standards, and which is both relevant and reliable (Myers 2001). Also it is assumed that the adoption of IASs in Thailand has increased the relevance and reliability of accounting information, and financial statements provide higher quality information for decision-making (Srijunpetch 2004). The type of decisions made by shareholders in Thailand might be reasonably expected to be the same as elsewhere in the world because Thai shareholders’ decision-making processes should not differ from the shareholders in other countries. However, there may be some differences due to cultural and economic reasons (Damant 2000). Firms adopting IASs provide superior quality accounting information than firms that have not adopted this convention (Barth, Landsman & Lang 2008). For this reason, shareholders rely on accounting reports that accord with IASs (Srijunpetch 2004).

The measurement of assets is a major factor in the decision-making of investors. Investors will evaluate changes to asset values as well as acquisitions and disposals
when assessing rates of return, liquidity and profitability. In this context the enforced use of IAS 36 Impairment of Assets will be investigated to identify the effect of the adoption of international accounting standards on individual investors’ decision-making.

The adoption of the International Accounting Standards (IASs) was an appropriate way to help economic growth in developing countries (Belkaoui 1988). This author (Belkaoui 1988. p.75) also suggested that “the best strategy available to developing countries is to join with the IASB (International Accounting Standard Board) or some other international standards setting bodies and to adopt their complete set of pronouncements.” The four reasons behind the adoption of IASs are to decrease the setup and production costs of accounting standards; join the international harmonisation efforts; help the growth of needed foreign investment; and enable the profession to provide evidence that is equivalent to professional standards of behaviour within developed countries (Srijunpetch 2004). Interestingly, and perhaps ironically, Srijunpetch (2004) claimed that some developing countries had afforded greater acknowledgement to IASs than do those developed countries that have had the utmost influence in their development. This observation underlines the importance of IAS adoption in developing countries. Many of the developed countries had set up their standard-setting arrangements and often prefer their own to the IAS. The events of the global financial crisis (FCIC 2011, Ferguson 2012) that became obvious from October 2008 with the demise of Lehmann Brothers, support the view of Srijunpetch (2004).
2.2 Determining the Relative Importance of Qualitative Characteristics

This discussion on the lack of relevance of historical cost accounting gained momentum in the financial and academic community. It generated the acceptability of fair value accounting as a legitimate measurement. The implementation of fair value accounting is demonstrated by the introduction of fair value into international accounting standards such as IAS 36 Impairment of Assets and IAS 16 Property Plant and Equipment introduced in 1998.

The qualitative characteristics of accounting information comprise relevance, reliability, comparability and understandability; however relevance and reliability are of prime importance in decision-making (Barton 1982; Alijarde 1997; Anderson et al. 1997; Drever et al. 2007). All qualitative characteristics (understandability, relevance, reliability and comparability) should ideally be present in financial reports, but this can lead to unwarranted complexity in the reporting system (Drever et al. 2007). In this situation, Drever et al. (2007) suggested that a “trade-off” needs to be made and that choice of the most essential elements will depend on the particular circumstance. They provide the following two examples to illustrate their point (p. 38):

“ Ideally, the information provided should have all of these [understandability, relevance, reliability and comparability] qualitative characteristics. This may not always be possible in practice and there will often be a need to ‘trade off’ to determine which should be given more importance. This is a matter of professional judgement and will depend on the particular circumstances. For example:
Historic cost is often the most reliable measure for assets. However, this may not be as relevant to users as other measures such as present or fair value. In some cases, it may be decided that other measures are too unreliable, so historic cost is used. In other cases, it may be decided that relevance should override the reduction in the reliability, so other measures are provided;

You cannot leave out relevant information on the basis (that it is very complex and may be difficult for some users to understand. This means you may need to reduce understandability to ensure relevance.

Although the Framework states that there are four primary qualitative characteristics, it indicates that the need to ensure the understandability and comparability of information should not be used as a reason to reduce the relevance or reliability of information. This suggests that the qualitative characteristics of relevance and reliability are of the highest importance (p. 38).

Drever et al. 2007 outline the changes in the focus of the intended users from anyone who reads a report to those who use financial reports to make investment decisions. This study accepts the current view that the qualitative characteristics of accounting information, concerning relevance and reliability, are of the highest importance to shareholders when involved in decision-making. The following section introduces the background of Thai Accounting Standards, as this study deals with accounting information that shareholders rely on when making their investment decisions, including buying, selling, and holding shares.
2.3 Accounting Background in Thailand

2.3.1 Statutory Framework - The Accounting Act B.E. 2543 (2000)

The Accounting Act B.E. 2543 (2000) provides the necessary requirements relating to financial reporting by all business entities incorporated in Thailand (FAB 2009). The rules prescribe that Thai Accounting Standards (TASs) are mandatory for accounting and financial reporting by all entities of activity subject to the Bureau of Business Supervision of the Department of Business Development of the Ministry of Commerce (FAB 2009).

2.3.2 The Accounting Profession Act B.E. 2547 (2004)

The Accounting Profession Act B.E. 2547 (2004) currently governs the accountancy profession in Thailand and replaces the Auditor Act B.E. 2505 (1962) that regulated only auditors (SEC 2010). The Act introduced a new regulatory framework for all accounting professions including, bookkeeping, auditing, administrative accounting, accounting systems, tax accounting, accounting education and technology, and other services related to accounting practices as prescribed in the Ministerial Regulation, which is controlled by the Minister of Commerce (SEC 2010).

2.3.3 The Public Limited Companies Act B.E. 2535 (1992)

In accord with the requirements under the Accounting Professions Act 2004 (SET 2008; World Bank 2008) The Public Limited Companies Act B.E. 2535 (1992) required
that companies offering shares to the public provide shareholders with both the balance sheet and the profit and loss statement with the audit report. In regard to the financial reporting requirements, companies in Thailand are mandated to prepare financial statements at least once in a period of twelve months (which is an accounting year of the company) and submit the financial statements on a regular basis to users and regulatory agencies (DBD 2011). According to this Act (DBD 2011):

“The board of directors shall prepare the balance sheet and profit and loss account of the date ending the accounting period of the company to be put forth to the annual ordinary meeting of shareholders for consideration to approve. The balance sheet and the profit and loss account to be prepared under paragraph one or be prepared during the course of the accounting year of the company for submission to the meeting of shareholders for consideration. The board of directors shall have them prepared and completed by the auditor before submission to the meeting of shareholders (section 112) (p. 23).”

2.3.4 The Security and Exchange Act B.E. 2535 (1992)

The Security and Exchange Act B.E. 2535 (1992) established the Securities and Exchange Commission (SEC), which is the single supervisory agency, and acts as the regulator of the Thai capital market (SET 2008). All listed companies on the Stock Exchange of Thailand are required to submit and disclose financial statements following the IASC’s Framework. The Framework (IASC 2000) stated that:

“The objective of financial statement is to provide information about the financial position, performance and change in financial position of an enterprise that is useful to a wide range of users in making economic decisions (para. 12).

Financial statements also show the results of the stewardship of management, or the accountability of management for the resources
entrusted to it. Those users who wish to assess the stewardship or accountability of management do so in order that they may make economic decisions; these decisions may include, for example, whether to hold or sell their investment in the enterprise or whether to reappoint or replace the management (para. 14)”.

2.3.5 *The profession - The Institute of Certified Accountants and Auditors of Thailand (ICAAT)*

The Thai accounting profession was formally organised when the Institute of Certified Accountants and Auditors of Thailand was established in 1948. It is the only professional body of accountants and auditors in Thailand (Srijunpetch 2004). Most activities of the profession originally focused only on setting accounting standards (Narongjej 2008). These were based on the international standards of the IAS and International Standards on Auditing (ISA) (Narongdej 2008). The objective of ICAAT was to promote and enhance accounting and auditing professionals to meet international standards. The ICAAT was dissolved on 29 January, 2005, after the Federation of Accounting Professions (FAP) was established in 2004 by the enactment of Accounting Professions Act B.E. 2547 (2004) according to Narongdej (2008).

2.3.6 *Federation of Accounting Professions (FAP)*

The Accounting Professions Act 2004 was enacted and came into force on October 23, 2004. Accounting standards in Thailand are now issued by the FAP, whereas before the establishment of the FAP, accounting standards were issued by ICAAT (Narongdej 2008). The FAP is a legal authority and has become the first officially recognised
representative of the national accounting professional body and a standard-setter in Thailand (Narongdej 2008). The FAP is responsible for promoting education, training and research with the accounting profession; accrediting accounting degrees or diplomas of educational institutions as credentials for its membership; and certifying the knowledge, curriculum and skill required to conduct accountancy (Narongdej 2008).

2.3.7 Development of Thai Accounting Standards

The Federation of Accounting Professions (FAP) has continuously developed Thai Accounting Standards (TAS) since its inception in 2004 and has launched a massive project in the development of TAS as a result of the significant growth of new financial business in Thailand (Chotkunakitti 2005). Meanwhile, the financial crisis of 1997; and financial scandals of Alphatec Electronics, the Bangkok Bank of Commerce, and Unicord, where irregularities were alleged in these companies’ accounts; has meant that the quality of accounting and auditing standards in Thailand has come under broad scrutiny (Kuasirikun 2005). Also financial institutions faced non-performing loans and shareholders lost their share value (Chotkunakitti 2005). The World Bank and the International Monetary Fund (IMF) suggested at this time that Thailand needed to improve the quality of auditing across the country (Kuasirikun 2005). Additionally these agencies have indicated that improvement needs to be made in Thai Accounting Standards and the accountancy profession in general, as well as instituting increased monitoring and control of the behaviour of qualified accountants and auditors (Kuasirikun 2005).
There have been questions related to the extent that Thai security pricing reflects Thai accounting information (Graham, King & Bailes 2000). As a result, the FAP have reviewed Thai accounting standards to improve the reliability, creditability and usefulness of accounting information to provide sufficient information for investment decision-making (Chotkunakitti 2005). In attempting to reassure the international investment community of the quality of Thai Accounting Standards, the Chief of Accounting Standards asserted that TAS complies with the best international practices (Kuasirikun 2005). Such practices are based on International Accounting Standards; however, it also stated that if there are issues that are not totally covered by the IAS, it will consider complying with US Generally Accepted Accounting Principles (Kuasirikun 2005).

International Accounting Standards were released by the IAS Committee from 1973 to 2000, but in 2001, the International Accounting Standards Board (IASB) replaced the IASC. Since this time, the Board has: amended some IASs and has publicly proposed to amend others; replaced some IASs with new International Financial Reporting Standards (IFRSs); and adopted or proposed certain new IFRSs on topics for which there were no previous IASs (Priebjrivat 2003). However, these IFRS are currently under consideration by the oversight board of the Federation of Accounting Professionals; therefore, Thai Accounting Standards are being based on International Accounting Standards (Priebjrivat 2003).
International Financial Reporting Standards refer to the new numbered series of pronouncements that the International Accounting Standard Board has issued, as distinct from the IAS series issued by its predecessor (Deloitte 2011). IFRSs also refer to the entire body of IASB pronouncements, including standards and interpretations approved by the IASB; the International Accounting Standards and the Standard Interpretations Committee (SIC) interpretations approved by the predecessor International Accounting Standard Committee (Deloitte 2011).

The Accounting Standard-Setting Committee has reviewed and revised the standards and plans to issue it as the official national standards document to reduce the gap between Thai Accounting Standards and International Financial Reporting Standards (World Bank 2008a). The international trend is that many countries have moved to IFRS reporting, which requires the use of IFRS to improve the comparability of financial statements, transparency, and increased financial reporting quality. More than 100 countries have adopted IFRS including Australia, New Zealand, Singapore, South Africa, Hong Kong and the EU countries (World Bank 2008a).

2.4 The Stock Exchange of Thailand

The Stock Exchange of Thailand is a non-profit organisation constituted under the Securities and Exchange of Thailand Act 1974 (SET 2008). Its principal objective is to be a prime choice for capital raising and investment management by offering integrated financial products and services through reliable and accessible platforms (SET 2008). The
SET’s vision is to be a prestigious and dependable marketplace with a knowledgeable team to promote innovative products and services with a pool of liquidity to meet stakeholders’ expectations (SET 2008). Through the establishment of the SET, IASs have influenced the development of accounting standards and procedures in Thailand. Financial statements of companies listed on the SET are required by the Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those TASs issued under the Accounting Profession Act B.E. 2547. The financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535 are also required (SET 2008).

The SET commenced operations on April 30, 1975 (SET 2008). SET aimed to and had become a centre for the trading of listed securities, a financial planning promoter, and a provider of related services connected to such activities. Its primary operations include securities listing, supervision of listed companies and information disclosure, trading, market surveillance and member control, information dissemination and investor education, and managing open-ended mutual funds to promote foreign investment in the SET (SET 2008).

2.4.1 Roles and regulations of the Stock Exchange of Thailand

The SET’s three primary functions as defined in the Securities and Exchange Act (SEA 1992) are as follows. Firstly, it is to be a centre for listed securities trading and to provide the essential systems needed to facilitate securities trading (SET 2010). The
second major function is to oversight any business relating to the Securities Exchange including acting as a clearing-house, a securities depository centre, a securities registrar (SET 2010). The third function is to become involved and administer any other business such as corporate governance or international accounting standards approved by the Securities and Exchange Commission (SET 2010).

2.4.2 The Stock Exchange of Thailand’s corporate governance

To achieve good corporate governance, listed Thai companies have been continuously supported by the SET. In 1995 (before the Asian financial crisis of 1997), Thailand’s central bank floated the baht after experiencing inadequate protective processes and procedures to shield the currency from “speculative attack” (The Economist 4 July 2007). The SET scrutinised the roles of audit committees and issued listing requirements, effective from 1999, requiring that all listed companies have an audit committee (SET 2007). In 1999 the SET published a guideline namely the Code of Best Practice for Directors of Listed Companies, which had the aim of ensuring that companies have high ethical and professional standards, as well as increased operational and management efficiency (SET 2007). Furthermore, in the same year, the Best Practice Guidelines for Audit Committees was issued to assist audit committees to review the company’s practices regularly to maintain standards (SET 2007). In 2001, the Good Corporate Governance Committee published a report on corporate governance. The report set out a framework used by organisations in the Thai capital market regarding developing good corporate governance systems and practices (SET 2008). Furthermore, the adoption of IASs assures that the listed companies’ financial reporting is relevant and reliable for making investment decisions.
2.4.3 The Securities and Exchange Commission

The Securities and Exchange Commission, Thailand (SEC) was established in 1992 under the promulgation of the Securities and Exchange Act B.E. 2535 (1992). It is an independent state supervisory agency, and acts as the regulator of the Thai capital market (SEC 2010). While the SEC oversees the development of the capital market, the Bank of Thailand is responsible for the country's money market. The Securities and Exchange Act also provides a clear separation between the primary and the secondary markets to facilitate their successful development. The SEC regulates both primary and secondary markets (SEC 2010). In the main market, the SEC requires companies (issuers) which offer newly-issued shares, initial public offering (IPO) and other securities, to apply for SEC approval in compliance with the rules and regulations issued by the SEC board. This provision allows the SEC to put in place standards and regulations and consider the merits of the securities to be offered (SEC 2010). The SET operates the secondary market for trading capital securities (Chotkonakitti 2005). Following the IPO, once the issuer has applied for and been granted approval by the SET, the securities can then be traded in the secondary market (SET 2010).

This chapter has provided background information and definitions to place the research in context. The next chapter provides a detailed review of the literature relevant to this study.
CHAPTER 3–LITERATURE REVIEW

3.1 Introduction

In this section, vital literature regarding the adoption of IAS 36 and factors that influenced the decision-making of shareholder informants is reviewed in detail pertaining to the stage when they involved in share transactions.

This literature review covers a broad range of issues due to the complexity of this emerging area of investigation. These complexities notably include the theory used in the study, the objectives and basic concepts of accounting, and how these might impact upon shareholder decision-making, as well as regulations and harmonisation in accounting. National differences in the adoption of IASs are also covered together with a description of shareholders as users of accounting information. Factors affecting the decision-making of shareholders are discussed in detail. A range of other pertinent issues is also outlined in the chapter. The chapter concludes with a summary.

3.2 Theories used in the study

3.2.1 Accountability theory

According to Gray, Owen and Adams’ (1996) study, accountability is defined as “The duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible” (p. 38). They argued that accountability
involves two responsibilities or duties: firstly, the responsibility is to undertake certain actions; and secondly, the responsibility is to provide an account of those actions (Gray et al. 1996). Theoretically, accountability theory relates to broadened responsibilities beyond finance and politics, enabling stakeholders to make informed decisions (Lindberg 2013). Accountability theory relates to the corporate sector taking responsibility for conveying valuable information to stakeholders in relation to a range of information including financial reports, products, policies, strategic decisions of a fiscal or human resource category, governance, and being answerable for the resulting consequences (Lindberg 2013).

Barton (1982) pointed out that the notion of accountability is a broad concept requiring that all transactions, resources, and obligations of the firm are to be “accountable.” Furthermore, information on past activities is required for periodic reporting on the use of resources of the firm by professional management to its owners (Barton 1982).

According to Visser et al. (2007, p. 4): “Accountability is a concept in ethics with several meanings, often used synonymously with such concepts as answerability, responsibility, liability and other terms associated with the expectation of account-giving.” Accountability has defined the term as having three dimensions (Visser et al. 2007). Firstly ‘compliance’ is operative, which implies the compliance with rules, norms, regulations, agreed or applicable between the agent to whom certain responsibilities or power has been assigned (Visser et al. 2007). Secondly, ‘transparency’, which implies
accurate account reporting by the agent to the applicable principle(s) (Visser et al. 2007). Finally, ‘responsiveness’ implies the agent’s inclination and capacity to respond to legitimate expectations and rights of the principle(s)”.

Ijiri (1983) asserted that the accounting literature objectives and appreciation of accountability is to ensure that the information generated by an accounting system is fair to all parties involved. Furthermore, Stanton (1997) stated that “because accountability is a right-based argument, accountability is the justifiable holding of one to account for personal actions or to answer a charge, justifiability being conferred by an authority relationship between the persons concerned” (p. 685).

Erdogan et al. (2004) described accountability as the sense of responsibility and obligation. In addition, they asserted that “accountability is a part of the organizational tapestry and weaves itself through virtually all individual behaviours and decision-making activities” (p. 20).

In this study, accountability theory views corporations, through their management, as reacting to the concerns of external parties – including stakeholders, as defined by Freeman (1984). Keasey and Wright (1993) stated that “accountability involves the monitoring, evaluation and control of organisational agents to ensure that they behave in the interests of shareholders and other stakeholders” (p. 291). Accountability theory focuses firstly on the relationship between a company and its shareholders and financial
information in the annual reports, and secondly, on the relationship between a company and its stakeholders and disclosures in the annual reports (Drever et al. 2007).

### 3.2.2 Stakeholder theory

According to Donaldson and Preston, 1995 (p.87): “Stakeholder theory is that managers should acknowledge the validity of diverse stakeholder interests and should attempt to respond to them within a mutually supportive framework, because that is a moral requirement for the legitimacy of the management function.”

The roles of responsibility relate to the moral consideration of stakeholders, which encourages the important part of managerial objectives of the firm to develop the accountability of management and benefiting shareholders (Donaldson and Preston, 1995).

Brenner and Cochran (1991 p. 452) identified “two main purposes for stakeholder theory where companies are to describe how organizations operate and to assist predictions of the organisational”. Freeman (1984) defined stakeholders as any group or individual who may be affected or may impacted organisation’s achievement in term of its goal and purpose”. Phillips (2003) identified stakeholders as “any individual or group that is the legitimate object of managerial attention”. From these definitions,
shareholders are the key stakeholders of a company because they support the financial and legal shareholding of company shares (Shleifer & Vishny, 1997).

Based on stakeholder management theory espoused by Mitchell, Agle and Wood (1997), they combined “power, legitimacy, and urgency attributes and generated a typology of stakeholders concerning their salience to managers of the firm, and research and management implications (p. 853)”. They concluded that:

(1) Stakeholder theory must account for power and urgency as well as legitimacy, no matter how distasteful or unsettling the results;

(2) Managers must know about entities in their environment that hold power and have the intent to impose their will upon the firm;

(3) Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders (included shareholders) (Mitchell, Agle and Wood 1997, p. 882).

**Stakeholder Approach and Local Legitimacy**

Local legitimacy is a general perception or assumption that the actions of businesses are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman 1995). Social pressure is derived from the dissatisfaction of local stakeholders with corporate operations (Gifford & Kestler 2008; Reimann et al. 2012). Social embeddedness is a foundation for companies wishing to obtain domestic legitimacy by building relationships with local stakeholders (Gifford & Kestler 2008; Gifford, Kestler & Anand 2010). Therefore, this study is based on
accountability theory and stakeholder theory and focuses: firstly, on the relationship between a company and its shareholders and financial information in the annual reports. The second focus is on the relationship between a company and its stakeholders and disclosures in the annual reports, in which shareholders use this crucial information for their investment decision-making.

3.3 The Objective and Basics of Accounting

Barton (1982) suggested a logical framework for analysing the ways in which individual respondents interpret accounting information. In this way, a sound and consistent set of improved accounting standards covering an extensive range of topics can be developed (Monks and Lajoux 2012). Barton (1982) expressed the view that an improvement in accounting standards should both raise the quality of information contained in accounting reports and reduce the diversity of accounting practices (Monks and Lajoux 2012). Barton (1982) further asserted that raising the overall quality of information would provide benefit to all users of accounting information by increasing the relevance and reliability of financial reports.

Accordingly, Choi et al. (2002) viewed accounting as consisting of three broad areas: measurement, disclosure, and auditing. They suggested that:

“Measurement is the process of identifying, categorizing, and quantifying economic activities or transactions. The intent of accounting measurements is to provide users with information that will facilitate economic decisions. Disclosure is the process by which accounting measurements are transmitted to their users.”
Disclosure includes accounting disclosures to external parties and the internal use of accounting information. Finally, auditing is the process by which specialised accounting professionals (auditors) examine and verify the adequacy of a company’s financial and control systems and the accuracy of its financial records. (Choi et al. 2002, p. 1).”

As stated by Choi et al. (2002), the measurement, disclosure and auditing are the processes by which accounting information from a company’s financial reports is useful for decision making by user or shareholders.

### 3.4 The users of financial reports

Shareholders were identified as users of financial reports in many countries including Australia, the UK, Canada, the US and Thailand. Whereas users vary between the Accounting conceptual framework projects, the general groups of shareholders, creditors, employees, lenders, customers, suppliers, government and the public are commonly cited (Stanton 1997). Even though not all of the information needs of these users can be met by financial statements, there are common needs for all users (IASC 2006).

The primary objective of financial reporting within accounting conceptual framework projects (i.e. Australia, the UK, Canada and the USA), have consumed the goal and purpose of accountability (stewardship), so long held to be the justification for accounting (Stanton 1997). Furthermore, Stanton (1997) stated that “as the objective of financial reporting, decision-usefulness means that efficiency in resource allocation will
dominate fundamental considerations of what information should be reported and to whom” (p. 684).

In Australia, the Statement of Accounting Concepts SAC 2 “Objective of General-Purpose Financial Reporting” identifies three primary user groups of general purpose financial statements: resource providers, recipients of goods and services, and parties performing a review or oversight function (Deegan 2009). The statement made in this document identifies resource providers as including employees, lenders, creditors, suppliers, investors and contributors (Deegan 2009).

Recipients of goods and services comprise customers and beneficiaries; parties performing a review or oversight function include parliaments, governments, regulatory, agencies, analysts, labour unions, employer groups, media and special interest community groups (Deegan 2009, p. 223).

Similarly the users of annual reports identified by the Accounting Standards Committee of the Institute of Chartered Accountants in England and Wales (UK), defined users as equity investors, shareholders, creditors, employees, analysts or advisers, business contact groups, government and the public (Deegan & Rankin 1997).
In the United States, the Financial Accounting Standard Board's Statement, Financial Accounting Concept no. 1, suggests that the main focus of financial reports is the aim of informing potential investors and other users of the share market (Deegan 2009). This is due to either a direct financial interest or somehow related to those with a financial interest, such as stockbrokers, analysts, lawyers or regulatory bodies (Deegan 2009). Similarly, in the IASB Framework, although a range of users had been identified, it was proposed that accounting information designed to satisfy the information needs of investors will also resolve the needs of the other user groups identified (Deegan 2009).

By comparison, the definition of users of financial reports in three conceptual frameworks (UK, USA, and IASB) has been asserted by Deegan (2009) in this way:

“Hence, the definition of users provided by SAC 2 is quite broad, and through reference to such parties as ‘special interest groups’ could be construed as embracing the ‘public’. While perhaps not as broad as the definition provided by The Corporate Report (UK), which considered ‘right’ to information that is not necessarily linked to resource allocation decisions, the definition of users provided in the Australian document is broader than that provided by the FASB and the IASB. In SFAC 1 the main focus of financial reports is present and potential investors and other user (with either a direct financial interest or somehow related to those with a financial interest, for example stockbrokers, analysts, lawyers or regulatory bodies). Within SFAC 1 there appears to be limited consideration of the public in terms of the public being considered as a legitimate user of financial reports (Deegan 2009, pp. 223-4).”

In Thailand, following the IASB Framework, the users of financial reports identified in the Framework for the Preparation and Presentation of Financial Statements (volume 2009) are shareholders, investors, (both current and potential investors), employees, creditors, customers, governments and the public (Federation of Accounting Profession 2009b). As indicated above, Thai listed companies’ financial reports are prepared
following the IASB Framework. Therefore, in this study, particular shareholders identified in this framework are investigated.

3.5 The Usefulness of financial reporting

According to considered research, two types of user information requirements should be noted: “first, decision making requires information in relation to future and current times, and control and accountability require information about current and past periods. Second, the accounting information forms only a part of the information required by users” Barton (1982, p. 9). In another study by Anderson and Epstein (1996), a comparison between the usefulness of annual reports in Australia, New Zealand, and the United States was conducted. This study found that US investors ranked the annual report as the most important source of shareholder information, and this emphasis increased from 13.1 per cent in 1973 to 22.4 per cent in 1996 Anderson and Epstein (1996). Furthermore, research in Qatar by Allatar and Al-Khater (2007) found that the respondents considered that the accounting information in annual reports (balance sheet, income statement, cash flow statement and notes) to be relevant and useful and to be the primary sources of information for making investment decisions.
3.6 Regulations and Harmonisation in Accounting

3.6.1 International Accounting Standards Board (IASB)

The IASB is the standard-setting body of the International Accounting Standard Committee (IASC). The foremost objective of the organisation is to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards (IASCF 2006). In 1997, the IASC decided to review its structure, making it more representative and flexible in nature. As a result, many countries now take part in this standard-setting approach, with factors other than pure accounting theory being involved (Damant 2000). As setting accounting standards is complex, the new IASC proposed the establishment of a full-time board composed of 14 experts and up to seven members in the field of setting accounting standards to be charged with liaising with the accounting standards bodies in their home countries (Damant 2000).

3.6.2 Regulations

According to Stenka and Ormrod (2007, p. 3) “A substantial body of research, both professional and academic, has been devoted to issues concerning convergence of various national accounting standards with IASs and the implications of the global harmonisation of accounting regulation”. However, an earlier study by Tay and Parker (1990) asserted that when comparing the Australian situation with that in the US, Australian companies were more likely to be required to comply with standards approved by the Accounting Standards Review Board. Recently in Australia, under the Corporation Act 2001, the Australian Securities and Investments Commission (ASIC)
delivered a full range of compliance programs aimed to ensure that companies, schemes and various individuals and entities comply with obligations under this Act. The ASIC also provided enforcement programs to support listed companies. However, if a company still fails to meet the requirements of the law, the ASIC can obtain an order from the court or even take criminal action against a company officeholder (ASIC 2010). In the US, the Securities and Exchange Commission (SEC) already had such power, and was able to refuse to register their financial statements when necessary (Tay & Parker 1990). Shahid (2002) argued that not only should the superior power of enforcing regulations be in conformity, but that the regulation of trading in the new global market should be enhanced by new internet technology to ensure continued investor confidence, which remains a cornerstone of a thriving market. Srijunpetch (2004) concluded that the IASB standards appear to be relevant to a capitalistic developing country such as Thailand, which has established capital markets dominated by private investors and equity capital.

Furthermore, the collapses and scandals of companies such as Enron, WorldCom, and Global Crossing confirm the importance of having and enforcing regulation via Securities Commissions, Stock Exchanges, boards and shareholders (Shahid 2002). Regulations are crucial to ensure that senior managers are deemed accountable even for their organisations’ actions (Trevino and Nelson 2011). The top executives of Arthur Andersen, Enron, WorldCom, Adelphia, Boeing, and AIG Insurance were all replaced soon after ethical scandals surfaced (Trevino and Nelson 2011). For its role in Enron the auditing firm Arthur Andersen ceased to exist (Trevino and Nelson 2011).
“Arthur Andersen’s Houston office failed Enron shareholders when they allowed the high-risk accounting practices used by Enron to continue” (Trevino and Nelson 2011, p. 130).

The economic crash of 2008 provides added examples of the importance of regulation through default. However, regulation can also have its problems, as was shown by the rating agencies such as Standard & Poor which provided a “triple-A rating” for the complex mortgage-backed securities in major US financial institutions, thus making investors feel secure and confident when investing (Trevino and Nelson 2011). As events have unfolded it is clear that many of these securities and investment options were rated poorly and in many cases deserved the lowest rating – not the highest (Trevino and Nelson 2011).

“Many factors contributed to the debacle (including the fact that rating agencies were using old methods to rate these newfangled products). A major contributor was a serious conflict of interest—the rating agencies are paid by the companies whose securities they rate, thus making it difficult or impossible to assign truly objective and unbiased ratings (Trevino and Nelson 2011, p. 123)”.

A study by Kinnunen, Niskanen and Kasanen (2000) found that although virtually all European stock exchanges allowed foreign listed companies to follow IASs, in contrast, stock exchanges in the US and Canada had still not accepted foreign listed companies to follow IASs without reference to the local (US or Canadian) “Generally Accepted Accounting Principles.” However, the US SEC has recently decided to allow foreign firms cross-listing in the US to report under IFRS, essentially granting them a choice between US GAAP and IFRS (Hail, Leuz & Wysocki 2010). Some studies have also examined the regulatory activities of the IASB as a ‘global standard setting body’, which has
increasingly become a mandatory set of accounting regulations, considering its institutional and political implications (Larson & Kenny 1998; Street & Shaughnessy 1998; Zeff 2002; Kwok & Sharp 2005). It is logical that listed entities in Thailand will pursue opportunities around the world and in particular the USA as the world’s largest economy with a Gross Domestic Product (GDP) of almost $T15.7 ($15,684,800,000,000). The US GDP is nearly double that of China’s GDP of approximately $T8.4: Thailand is ranked number 31 among 189 countries with a GDP of $M365,966 (World Bank 2013). The adoption of IAS standards will allow them greater access.

3.6.3 The Global Financial Crisis

In 2008, when the global financial crisis (GFC) exploded, it threatened the collapse of the major financial institutions. “Dark Monday” was a term used for 15, September 2008, as ‘the world witnessed a radical reshaping of Wall Street. Lehman Brothers fell toward bankruptcy; Merrill Lynch was sold to its rival, Bank of America; and AIG (American Insurance Group) pleaded for $40 billion in government relief. Those calamities marched in step with a dismal parade including the US government takeover of Fannie Mae and Freddie Mac, the bailout of Bear Stearns, and the entire subprime debacle’ (Donaldson, 2012 p. 5).

As the global financial crisis deepened, transnational firms began to adjust significantly to current operations as well as investment. Many large multinational firms in high-income economies announced significant cuts in their operations, involving the
closure of production sites across the world (Nisssanke 2010). High-profile mergers and acquisitions were stopped or postponed. A wide range of industries was affected, including mining, automobiles, aircraft and steel, in both developed and developing countries (Nisssanke 2010).

The Bank of Thailand (BOT) participates in close monitoring of and dialogue with the banking industry, both from the perspective of the BOT’s monetary policy and market operation conduct. Its aim is to ensure that the market has adequate liquidity and capital, along with the risk management ability to handle potential stress (Bank of Thailand, 2008).

The lessons Thailand learned from the 1997 financial crisis, together with the strengthened risk-based supervision and banks’ risk management, the countercyclical macroprudential measures in place since around 2003, and the removal of the fixed exchange rate regime in 1997. These contributed to reducing Thailand’s vulnerability and exposure to contagion related to the global financial crisis (Bank of Thailand, 2008). Consolidation in the financial system brought the number of deposit-taking institutions in Thailand down to 45 from 124 before the 1997/98 crisis, thus making the financial system more contained (Nijathaworn, 2012). This had an impact on the fiscal defence in Thailand as the process of deleveraging in the private sector was more or less complete, with the debt-to-equity ratio declining from 1.2 in 1998 to 0.7 in 2008 (Nijathaworn, 2012).
Although Thailand’s economy remained resistant in the face of the food price crisis, however, it was hit by the financial and economic crisis besides real GDP is 2.9 per cent in 2009 (World Bank, 2009). The domestic capital market also grew rapidly in response to the funding needs of Thailand’s government and firms, further strengthening the system’s resilience. Significantly, these improvements resulted in much stronger balance sheets for business and banks (Nijathaworn, 2012).

The foreign debt of the Thai banking system was very small, at USD 7.7 billion, and the external debt to asset ratio of the banking system fell significantly from 18.8% in 1996 to 2.5% in 2008 (Bank of Thailand, 2008). This reduction in foreign debt shielded Thailand from the impact of the GFC (ADB, 2008). Furthermore, banks have few foreign investment holdings, accounting for only one per cent of total assets, while loans to overseas financial institutions and non-residents account for around 2.4% of total assets (Bank of Thailand, 2008).

Thailand was not close to the centre of the crisis (Chirathivat and Mallikamas, 2010). Like other Asian countries Thailand was affected, less by the turmoil of the US and European financial sectors, but more with subsequent global slowdown in demand that had suddenly been shrinking the Thai economy in terms of reducing exports, growth and employment prospects, revealed since the last quarter of 2008 (Chirathivat & Mallikamas, 2010). The stock market was obviously affected in line with stock markets around the world. As financial markets in the advanced economies experienced liquidity crunches, there was a massive liquidation of liquid investment assets in the emerging
markets and a massive flow of capital. Fortunately, Thailand had more than sufficient foreign reserves to cover for this capital outflow, and depreciation pressures on the exchange could be managed quickly (Sussangkarn and Jitsuchon, 2009).

**Globalisation and corporate governance perspectives**

The accountability of directors is achieved through good governance that includes the adoption of IAS which is expected by stakeholders (Luo 2005). According to Kar (2000), while shareholders are the owners of the company, and as such, they have certain rights and responsibilities, they are not expected to assume responsibility for the management of corporate affairs. Luo (2005) considered that it is corporate governance which is at the heart of international business activities. This set of market-based, culture-based, and discipline-based mechanisms demands that self-interested executives make decisions and maximise the value of the firm for its primary stakeholders (especially shareholders). Kar (2000) also maintained that, as owners of the company, shareholders have necessarily delegated many of their responsibilities to the directors, who then become responsible for organisational strategy and operating with a management team to implement the plan. This relationship, therefore, brings in the accountability of the boards and management to the company shareholders (Kar 2000).

Furthermore, Luo (2005) postulated that corporate accountability is the set of institutional and accounting systems that enhance transparent disclosure and responsive support in corporate activities, strategic decision-making, and financial information.
An earlier study by Stanton (1997) suggested that shareholders could argue that it is important for them to have free availability and unlimited accessibility to company financial data to enable them to form independent, informed and intelligent, judgements and decision-making. As suggested by Luo (2005), central to corporate accountability is the widespread availability of relevant, reliable, and accurate information about a company’s performance, financial position, investment opportunities, governance, value, and risk. He pointed out that accountability affects the investments, productivity, and value of firms in three ways including identifying promising investment opportunities; guiding managers to direct resources toward good projects, and reducing information asymmetries among investors and the various stakeholders. Corporate accountability is “concerned with the extent to which a firm is transparent in its corporate activities and responsive to those it serves, which requires not only financial reporting accountability but also strategic decision transparency” (Luo 2005).

Luo (2005) stated that for firms engaging in international business activities, the design of corporate accountability systems is mainly concerned with ensuring that multinational enterprises follow accounting and auditing standards: either those of the home country or appropriate international standards. Luo (2005) also suggested that the accounting information system of multinational enterprises should be globally harmonised. This global harmony concept implied that data management and communication systems should be implemented by geographically circulated sub-units to support corporate accountability which has been configured for the multinational enterprises’ particular global qualities and behaviours. A related notion here is that most
countries agree on the need for directors of companies to disclose their relevant interests and disclose financial performance in annual reports to shareholders (Kar 2000). Srijunpetch (2004) concluded that the IASB develops IAS through an international process that involves the preparers and users of financial reports. Moreover, this process helps to ensure that IAS are high-quality standards and acceptable to users, preparers and auditors of financial reports.

Within the broader context of globalisation, one major scope of change (from private to public to non-governmental) pertains to the way corporations, in general, are governed and how this governance relates to their shareholders and stakeholders (Finger 2009). As a result, the focus of increased attention both inside and outside boardrooms has included directors, investors, stakeholders, and regulators who are watching more and more carefully that organisations are governed efficiently, effectively, and ethically, and that financial and other risks are being taken into account (Finger 2009).

3.6.4 Harmonisation

Nobes (1994) defined harmonisation as “the process of increasing the consistency and comparability of accounts to remove the barriers to the international movement of capital and exchange of information by reducing the differences in accounting and company law” (p. 33). Tower, Hancock and Taplin (1999) noted that the IASC performed the initiator/leadership role in pushing for the harmonisation of international accounting
rules. These theorists also considered that harmony is vital because it reduces the level of diversity in the financial statements for multinational enterprises (Tower, Hancock and Taplin 1999).

According to Damant (2000), the benefits of harmonisation are that improvements in the pricing of capital are reflected in the prices of shares in the world’s major equity markets. Indeed, it is the international capital markets which are the dominant force in redirecting finance at more appropriate prices once harmonised financial reporting is in place (Damant 2000). The benefits of harmonisation are also significant as international investors and financial analysts find the interpretation of financial reports easier once IASs are in general use, despite the cultural and economic differences between the various countries entailing high degrees of international investors’ expertise (Damant 2000).

Shahid (2002) suggested that the impact of globalisation on capital markets emphasises the belief that the traditional role of world financial exchanges must alter to allow companies to be able to compete in the era of globalisation. His study showed that the transactions that would survive were those committed to added investment in technology and which provide liquidity for both institutional and retail investors, in a fast, fair, well-regulated manner, and at the lowest possible cost. It was claimed that this would be of significant benefit in enhancing investors’ confidence in a stock exchange and would assist considerably in the development of capital markets (Srijunpetch 2004). For example, a capitalistic developing country such as Thailand which has established
capital markets dominated by private investors (shareholders) and equity capital (Srijunpetch 2004).

3.7 The Adoption of IASs in Different National Contexts

The adoption of IASs in many countries requires standard-setters to understand the different regulatory and commercial environments. Street (2002) conducted a multinational study of the harmonisation process based on two surveys of financial reporting practices, in 59 and 62 countries respectively relating to the context of IASs. These two studies aimed to identify the main differences between local reporting standards and criteria issued by the IASB. Street (2002) analysed these studies to assess the progress and perceived impediments to convergence in the relevant countries.

In a similar research study by Larson and Street (2004) but a European context, an examination of the progress and perceived impediments to convergence with IFRS in European countries was undertaken. These authors drew information from a 2002 survey of financial reporting practices in 17 European countries by six of the largest European accounting firms. They found that the obstacles to convergence are the complicated nature of IFRS (including financial instruments) and the tax-orientation of many national accounting systems, underdeveloped national capital markets, and insufficient guidance on the first-time application of IFRS (Larson & Street 2004).
A further study by Ding, Jeanjean and Stolowy (2005) investigated the role of culture as an explanatory factor underlying differences between national Generally Accepted Accounting Principles and IASs in 52 countries. Their work was based on a survey of national accounting rules benchmarked against international standards (Ding, Jeanjean and Stolowy 2005). They found that aspects of the culture of the involved parties matter more than the legal origin (common law or civil law) which underpins the regulation when explaining divergences from IAS. Furthermore, analyses of differences in the accounting practices of US GAAP and IASB have been summarised by Ampolo and Sellani (2005), and Choi, Frost and Meek (2002). They observed that under IAS and US GAAP, there are very similar areas of conceptual frameworks and the financial ratios which are used to analyse financial statements. Bartov, Goldberg and Kim (2005) investigated the comparative value relevance of earnings reported under German GAAP, US GAAP and IAS. They found that within their sample of German companies, value relevance was higher for earnings prepared under either US GAAP or IAS over earnings prepared under German GAAP.

The prior research sought to question the relevance of international accounting standards to domestic economies, especially in the context of developing or emerging countries (Adam & Weetman 1993; Larson 1993, Larson & Kenny 1996; Larson & Kenny 1998; Points & Cunningham 1998; Woolley 1998). More recently, Barth, Landsman and Lang (2008) examined 21 countries (1994-2003) that have adopted compliance with accounting measurements using IASs to provide shareholders with internationally adequate investment information. Due to their high compliance levels, the impact of accounting reform on countries such as Japan has been significant, with many
companies improving their returns on assets and value of stock market shares (Mizuno 2004).

With the adoption of IASs in Trinidad and Tobago, increases in the detail and transparency of three financial statement elements (expense recognition for retirement benefit plans, valuation of short-term equity investments, and valuation of interest in associated companies) were directly ascribed to the adoption of uniformity in the financial reporting of public companies (Bowrin 2007). In contrast, in countries that have only low levels of IASs compliance (for example Bangladesh) shareholders are disadvantaged by negative institutional legitimisation pressures coming from both their government and professional accounting bodies (Mir & Rahaman 2005).

Although IASs are still the primary standards used worldwide, in 2007 a new set of accounting standards was introduced by the IASB called the International Financial Reporting Standards (IFRS). Although these standards are almost identical to IASs, companies in some countries, including Portugal, are concerned that domestic and international standard-setting agencies, regulators and accounting professions, may not understand the association between company characteristics and the adoption of IFRS (Guerreiro, Rodrigues & Craig 2007). In Thailand, there are legal requirements for the preparation of financial statements that comply with the accounting standards promulgated by the FAB (Tower, Hancock and Taplin 1999). Moreover, IFRS are used as the basis for the development of national accounting standards in Thailand.
3.8 Shareholders as Users of Accounting Reports for Decision-Making

According to Barton (1982), Lewis (2012), Carmichael and Graham (2012), Dawkins (2014), users of accounting reports (including shareholders) require them for decision-making purposes. Barton explained that economic decisions concern how to use scarce resources in the future, and involve a comparison of the benefits resulting from a proposed course of action and the cost of embarking upon that action. Accounting data can assist decision-makers to forecast the future accurately, enabling estimations of future benefits and costs and providing information on current costs incurred when making particular decisions (Barton 1982; Lewis 2012). The three basic functions served by accounting information comprise economic decision-making, control and accountability. These are interrelated functions, and information should be provided to users to assist them in their understanding and application of these features, according to Barton (1982).

Carmichael and Graham (2012) asserted that “the primary communication channel is between financial statement preparers and financial statement users. Generally, the “preparers” are accountants “who work for corporations or other entities that need capital resources or that have stewardship reporting responsibilities. Users are investors, creditors, or advisors who those to want to commit resources to an entity” (p. 6).
According to Barton (1982), two features of user information requirements should be noted. First, decision-making requires information relating to future and current times, and control and accountability need information about present and past periods. However, the accounting system can directly provide only information about the current fiscal year and the history, with predictions of future directions being subject to the usual caveats of uncertainty (Barton 1982; Lewis 2012).

3.8.1 Investor perspective

The relationship between managers and shareholders is one of the central topics in corporate governance and finance research (Ryan & Buchholtz 2001). In an earlier study, Friedman (1970) described managers’ responsibility to shareholders as the one and only social responsibility of business. Friedman had many prominent critics in the academic field (Freeman 1984, Klein 2008) but also prominent political followers, such as US president Ronald Reagan, George W. Bush, and English Prime Minister Margaret Thatcher, for example (Klein 2008).

“The late economist Milton Friedman is the best-known proponent of the 40-year old argument that management’s sole responsibility is to maximize profits for shareholders. Yet people often forget what Friedman actually said—that management should make as much money as possible while conforming to the basic rules of society, both those embodied in the law and those embodied in ethical custom.” (Trevino and Nelson, 2011, p. 329)

Freeman (1984), in contrast to Friedman, proposed that responsibilities to shareholders were just one of many management responsibilities that focus on building better relations with primary stakeholders including customers, suppliers, employees
and communities. More specifically, Freeman (1984) argued that executive managers need to exercise power responsibly with a focus on the interests of all stakeholders—meaning parties who are affected by an organisation’s business and its activities, given their interest in what the organisation does and its performance. Clarkson (1995) argued that primary stakeholders included shareholders and investors, employees, customers and suppliers, together with the government and communities. Hillman and Keim (2001) showed that investing in stakeholder relations could lead to supplier and customer loyalty, reduce turnover among employees, enhance firm reputation, and lead to increased financial returns by helping companies develop intangible value assets that promote competitive advantage.

Clarkson (1995) also asserted that managers are accountable for satisfying corporate responsibilities to their primary stakeholder groups (including shareholders). This means that managers must resolve expected conflicts between major stakeholder groups and ensure the distribution of increased corporate wealth and value. Following this, the internationally recognised Business Roundtable formally announced its belief that a CEO’s paramount duty is to shareholders (Byrne 1997). Consequently, corporate executives have refocused attention on their ethical responsibilities to shareholder value, which has become the performance measure of choice (Investor Relations Business 1998).

Hillman and Keim (2001) claimed that investing in value assets leads to positive relationships between stakeholder management and shareholder value in which
effective stakeholder management leads to improved financial performance. However, shareholders’ value may be affected in different ways depending on the nature or scope of socially-responsible strategies/activities (Hillman & Keim 2001). In spite of the range of perspectives on the particular role played by shareholders, most theorists agree that shareholders are one of the principal parties to whom management has a responsibility (Ryan & Buchholtz 2001).

According to Useem (1996) and Brancato (1997), as many executive teams desire to market their shares to particular investor segments, they have a strong need to understand shareholders. Useem (1996) further suggested that many managers prefer to highlight the basis of their shareholder mix as traditional and long-term shareholders, while Brancato (1997) proposed ways in which these teams can appeal to various types of institutional investors. In the United States, for example, Romano (1993) and Sundaramurthy and Rechner (1997), found that although institutional investors are increasingly influencing corporate investment, their needs have been investigated with scant attention paid to individual shareholders and issues that motivate their decision—despite this latter group holding nearly half of the equity in United States corporations.

Blair (1995) maintained that the government should have a requirement for directors to consider other interests in addition to shareholders when making business decisions. Conversely, Hansmann and Kraaman (2000) advised that corporate managers should act exclusively in the economic interests of shareholders and be actively responsive to shareholder interests. Letza, Sun and Kirkbride (2004) noted that
shareholders are the owners of the corporation, and therefore the corporation has legal obligations to them, and the managers have a fiduciary duty to act in the interest of the shareholders.

Ryan and Buchholtz (2001) advised that “in order to fulfil these moral obligations and targeted marketing efforts, however, corporate executives and boards of directors need to understand investors' expectations and behaviours” (p. 178). Moreover, in a more recent study, it has been claimed by Loderer et al. (2010, p. 6) that “the United States and United Kingdom have a legal requirement that managers act solely in shareholders’ interests”.

The more general, attitudinal, component of trust is modified on existing circumstances to reach a level of trust more appropriate to the specific situation (Scott 1980). Following this realisation, investors' conclusions concerning the initial investment situation, together with their level of generalised trust, combine to form their level of situational confidence level (Ryan & Buchholtz 2001). Letza, Sun and Kirkbride (2004) held the view that a stakeholder’s participation in corporate decision-making, long-term contractual associations between the company and interested parties (including shareholders), trust relationships and business ethics, should be the key factors underpinning stakeholder management. Drever et al. (2007) suggested that to help stakeholders (including shareholders) in decision-making about the company, more transparent and relevant financial information needed to be provided. Thus, in these ways, companies are pressured into being more accountable and responsible. Purvis et
al., 1991 (cited in Ding et al. 2007) predicted that if all companies follow the same set of accounting standards, external financial reports of companies would provide more uniform disclosures and more useful accounting information to investors.

According to Friedman (1970), investment outcomes involve more than a simple financial return on investment. As mentioned above, share price and dividends are important key performance indicators (KPIs) to investors, but even the most conservative investors expected these KPIs to be achieved within the rules of the game (Friedman 1970). One reason to follow the rules in this way is that rule-breaking carries cost (Ryan & Buchholtz 2001, Trevino & Nelson 2011). Once ethical judgments and choices become issues of sustainability, ethics management and ethics programs become matters of strategic importance in a corporation (Clarkson 1995) since the negative publicity that follows illegal behaviour has been shown to seriously damage a company's stock price (Rao & Hamilton 1996, Trevino & Nelson 2011). However, investors are not necessarily motivated by financial concerns alone, as economic decisions may also have a moral component (Ryan & Buchholtz 2001), which leads shareholders to consider economic and ethical concerns simultaneously when making investment decisions (Mackenzie and Lewis 1999). In short, the only stakeholders considered are current and potential investors, the rest are now not included.
3.8.2 Trading behaviour in developed countries

According to Odean’s study (1998) which analysed the trading records of 10,000 account holders at a large discount brokerage house, unsurprisingly found that investors had a strong preference for supporting winners rather than losers. Their behaviour did not appear to be motivated by a desire to either re-balance portfolios or avoid the higher trading cost of low-priced stocks (Odean 1998). This study demonstrated that investors who are unwilling to sell unprofitable assets may be convincing themselves that the stocks are likely to “bounce back” rather than just accepting their unwillingness to accept a loss, signifying a level of irrational behaviour (Odean 1998). Kahneman and Tversky (1979) developed a model of decision-making called Prospect Theory. The central aspect of this theory was an alternative model to rational economic behaviour (Kahneman & Tversky 1979, Myers 2001). Prospect Theory outlines individuals’ approaches to attributing value to gains and losses and assigning more weight to losses (Kahneman & Tversky 1979, Myers 2001). This circumstance was described as ‘loss aversion’, whereby individuals perceived losses to be much more significant than gains, and this affects their rational economic decision-making (Odean 1998). However, the aggregated behaviour of investors is frequently based on economic rationalism (Odean 1998). Individual investors can be different in their use of accounting and other information, but in general they will use this information for decisions (Odean 1998).

Ryan and Buchholtz (2001) proposed that shareholders’ trading behaviour when provided with the necessary information and estimated returns, reflected their perceptions that the risk fell within a tolerable range and opted to invest. Several
decisions need to be made first by the investors. For example, Ryan and Buchholtz’s (2001) study revealed that when the perceived risk is high, shareholders will not only look for a higher return but will also be more tentative about their relationships with the company, monitoring the share's price more closely and being more willing to sell the shares. On the other hand, if the perceived risk is low, shareholders will require a lower return, monitor the company's performance infrequently, and be more likely to hold the share longer (Ryan & Buchholtz 2001). Trading decisions may be affected by levels of understanding of investment theory and market information predictions of other investors' psychology, false beliefs, wealth, tastes, and superstitious behaviour (Shiller 1990; Maital, Filer & Simon 1996).

An early study by Lease, Lewellen and Schlarbaum (1974) concluded that many shareholders trade “for fun” as well as for profit, a finding that would be likely to be strengthened by present trends toward online trading (Ryan & Buchholtz 2001). Although the trade-off between return and perceived risk is agreed to be the primary driver of shareholders’ trading behaviour, it does not mean that only psychological factors come into play (Ryan & Buchholtz 2001). Additionally, significant heterogeneity seems to characterise investors’ beliefs and trading styles (Levy & Galili 2008). A number of researchers has raised the question of relevance of accounting information (Myers 2001). It is assumed that if accounting information is relevant, the accounting reports will be ranked as very useful by shareholders (Myers 2001). Findings in these studies showed that in Australia, stockbrokers were the most important source of information (Mason 1971; Anderson 1979; Anderson & Epstein 1995; Myers 2001), whereas USA studies showed that the individual analysis of annual reports was ranked first (Baker &
Haslem 1973; Epstein & Pava 1993). Chang and Most (1985) found that the financial press was the most important source of information for New Zealand (NZ) and UK shareholders, while annual reports were relevant for USA counterparts. Somewhat conversely, Lee and Tweedie (1977) found that stockbrokers were the most important source of information in the UK.

One influential study by Lewellen, Lease and Scharbaum (1977) established that as a portfolio goal, the older investor (whether male or female) is more likely to be interested in long-term a rather than short-term capital gains. Their study also concluded that males are likely to trade more often, and that frequency increases with income, due to wealthy men spending more time and attention on their investments (Lewellen, Lease & Scharbaum 1977). Consistent with these findings, Ryan and Buchholtz (2001) found that gender appears to make a difference in trading behaviour, although the female samples in existing shareholder surveys were unreliable and in need of further research, due to a lack of female respondents. In addition, males appear to be more likely to be buyers of equity than females (Levy & Gallili 2008).

Ryan and Buchholtz’s (2001) research found that shareholders are more likely to rely on their brokers' advice. Similarly, a study by Shapira and Venezia (2001), when comparing the trading behaviours of Israeli investors. In this study the accounts were managed by brokerage professionals and revealed that the “disposition effect” being the tendency to sell winners quicker than losers (Shapira and Venezia 2001). This characterises both professional and individual investors, with the effect being stronger
for independent investors (Levy & Galili 2008). In Thailand, a study by Srijumpa, Chiarakul, and Speece, (2007) examined customer satisfaction and dissatisfaction with interpersonal versus internet service encounters in Thai retail stock brokerage companies. The results showed that Thai investors had marginally higher satisfaction experience with the internet than with interpersonal encounters, but dissatisfaction on the internet is much greater due to the volume of transactions (Chiarakul and Speece 2007).

### 3.8.3 Investment outcome

Overall, individual investors have been found to place maximum value in long-term capital appreciation (Lease, Lewellen & Schlarbaum 1974), and to consider long-term profit as the most important goal of the firm (Ryan 1995). Investors look for more than financial returns in their analysis of the initial investment situations, and consider more than simple quantitative results when drawing conclusions about the success of such investments (Clowes 1995). Investors may rationally or irrationally believe that their current losing stock will in the future outperform their current winning stock (Odean 1998).

However, Ryan and Buchholtz (2001) found that once the investment relationship has been established, shareholders will monitor corporate performance. Naturally, share price fluctuations and dividends are critical factors for most investors, as these represent the company’s earnings and cash flow. Ryan and Buchholtz’ s (2001) study
demonstrated that a significant proportion of US shareholders compare their portfolio performance against accepted benchmarks such as the Dow Jones Industrial Average to determine if their return is within a reasonable range.

Along similar lines, Shapira and Venezia (2001) suggested that “the market microstructure models assuming the existence of noise investors (irrational) and informed investors (rational) could be enriched by incorporating investors with varying degrees of bias or information” (p. 12). Thus, shareholders are also likely to consider industry and macroeconomic factors when estimating the future health of the firm (Ryan & Buchholtz 2001).

A study by Odean (1998) focusing on the United States stock market revealed a tendency of US investors to hold their losing investments too long and to sell winning ones too soon. Odean’s (1998) study is consistent with an investigation into the Finnish stock market by Grinblatt and Keloharju (2001) which established that individual investors are reluctant to realise losses.

On the other hand, Ryan and Buchholtz (2001) found many non-financial reasons that prompt shareholders to retain or sell their stock, with many deciding to have a long-term relationship with a given firm, solely because it is in a particular industry or market niche which provided the best possible financial returns. Ryan and Buchholtz (2001) also found that some shareholders might decide that corporate representatives are not
behaving in accordance with expected moral standards, and consequently they may file lawsuits against the firm. They proposed that legal action of this nature may uncover a lack of fair dealing with shareholders and other constituencies. Shareholders may be attentive to a company’s product development efforts and want to be aware of when new goods or services may impact on the market, and wish to be advised of this information due to the possibility or shares surging (Ryan and Buchholtz 2001). Following this, shareholders who desire a portfolio with certain risk characteristics will rationally re-balance their portfolio to maintain a rationalised level of risk (Barber & Odean 2000). As important as financial returns are to shareholders, there has also been an increased interest from investors who wish to have a broader and deeper knowledge of how corporate profits are generated for wider strategic planning when investing or divesting (Ryan and Buchholtz 2001).

### 3.8.4 Decision-usefulness approach

According to Henderson et al. (2004), one of the prescriptive accounting methods suggested by a committee of the American Accounting Association is the decision-usefulness approach. “This approach to the development of prescriptive accounting theories is based on an assumption that accounting data are used by people as an input in a decision-making process” (Henderson et al. 2004, p. 11). These commentators pointed out that by drawing on accounting information systems, people’s decision-making processes can assist in creating information that is relevant to their final decision (Henderson et al. 2004). They concluded that accounting data should provide all users
with information needed for their decision-making in financial reports (Henderson et al. 2004).

As described by Staubus (1961), more than fifty years ago and Armstrong (2010) more recently, financial reports should assist investors and shareholders in decisions about whether to buy, sell, or hold shares. In this respect, incremental cash flows provide pertinent information for individuals, and the term *relevant information* is commonly used in decision-usefulness theories of accounting literature. In a related study, La Fond and Watts (2008, cited in Armstrong et al. 2010) noted the importance of financial statements in facilitating a variety of informal contracts between managers and shareholders and argued that shareholders demand timelier financial reporting when they are concerned that managers will withhold information.

Henderson et al. (2004) recommended that accounting information systems should create information that is relevant to the needs of users of financial reports; including shareholders, investors, creditors, government, management, employees and competitors. They also claimed that typical “decision-usefulness theories of accounting assume that each group of potential users makes different types of decisions and therefore requires a different set of relevant accounting data” (Henderson et al. 2004 p. 11). Other decision-usefulness theories of accounting do not identify a particular group of primary users, but argued that all have a common need for information (Henderson et al. 2004).
Chambers (1966), cited in Henderson, et al. (2004), explained his prescriptive theory of accounting as “providing information that will serve as foundations for everyman’s evaluations and action” (p. 376). Chamber’s proposed accounting system, like his model, called for the provision of useful information relevant to all users for decision-making. Chambers also argued that “the objective of accounting should be to provide up-to-date information about an entity’s ability to adapt to changes in its environment” (in Henderson et al. 2004 p. 376). Drever et al. (2007) also suggested that if the environment in which the entity exists is changed in any way, the body must adapt to the new climate for survival. Furthermore, they argued that “for a business, adaptation means the disposal of assets no longer appropriate, and the acquisition of new assets more suited to the new environment” (Drever et al. p. 197).

Chambers (1966) concluded that the balance sheet should show the selling prices of the separate assets, and that profit should be measured as the change in the corporate adaptive capital during the period. Therefore, it has been claimed that the ability of a firm to adapt is primarily dependent on the cash that can be obtained by selling its assets (Drever et al. 2007).

3.8.5 Personal characteristics of users of investment information

The decision-usefulness of accounting information is affected by the characteristics of the users who might consider what information is useful for their investment decision-making. In previous studies, the personal features of users have been found to

(i) Age

Previous researchers (for example, Lease, Lewellen & Schlarbaum (1974), Epstein (1975), Firer (1988), Anderson (1999), Naser, Nuseibeh and Al-Hassaini (2003), and Brijlal (2007) found a significant relationship between age and the perceived usefulness of accounting information related to their investment decisions. Investors in the New York Stock Exchange who are aged over 65 years used fundamental analysis and invested in the long-term capital gain, according to Lease, Lewellen & Schlarbaum (1974). Epstein’s (1975) study found that age affects an individual’s usage of financial statements, which is supported by the observations made in a study within the Johannesburg Securities Exchange (JSE) in South Africa, where investors who were retired or close to retirement paid close attention to dividend income reported in company income statements (Firer 1988). In addition, a study in the US indicated that investors who were 47 years of age and older preferred to invest in individual stock, equity unit trusts, and long-term financial goals (Anderson 1999). Nevertheless, a later study in the JSE in South Africa found that the majority (92 per cent) of middle aged investors (36-55 years old) were investing for long-term capital gain (Brijlal 2007), and a similar study by Naser, Nuseibeh & Al-Hassaini (2003) found that the average age of Kuwaiti investors was 34 years.
(ii) Gender

Early research by Lee and Tweedie (1975) and Bartlett and Chandler (1997), found that gender difference affected the perceived importance of items in financial reports, and this influenced the investment decision-making by UK shareholders. In these studies, the majority of the respondents were male, (83 per cent and 59 per cent respectively). Circumstances indicated, based on a number of previous studies concluded that a significantly larger proportion of investors may be male (Baker & Haslem 1973). For example, the findings of Firer (1988) and Alattar and Al-Khater (2007) and Brijlal (2007) were 84 per cent male, 85 per cent male and 89 per cent male, respectively. On the other hand, the study of investors’ perceptions of earnings quality, auditor independence, and the usefulness of audited financial information in the US found a predominance of female respondents 68 per cent (Hodge 2003).

Even though Baker & Haslem 1973, Lee and Tweedie (1975), Firer (1988), Hodge (2003), Alattar and Al-Khater (2007), and Brijlal (2007) commented on gender proportions of the investors they surveyed, they only commented on "perceived" differences of financial reports, with an alleged gender bias without being specific how the reports varied with information that may be suitable for males as opposed to females. This represents a significant failing within the research as there appears to be an absence of this type of data. However, as the findings in this study show, through original research, there was no difference between the female (47 per cent) and male (53 per cent) in their responses to reports to influence their decision making. This represents new information that will be outlined further under the Findings and Discussion chapters.
(iii) Level of education

Numerous researchers found that the level of education affects the perceived usefulness of financial information shareholders and investors when making their investment decisions (Baker & Haslem 1973; Epstein 1975; Firer 1988; Anderson & Epstein 1996; Naser, Nuseibeh & Al-Hassaini 2003; Alattar & Al-Khater 2007; Brijlal 2007).

The perception of investors of company financial reports related to a level of education in various countries has been investigated in a number of studies. An early study in the US found a significantly larger proportion of educated investors, and also that the information these people used was influenced by their previous education when analysing the informed information (Baker & Haslem 1973). Furthermore, the educational level also affected the US investors’ perceived usefulness of financial statements (Epstein 1975). The proportion of the Johannesburg Securities Exchange investors who had a bachelor degree or post graduate qualification increased from 50 per cent in the 1980s to 64 per cent in 2007 (Firer 1988; Brijlal 2007). Anderson and Epstein (1996) asserted that investors’ level of education in the US was positively associated with the usefulness of the ‘footnotes’ sections of a company’s annual report. A study in Kuwait found that 84 per cent of respondents held a bachelor’s degree and more than 35 per cent revealed that they obtained their degrees in the US and UK, which they claimed helped them to understand the information in financial reports (Naser, Nuseibeh & Al-Hassaini 2003). The majority of Qatar respondents (81 per cent) had a bachelors or higher degree, and it was claimed that they considered the annual
report as an important and useful source of information for investment decisions (Alattar & Al-Khater 2007).

(iv) **Type of occupation or experience and training**

A study in the United Kingdom by Lee and Tweedy (1975) found that the shareholders who had been employed in accounting and finance fields had more understanding of the information in financial reports than those in other occupations. In the US, Anderson and Epstein (1996) confirmed that the proportion of investors who had a job in a finance-related field were more likely to use financial reports than who did not. Furthermore, they also found that investors who had training or experience in business were somewhat more likely to read the auditor’s report than those investors without such training and expertise.

In Spain, Alijarde (1997) found that the information in financial reports is not useful if investors have insufficient accounting training. Therefore, the lack of accounting training of potential users of the information reduced the usefulness of accounting information significantly (Alijarde 1997). Alattar and Al-Khater (2007) also investigated the respondents’ views on corporate annual reports in Qatar revealing that half of the interviewees in their study had significant accounting and finance knowledge which helped them to understand the corporate annual reports.
3.9 Factors Affecting Decision-Making of Shareholders

Factors affecting the decision-making of shareholders include shareholders’ perceptions of the firm’s compliance with the Impairment of Assets Standard (IAS 36). This involves issues such as asset size, the chosen audit firm, the relevance and reliability of presented accounting information, the rate of return, earnings per share, and any other factors in financial reports which may influence the investment decision-making of shareholders (Ernst & Young 2010).

3.9.1 Impairment of Assets Standard (IAS 36)

According to a report prepared by Ernst & Young (2010), the similarity of IAS 36 and SFAS 144 are described as containing similarly defined impairment indicators for assessing the impairment of long-lived assets. Both standards require goodwill and intangible assets with indefinite lives, to be reviewed at least annually for impairment, and more frequently if impairment indicators are present (Ernst & Young 2010). Long-lived assets are not tested annually, but rather when there are signs of impairment (Ernst & Young 2010). The impairment indicators in US GAAP and International Financial Reporting Standards are similar (Ernst & Young 2010). Also both GAAPs require that an asset found to be impaired is written down as a recognised impairment loss (Ernst & Young 2010). Similarly, a study by Choi, Frost and Meek (2002) also maintained that the US GAAP and IAS are very similar.
Research into the US implementation of Accounting for SFAS 144 by Reinstein and Lander (2004) found that all respondents believed that this standard improved the level of financial reporting and increased the fairness of the process. Furthermore, Reinstein and Lander suggested that there was a significant chance that a company will dispose of the asset before the end of its previously estimated remaining useful life. The effect of SFAS 144 on managers’ income smoothing behaviour showed that SFAS 144 decreases “in the magnitude of gains and losses from asset sales under SFAS 144 is accompanied by a decrease in the magnitude of other non-recurring items reported in the same accounting period” (Stefanescu 2006 p. 4).

While considering asset impairment and write-downs, shareholders should be satisfied that the reliability of long-lived assets and goodwill are not exaggerated in the accounting information (Giannini 2007). Other studies deal with the question of whether fair value estimates of tangible long-lived assets are reliable when focusing on asset revaluation under Australian and UK Generally Accepted Accounting Principles (GAAP) (Aboody, Barth & Kasznik 1999; Barth, Beaver & Landsman 2001; Barth & Clinch 1998; Brown, Izan & Loh 1999; Lin & Peasnell 2000; Whittred & Chan 1992).

According to Cairns (2006), by the early 1990s, it became apparent that more guidance was needed for the determination of the recoverable amounts of property, plant and equipment and goodwill. At this time, the IASC had begun work on intangible assets and was reconsidering the process of accounting for goodwill (Cairns 2006). As a result, Cairns (2006) also pointed out that the IASC developed IAS 36 Impairment of
Assets to deal with the parallel question of impairment of property, plant and equipment, intangible assets, and goodwill.

Barth, Beaver and Landsman (2001) found a significantly positive relationship between share prices and an estimate of intangible asset values which reliably reflected the values of the property as assessed by investors. A study of Accounting for the Impairment of Long-Lived Assets in the petroleum industry in the US by Alciatore, Easton and Spear (2000) found that share price adjustment decline occurred before the market perceived such declines in asset value when the write-down was recorded. Here the efficient market theory suggested that the stock prices were dependent on the asset values (Alciatore, Easton and Spear 2000).

Srijunpetch (2004) found that there were high levels of compliance among Thai-listed companies adopting IAS 36. Furthermore, as noted in the literature review, the adoption of the IASs was found to be a significant factor influencing shareholder decisions in a number of studies (Barth, Landsman & Lang 2008; Bowrin 2007; Damant 2000; Mizuno 2004; Srijunpetch 2004). The impairment of assets standard has become more important because the company must assess at each balance sheet date whether an asset is impaired. Even if there is no indication of any impairment, certain assets should be tested for impairment, for example, an intangible asset that has an indefinite useful life. Additionally, the standard specifies the situations that might indicate that an asset is impaired. These are external events, such as a decline in market value, or internal causes, such as physical damage to an asset. Moreover, the previous study revealed that the adoption of IAS 36 in Thailand increases the relevance and reliability of
accounting information, with financial statements providing reliable information for investment decision-making.

3.9.2 Asset size

Firstly, the major tangible asset is property, plant and equipment (PPE) Fargher et al. 2008). PPE is “also known as non-current assets and fixed assets, includes land, building structures (offices, factories, warehouses), and equipment (machinery, furniture, tools)” (Fargher et al. 2008, p. 172), and poses a problem for measurement (Barth & Clinch 1998), especially with the implementation of the IASs. Secondly, the major intangible asset, goodwill, is “often referred to as the most intangible of intangible assets, because it can only be identified with the business as a whole, the only way it can be sold is to sell the business” (Fargher et al. 2008 p. 173).

Lopez (2004) examined the empirical relationship between average asset correlation, substantial probability of default and asset size, and suggested that average asset correlation is a decreasing function of probability of default and an increasing function of asset size. Romano, Tanewski and Smyrnios (2001) also found that these factors have been shown to influence financing decisions including debt-equity ratio; and age and size of the firm.
Srijunpetch (2004) hypothesised that the larger the company, the greater its need for external funds and the more likely there will be a conflict between its owners (including shareholders), managers and creditors. His study also pointed to the possibility that financial reporting may be used to reduce agency costs and to decrease data differences between the company and its fund providers. Larger companies are also subject to political expenses, and financial information may be used to decrease such costs (Inchausti 1997). Previous studies suggest that large enterprises have more advantages to gain than do small companies when assessing their value. Choi (1973) argued that extensive company financial disclosure reduces the company’s cost of capital, by linking organisational size with the benefits of signalling results by means of public financial disclosure.

The study by Srijunpetch (2004) also pointed out that several authors have argued that smaller businesses rely on private placement rather than public financing. Therefore, small companies are less likely to rely on public financing than big businesses and consequently, large companies are more likely than small ones to make extensive financial disclosure to increase confidence and efficiency, and in turn enhance their stock prices. Therefore, it seems that large companies tend to have more analysts to prepare comprehensive information, and are more likely to comply with accounting standards and disclose more information than do small businesses (Meek, Roberts & Gray 1995; Lang and Lundholm 1993; McKinnon and Dalimunthe 1993; Srijunpetch 2004).
The size of assets is a significant factor in explaining differences between the extent of disclosure/compliance in many countries (Chow 1982; Owusu-Ansah 1998; Singhvi & Desai 1971; Srijunpetch 2004; Wallace & Naser 1995). In the present study, the size of the companies was measured by estimating the total assets (tangible and intangible) of specific companies in three industries; namely Resources, Industrials, and Property and Construction with large asset bases. Firstly, the major tangible asset is property, plant and equipment (PPE) as stated by Fargher et al. (2008): PPEs are non-current assets which include land, building structures (offices, factories, warehouses), and equipment (machinery, furniture, tools). Secondly, the major intangible asset, goodwill, is referred to as difficult to measure in terms of intangible assets, because it can only be identified as the whole of the business and the only way it can be sold is to sell the business (Fargher et al. 2008). Many studies found a positive relationship between size and growth; the larger firms tend to have a higher growth rate than smaller firms (Pagano & Schivardi 2003; Whittington & Zeff 2007). Thus, it is important for the shareholders’ decisions (Pagano & Schivardi 2003; Whittington & Zeff 2007).

3.9.3 Audit firms

Independent auditors are primarily responsible for preparing the public financial statements of a company (Ball, Robin & Wu 2003; Srijunpetch 2004). They may also provide advice on the level of disclosure and compliance as required, and therefore the choice of auditor becomes a significant factor in a company’s reporting strategy (Singhvi & Desai 1971; Wright 1983; Wallace & Naser 1995; Street 2002a; Abd-Elsalam & Weetman 2003).
In an earlier, and oft-cited study, Singhvi and Desai (1971) found a positive relationship between eight large auditors and the quality of corporate disclosure useful for shareholders and other stakeholders. Singhvi and Desai (1971) suggested that an audit firm has a certain level of influence on the information disclosed in financial statements and that the degree of influence may differ from one audit firm to another. It could be argued that larger, better-known auditing firms may be able to exercise greater control, and hence may be associated with higher compliance levels and the decisions made by shareholders (Srijunpetch 2004). This positive relationship is supported by Wright’s (1983) study regarding an experiment comparing the disclosure opinion of regional/local and national auditors in two actual audit cases. He found a significant difference in preferences between these two groups, and this may account for substantial variations in accounting reports. Thus, it is expected that the quality of an auditor can have an impact on a company’s level of compliance as well as the decision-making of shareholders. A previous study suggests that the choice of external auditor strongly influences company value (Singhvi and Desai 1971; Wright 1983; Srijunpetch 2004).

Bar-Yosef and Livnat (1984) showed that one reason why shareholders prefer companies to use a large auditor is because these auditors can point to higher than expected cash flows. Furthermore, auditing may be considered as a way to decrease agency costs (Chow 1982). However, when agency costs are greater, there is an increased demand for higher level audit quality (Francis & Wilson 1988).
The choice of auditor has been found to be a significant factor in accounting in numerous studies (Singhvi & Desai 1971; Wright 1983; Wallace & Naser 1995; Street 2002a; Abd-Elsalam & Weetman 2003). As stated earlier, Srijunpetch (2004) found a positive relationship between the big eight auditors and the quality of corporate disclosure in Thailand. During the 1980s public accounting had a Big Eight collection of dominant firms. It was reduced to a Big Four after:

- Deloitte Haskins & Sells merged with Touche Ross Tohmatsu
- Arthur Young merged with Ernst & Whinney
- Price Waterhouse merged with Coopers & Lybrand

Arthur Andersen was forced out of business by expensive lawsuits alleging audit malfeasance, notably in the Enron and World Comm scandals of 2002 with the former being more prominent (Trevino & Nelson 2011).

### 3.9.4 Relevance and reliability of accounting information

An essential condition for sound foreign investments is the reliability of accounting information. According to Marchesi (2000), improving the quality of accounting information and standard of auditing are the way to recover the economies in the ASEAN countries including Thailand.

Another study of relevance and reliability of regulations for investors in China (Yang, Rohrbach & Chen 2005) measured the association of net asset value with stock returns
on both a Historical Cost Accounting (HCA) basis and Lower of Cost or Market (LCM) basis. Their results support the relevance of LCM, but not the increased reliability of HCA.

Barth, Beaver and Landsman (2001) addressed the question of whether fair values of securities in US companies are reliably estimated. Their study found that investors perceive fair value estimates of security stock as more useful than historical cost amounts. Dye and Sridhar (2003) claimed that “the reliability-relevance trade-offs have real allocation effects because investors’ decisions regarding how much to invest in the assets of a firm will be based on the extent to which the returns to their investment get reflected in the firm’s market value, and the firm’s market value is based on the aggregated accounting report” (p. 53). Bartlett and Chandler (1997) argued that shareholders’ initial motivations for investing and subsequent needs for information may vary widely, concluding that it is not easy to determine what information they wanted.

Relevance and reliability are qualitative characteristics of accounting information. According to the IASC, information has the quality of importance when it influences the economic decisions of users by helping them evaluate the past, present or future events or confirming, or correcting, their previous evaluations (IASC 2000). Therefore, relevance aims to ensure that information could make a difference in decisions based on useful information provided to users (investors/shareholders and other stakeholders) in making decisions (Drever, Stanton & McGowan 2007). This notion is in agreement with
Kirt (2005), who stated that the information must be relevant, that is it must be up-to-date and current, as well as being used by investors and related customers.

Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to serve (IASC 2000). Reliable information is based on objectivity to ensure that users have confidence in and can trust the information that is provided for investment decision-making (Drever et al. 2007). Furthermore, information provided to investors, shareholders and stakeholders must be free from material error and actually represent what it is supposed to represent, and must be devoid of bias and be completely within the bounds of materiality (Kirt 2005). Therefore, the quality of accounting information is based on both relevance and reliability (Myers 2001). The adoption of IASs in Thailand has increased the relevance and reliability of accounting information with the financial statements providing more detailed information for decision-making (Srijunpetch 2004). Moreover, the relevance and reliability of accounting information have been found to be a significant factor for shareholders’ decision-making as many studies have shown (Marchesi 2000; Barth, Beaver & Landsman 2001; Myers 2001; Dye & Sridhar 2003).

3.9.5 Rate of return

The rate of return is defined as the as the ratio of net profit to total assets used, and this measures the overall performance of a company, as profitability is generally
considered as a measure of good management (Drever, Stanton & McGowan 2007). It is
defined as the ratio of net profit to total assets, and if the rate of return is high,
managers disclose more detailed information to support the continuation of the great
compensation or remuneration of their position. On the other hand, it has been argued
that, when the rate of return is low, managers disclose less information to hide the
reason for declining profits or losses (Owusu-Ansah 1998; Singhvi & Desai 1971). The
rate of return has been found to be a significant factor for investment decision-making
in a number of studies (Singhvi & Desai 1971; Wallace & Naser 1995; Owusu-Ansah
1998; Srijunpetch 2004).

In prior studies, profitability has been identified as having the potential to influence
the extent to which companies can disclose mandatory information in their annual
reports. Several studies have supported this proposition (Singhvi & Desai 1971; Wallace

Profitable companies have incentives to separate themselves from less profitable
businesses to raise capital that offers the best available conditions (Meek, Roberts &
Gray 1995). Thus, businesses that are more profitable can be expected to comply with
the IAS and satisfy the needs of shareholders more so than less profitable companies.
Here, a positive relationship between the rate of return of a company and the decision-
making of shareholders will be expected, as management will have the incentive to build
more reliable financial information based on IAS requirements to support their position
and performance (Srijunpetch 2004).
3.9.6 Earnings per share

Earnings per share (EPS) is the measure of a company’s profit allocated to each outstanding share of common stock. The calculation of EPS is the earnings available to common stock divided by the average number of ordinary shares outstanding (issued capital). EPS coming from an earnings margin is the ratio of net profit to net sales. This rate represents a company’s capacity for absorbing rising costs, and it is assumed that the higher the earning margins, the greater the ability of a company to absorb rising costs, and the more stable and fruitful the company will be (Singhvi & Desai 1971; Srijunpetch 2004).

In cases where a company’s earnings margin is very small, its competitors may squeeze it out of the market by reducing the price of their products (Srijunpetch 2004). While a company’s earnings margin is high and above the average of the industry, the public is likely to have greater confidence in the company’s survival (Srijunpetch 2004). Here, the decision-making of shareholders may reflect the earnings margin and EPS of a company. Wolk, Francis and Tearney (1992, p. 186) suggested that “measurements based on the accountability objective would include earnings per share and return on investment and its components (capital turnover and profit margin)”. In this situation, as earnings rise, managers are willing to disclose more information to support management compensation contracts and assure shareholders of company profitability (Wolk, Francis and Tearney 1992). At high levels of earning these companies are also more capable of bearing disclosure costs. The inverse of these reasons should hold true
as earnings fall (Srijunpetch 2004). The calculation of remuneration per share ratio is dependent on the accounting numbers and IAS standard (Srijunpetch 2004).

3.9.7 Other factors in financial reports

Apart from the considerations mentioned above in the presentation of financial reports, there are other factors that may influence decision-making by shareholders in Thailand. For example, a survey of investors found that the quality of management, the future economic outlook of the company, and economic prospects of the company’s industry, sales growth, corporate reputation, and potential risk are important to investors for decision-making (Baker & Haslem 1973). Furthermore, a study by Scott and Smith (1992) asserted that company reputation and position in the industry are considered necessary for investor decision-making. Also financial indicators, management information, and details of future planning are also perceived as relevant to their needs for decision-making (Marcus 2005).

Good corporate governance is the factor with which shareholders are mostly concerned. Drever et al. (2007) point out that “The key role for financial reporting in corporate governance is to provide the information needed to assess the performance of the corporation and its managers” (p. 173). Drever et al. (2007) added that corporate governance related to practices that ensure the interests of the shareholders are met underpins many of the current requirements and practices in corporate governance.
As stated by Drever et al. (2007) the relationship between economic returns and corporate values for environmental and social issues is complex, with various viewpoints being offered by academics and interest groups. Drever, Stanton and McGowan pointed out that in focusing on capital markets and financial returns, traditionally managements have not been concerned with the social and environmental issues associated with their business activities. Even the growth in regulations promoting these considerations over recent decades has not assisted in preventing corporate failure.

As stated earlier, other factors in financial reports, which may influence decision-making by shareholders in Thailand include the chairman’s and directors’ reports and statements, company announcements on environment policies, and change of scope of business operations (Drever et al. 2007).

3.10 Summary

In presenting the basic concepts of international accounting this review of the literature has allowed an appreciation of the ways in which regulations and harmonisation in accounting have been developed. In particular, it has examined national differences in the adoption of IASs which has prominence in relation to understanding how shareholders, as users of accounting information, interpret and perceive factors which affect their decision-making in share market transactions.
From this review, it appears that there is a need to improve the accounting information for all users (including shareholders), suggesting that the relevance and reliability of financial reports should be increased. Additionally, improvised quality of financial reporting and reduction in the diversity in accounting practice should be instituted to improve the accounting standards (Barton 1982). As a requirement of the IASC, financial reporting in many countries, in particular, Thailand, could follow IASs in order to be consistent and comparable. Studies have demonstrated that regulations, harmonisation, and globalisation in both corporate governance and investors’ perspectives are important.

The adoption of IASs both in developing and developed countries aims to assure the relevance of international accounting standards to domestic economies and ensure that economic activity has clarity. This signals that there is potential for all shareholders to be provided with internationally-acceptable investment information for their investment decision-making (Barth, Landsman & Lang 2008).

An empirical study of this nature has never been done previously in Thailand. Therefore, this research investigates the factors that impact on shareholders concerning their investment decision-making, including the adoption of the revised standard on the measurement of assets implemented by The International Accounting Standards (IAS).

The following chapter describes the research methods used to obtain data that is relevant to shareholders’ decision-making in Thailand, to acquire an appreciation of the
extent to which these initiatives in reporting standards have begun to influence stock market practice.
CHAPTER 4 - RESEARCH METHODOLOGY

4.1 Introduction

The method used in this study aims to examine the factors which influence the investment decisions of shareholders in the major asset-based industries in the Stock Exchange of Thailand (SET).

The Main Research Question is: What factors influence the investment decision-making of Thai shareholders?

Influencing factors may include the financial information prepared in accordance with IAS 36 which covers the size of assets; selected audit firms; the qualitative characteristics of accounting information in terms of relevance and reliability; rates of return; earnings per share; personal characteristics including age, gender and education; and other factors found in company financial reports. All of these influential factors may impact upon the investment decision-making by shareholders. To fulfil the aims of this research both the survey questionnaire and qualitative interview methods employed targeted shareholders in the Stock Exchange of Thailand.
4.2 Research Conceptual Framework

The conceptual framework (Figure 4.1) identifies the factors which shareholders rely on for accounting information in financial reports provided by management, based on the net business profits of income minus expenses. This framework acknowledges that the relevant expenses of the major asset-based industries are calculated according to the Impairment of Assets Standard, which has changed due to the adoption of the IASs (Liang & Wen 2007). This holds implications for the calculation of rates of return and earnings per share.

The required accounting information should possess the prescribed qualitative characteristics, in particular regarding relevance and reliability, which may include audit independence. An investigation of personal characteristics of age, gender and education, as well as other factors in financial reports that may influence shareholders’ decision-making, is also conducted, as outlined in Chapter 3. Shareholders are relying on the qualitative characteristics of accounting information. Further to this, the qualitative characteristics of accounting information (relevance and reliability) and personal characteristic (age, gender, and level of education) are influencing factors for shareholders decision-making. Although accountability theory was developed to cover a generalised population, in this study it is used to examine the decision-making of investors involved with the Stock Exchange of Thailand.
Figure 4.1: Conceptual Research Framework

Qualitative characteristics of financial statements (in the Framework of Thai Accounting Standards) are the attributes that make the information in financial statements useful to investors, creditors, and others (IASC 2000). Consistent with the study by Srijunpetch (2004), with the adoption of IAS standards, TAS appear to be relevant to a capitalistic developing country such as Thailand, which has established capital markets dominated by private investors (shareholders) and equity capital. Compliance with IAS in Thailand prior to harmonisation indicated that Thai companies were complying with IAS in their financial statements but that the levels of disclosure were significantly lower (Tower, Hancock and Kaplin 1999). While this level of compliance supported the push for harmonisation, it also indicated that some
companies were not revealing all the relevant information that was expected from IAS (Tower, Hancock and Kaplin 1999).

4.3 Model Description

The model used in the conceptual research framework has been developed from the review of the literature related to accounting standards, due to its relevance as outlined above. Accounting standards include issues (variables) unique to this study and they are IASs; asset size; audit firms; relevance and reliability of accounting information; rates of return; and earnings per share; and personal characteristic (age, gender and education).

4.3.1 Accounting standards (especially IAS 36)

Srijunpetch (2004) found that there were high levels of compliance among Thai listed companies adopting IAS 36. Furthermore, the adoption of IASs was found to be a significant factor influencing shareholder decisions in numerous studies (Damant 2000; Mizuno 2004; Srijunpetch 2004; Bowrin 2007; Barth, Landsman & Lang 2008). The importance of IAS 36 stated in the accounting framework is the essential regulatory requirement of financial reporting is that the carrying amounts of assets which are disclosed in financial statements should not exceed their recoverable amounts. If it exceeds, then the carrying amount should be decreased. This implies a decrease of the carrying amounts results in the impairment of assets which is regarded as impairment loss. Further, asset write-downs may provide useful information on an asset’s value,
decline in value and significance of that decline, with regard to how it may affect users of the financial information including shareholders (IASC 2000).

4.3.2 Asset size

The size of assets is a significant factor in explaining differences in the extent of disclosure/compliance in a number of countries (Desai 1971; Chow 1982; Wallace & Naser 1995; Owusu-Ansah 1998; Singhvi & Srijunpetch 2004). In the present study, the size of the companies is measured by the total assets (tangible and intangible assets) of specific companies in three industries with large asset bases. First, the major tangible asset is property, plant and equipment (PPE), as illustrated by Fargher et al. (2008): PPE, “also known as non-current assets and fixed assets, includes land, building structures (offices, factories, warehouses), and equipment (machinery, furniture, tools)” (Barth & Clinch 1998). Second, the major intangible asset, Goodwill is “often referred to as the most intangible of intangible assets, because it can only be identified with the business as a whole, the only way it can be sold is to sell the business” (Fargher et al. 2008).

4.3.3 Audit firm

The choice of auditor has been found to be a significant factor in accounting in many studies (Singhvi & Desai 1971; Wright 1983; Wallace & Naser 1995; Street 2002; Abd-Elsalam & Weetman 2003). In agreement with these studies, Srijunpetch (2004) found a positive relationship between the big eight auditors and the quality of corporate disclosure, which is useful for shareholders and other stakeholders.
4.3.4 Relevance and Reliability

Relevance and Reliability are the qualitative characteristics of accounting information. Relevance “aims to ensure that only information that could make a difference in decisions be included and to provide information useful to users in making decision” and reliability is “to make sure that users have confidence in and can trust the information that is provided” (Drever et al. 2007). Kirt (2005) stated that the information must be relevant, i.e., up-to-date and current, and used by the reader and “the information must be free from material error and represent faithfully what it is supposed to represent, and must be free from bias and complete within the bounds of materiality”. (p. 7) Therefore, the quality of accounting information is based on both relevance and reliability (Myers 2001). In addition, the adoption of IASs in Thailand has increased the relevance and reliability of accounting information, with the financial statements providing more detailed information for decision-making (Srijunpetch 2004). Moreover, the relevance and reliability of accounting information has been found to be a significant factor for shareholders’ decision-making in a number of studies (Marchesi 2000; Barth, Beaver & Landsman 2001; Myers 2001; Dye & Sridhar 2003).

4.3.5 Rate of return

The rate of return is the ratio used to measure the overall performance of a company, as profitability is considered as indicating sound management (Drever, Stanton & McGowan 2007). It is defined as the ratio of net profit to total assets. The rate of return was found to be a significant factor for investment decision-making in many
4.3.6 Earnings Per Share

Earnings per share (EPS) is the measure of a company’s profit allocated to each outstanding share of common stock. The calculation of EPS is the earnings available to common stock divided by the average number of ordinary shares outstanding. EPS has also been found to be a significant factor for investment decision-making in an abundance studies (Rees, Gill & Gore 1996; Kothari & Shanken 1997; Srijunpetch 2004).

4.3.7 Personal characteristics include age, gender and level of education

i) Age

Some researchers (for example, Lease et al. (1974); Epstein (1975); Firer (1988); Anderson (1999); Naser, Nuseibeh and Al-Hassaini (2003); and Brijlal (2007)) found a significant relationship between age and the perceived usefulness of accounting information related to their investment decisions.

(ii) Gender

Early research by Lee and Tweedie (1975), and Bartlett and Chandler (1997), found that gender difference affected the perceived importance of items in financial reports, and this influenced the investment decision-making by UK shareholders. In these
studies, the majority of the respondents were male (83 per cent and 59 per cent respectively. A number of previous studies concluded that a significantly larger proportion of investors are male rather than female (Baker & Haslem 1973). This conclusion was based on the findings of 84 per cent male in a study by Firer (1988), 85 per cent in work by Alattar and Al-Khater (2007), and 89 per cent reported by Brijlal (2007).

(iii) Level of education

A large number of researchers have found that level of education affects the perceived usefulness of financial information for shareholders and investors when making their investment decisions (Baker & Haslem 1973; Epstein 1975; Firer 1988; Anderson & Epstein 1996; Naser, Nuseibeh & Al-Hassaini 2003; Alattar & Al-Khater 2007; Brijlal 2007).

4.4 Hypotheses

Based on the accountability theory used in accounting and related literature, and the application of the conceptual framework for this thesis, six hypotheses were developed to investigate the research questions.

Research question 1: Does the adoption of impairment of asset standards affect the investment decision-making of individual shareholders?

H1: There is an association between the required reporting of Impairment Asset Standards and decision-making by shareholders.
Research question 2: Does the asset size affect the type of decision-making by shareholders?

H2: There is an association between the asset size of companies and decision-making by shareholders.

Research question 3: Is decision-making by shareholders based on audit firms’ reputations?

H3: There is no association between audit firm reputation and decision-making by shareholders.

Research question 4: To what extent does the quality of accounting information, in terms of relevance and reliability, affect the decision-making of shareholders?

H4: There is an association between the quality of accounting information, in terms of relevance and reliability, and decision-making by shareholders.

Research question 5: To what extent do the rate of return and earnings per share impact on the investment decision-making of shareholders.

H5: There is an association between the rate of return, earnings per share, and decision-making by shareholders.

Research question 6: Do the personal characteristics (age, gender, and level of education) influence the decision-making by shareholders?

H6: There is an association between the personal characteristic of age, gender, and level of education and decision-making by shareholders.
4.5 Research Design

This research adopts both quantitative and qualitative approaches. An objective quantitative approach concentrates on measuring the phenomena under investigation (De Vaus 2002); and in this study, shareholders in the Thai context are the key focus. This study has collected and analysed numerical data and applied statistical tests. Based on the research theories espoused by Collis and Hussey (2003), a qualitative approach is used to examine and reflect on perceptions to gain an understanding of social and human activities. The following section first explains the background of the accounting principles, followed by a description of the ontological and epistemological approaches in section 4.5.1. The next section (4.5.2) justifies the methodology, beginning with the research paradigms of quantitative and qualitative research, followed by an explanation of the mixed methods approach.

Background

Accounting principles are based on objectivist ontology and a positivist-empiricist epistemology – as a study that is examining accounting principles, this thesis is grounded in this approach. Key ideas that need to be communicated in this section include ontology which is objectivism, where an objective reality exists independent of our knowledge of it (Hatch and Cunliffe 2013). Epistemology in this study is characterised by truth ‘discovered’ through conceptualisation/theorisation and ‘testing’ our logic against the reality found in the objective world (Hatch and Cunliffe 2013), predominantly through the use of a quantitative survey. The subjects (objects) of this study are ‘real’ entities, being actual shareholders as participants that enabled objective measurement in terms of what factors impacted upon their decision-making, with quantifiable
outcomes reflecting the notion of ontology and epistemology as outlined by Hatch and Cunliffe (2013).

The overall research method is based upon statistical methods (hypothesis testing) to filter the hypotheses (i.e. the conceptualisation of reality) and the empirical world, or what is real, reflecting the apt approach advised by Hatch and Cunliffe (2013).

A deductive approach has been used within this research to ‘test’ theory against ‘empirical realities’ (Hatch and Cunliffe 2013). This project is not based on subjectivist ontology or a constructivist or interpretivist epistemology. It used a qualitative methodology primarily for triangulation. Some qualitative research was used, the reasons for which are outlined below, but briefly stated, the qualitative approach was undertaken to check and verify the accuracy of the quantitative survey findings.

4.5.1 The Ontological and epistemological approaches

Ontology is the study of what is occurring in a field of study, and the world and epistemology are the study of how it can be proven as near as possible to being considered to be a truth – both require objectivity (Denzin and Lincoln 2005).

The Ontological Perspective

According to Swanson and Freeze (2009), ontology is a scientific method of rendering an unstructured situation into a structured framework. Furthermore, by its
nature of relating the broad concept of the financial performance of business to users in the context of decision-making by shareholders, accounting presents as a field of inquiry highly appropriate for the use of ontological research approach because the law punishes those who mislead the SET.

Eight characteristics of ontological development identified by Rosemann et al. (2004, cited in Swanson & Freeze 2009) were understandability, comparability, completeness, guidance, objectivity, adequate result representation, result classification, and relevance. These characteristics were mapped into the three steps of creating the ontology: input, process and output. The FASB financial statement proposal (2008), consistent with Swanson and Freeze (2009), agreed that for the purposes of ontology development, the business income of a firm provides an example of a most basic entity of the ontology within the context of input (the GAAP codification project), process (conceptual framework conditions) and output (the proposed financial statement proposal). Based on the research outcomes the present study considers International Accounting Standards especially IAS 36, Impairment of Assets to be one of the factors that influence the decision-making (buy, sell and hold shares) of shareholders in Thailand.

**The Epistemological Perspective**

Epistemology means ‘how we come to know’ (Cresswell 2003). Crotty (2009) suggested that the four essential elements of the foundations of social research comprise: epistemology, theoretical perspective, methodology and methods. Beginning
with the most specific element and working through each to the most general, the present study reflects the research elements Crotty (2009) espoused through the selection of (i) questionnaire survey and in-depth interviews, as the method for data collection, (ii) quantitative surveying and qualitative interviewing, as the methodology and, (iii) decision-making usefulness, as the theoretical perspective. It is intellectually consistent with a constructivist (understanding multiple participant meanings) epistemological stance.

4.5.2 Methodological Approach

Mixed methodology

The mixed research methodology underpinned epistemology as a means of obtaining knowledge (Cresswell 2003; Crotty 2009) about what influenced the decision-making of investors. The methodology employed a mixed method approach as a means of acquiring knowledge to differentiate between anomalies or truths and falsehoods. The qualitative component in the research was used to check on the efficacy of the empirical data obtained from the research survey.

According to Firestone (1987), although quantitative studies can persuade the reader through de-emphasising individual judgments and offering more precise and “generalisable” results, qualitative research can influence through rich depiction and strategic comparisons across cases, thereby overcoming the abstraction inherent in quantitative studies. Creswell (1994) explained that combining quantitative and
qualitative approaches are based on the assumption that any bias inherent in particular data sources and methodologies can be neutralised when used in conjunction with other data sources and methods. Consistent with Creswell (1994), Miles and Huberman (1994) contended that this combination is used to strengthen the overall research design and interpretation of the findings, enabling confirmation or corroboration via triangulation as in this thesis. This combination can also provide richer detail and initiate new lines of thinking through attention to surprises or paradoxes (Rossman & Wilson 1991).

Furthermore, this type of approach can summarise data that are useful to highlight comparative relationships between the sets of data and to investigate trends (Miles & Huberman 1994). Using more than one method can have substantial advantages, and even though it almost inevitably adds to the time investment required, the combination of methods represents an attempt to overcome the weaknesses of either type of data used in isolation (Srijunpetch 2004). Studies may combine methods producing quantitative data, with others yielding qualitative data (Denzin and Lincoln 2005, and Teddlie & Tashakkori 2009).

For all the above reasons, the present study uses a combination of quantitative and qualitative methods to investigate the investment decisions of shareholders in Thailand with the former method being less intensive than the latter. Nevertheless, the combined method allowed two independent data collection methods, which upon analysis, should,
for this study, theoretically generate a similarity in terms of the results or findings. The findings chapter shows that this occurred.

The following table (4.1) places the mixed research approach used in this study in context, based on Creswell’s (2003) views that supported the use of quantitative and qualitative forms of research in the research design. The qualitative approach, which is outlined below, was not as robust as the quantitative survey applied in this research. It was used along the lines that Cresswell (2003) used when conceptualising Crotty’s earlier research model (Crotty 1998), to address three key issues central to the epistemological approach of this research. Citing Creswell (2003, p. 5) these included:

1. What knowledge claims are being made by the researcher (including a theoretical perspective)?
2. What strategies of inquiry will inform the procedures?
3. What methods of data collection and analysis will be used?

**Quantitative research**

The purpose of quantitative research is to seek, explain, and predict information which may have a broad division of potential informants in a large field (Leedy & Ormrod 2001). Quantitative research can be seen, with due caution, as information that can be generalised, with an intent to establish, confirm, or validate relationships in order to develop generalised observations that recur with a level of frequency that can contribute to substantiate or refute theoretical perceptions (Leedy & Ormrod 2001).
According to de Vaus (2002), although quantitative research is often portrayed as being sterile and unimaginative, it is well suited to providing certain types of factual, descriptive information for hard evidence. Highly-structured questionnaires can provide a straightforward way of obtaining information for a data grid (de Vaus 2002). This kind of quantitative research can be used to answer questions concerning relationships among measured variables with the purpose of explaining, predicting, and controlling the phenomena (Leedy & Ormrod 2001). A questionnaire survey is a common form of gathering representative data on attitudes or opinions from a given population using an instrument, including the mail survey method (Turner 2007).

Following de Vaus (2002), this thesis mainly adopts a quantitative approach to determine the factors that influence the investment decision-making of shareholders in Thailand after the listed companies adopted IASs. Additionally, this thesis investigates the influence, if any, of age, gender, and level of education on the perception of respondents to investment decision-making of Thai shareholders.

**Qualitative research**

Miles and Huberman (1994) and Denzin and Lincoln (2005) suggested that the strength of qualitative data is its richness and holism, with a strong potential for revealing complexity. Such data may provide rich descriptions that are vivid and nested in a real context, having a strong impact on the reader. Qualitative research, to Miles and Huberman (1994) and Denzin and Lincoln (2005), provides a source of well-
grounded, rich descriptions and explanations of processes in identifiable contexts, and can preserve the chronological flow and precisely record which events have led to what consequences. In addition, qualitative methods cover investigations of the meaning and description, rather than determining the frequency of phenomena (Turner 2007). One key point that is expressed by Minichiello (1990) and Denzin and Lincoln (2005) is that qualitative research can unearth comments that a survey may not when interviewing informants. This made the complementary aspect of using quantitative and qualitative research compelling, to “double check” the answers to the key questions that resulted from the survey and underpin this research.

Within this thesis qualitative research was used to confirm the integrity of the quantitative research as a check, as it is concerned with understanding human behaviour from the participants’ own frame of reference, concentrating on the subjective aspects of human activity by focusing on meaning rather than measurement (Collis & Hussey 2003). In accordance with Locke, Silverman and Spirduso (2007), and in the context of this study, the purpose of qualitative research is to find meaning in the actions of people on the one hand. Qualitative research was used to assess that the findings were not at odds with the quantitative analytical data, reflecting the theories espoused by Cresswell (1994, 2003) and Crotty (2009). The ways in which shareholders as a group determined their investment decision-making in the socio-cultural context of Thailand was focused upon in the qualitative research to find meaning, as Locke et al (2007) recommended and use as a check on the qualitative methodology for the purposes of accuracy and reliability of the data.
### TABLE 4.1 Context of Qualitative and Quantitative Approaches

<table>
<thead>
<tr>
<th><strong>Quantitative Approach</strong></th>
<th><strong>Qualitative Approach</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assumes the development of stable reality that is statistically, divisible</td>
<td>1. Assumed the possibility of numerous contextual realities from informant</td>
</tr>
<tr>
<td>2. Seeks primary facts from external informants via survey to induce systematic development of explanation of phenomena including potential variables and knowledge prediction</td>
<td>2. Seeks “understanding” through posing similar questions to individual informants to persons surveyed</td>
</tr>
<tr>
<td>3. Controlled application of survey questions to obtain consistent data for analysis</td>
<td>3. Used the Natural setting of informants to obtain uninhibited observations and knowledge development through face-to-face questioning</td>
</tr>
<tr>
<td>4. Data may complement or refute theory from primary qualitative research and literature review</td>
<td>4. Data may complement or refute theory from primary quantitative research and literature review</td>
</tr>
<tr>
<td>5. Data are firm, reliable, consistent and able to be replicated</td>
<td>5. Data are effective, factual, rich, and in-depth</td>
</tr>
<tr>
<td>6. Outcome focussed</td>
<td>6. Procedurally oriented to reflect questions posed in a survey as validity or invalidity</td>
</tr>
<tr>
<td>7. Findings may be generalised</td>
<td>7. Findings may not necessarily be generalised as undertaken for specific research context</td>
</tr>
<tr>
<td>8. Overarching focus</td>
<td>8. Inclusive though limited focus</td>
</tr>
<tr>
<td>9. Focussed on verification and confirmation</td>
<td>9. Exploratory with the theory being constructed to test validity of quantitative data</td>
</tr>
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</table>

Source: Adapted from Cresswell (2003, p. 5)
<table>
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<tr>
<th><strong>Quantitative Approach</strong></th>
<th><strong>Qualitative Approach</strong></th>
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<tbody>
<tr>
<td>10. Deductive reasoning focus</td>
<td>10. Inductive reasoning focus</td>
</tr>
<tr>
<td>11. Research questionnaire/survey is the</td>
<td>11. Verbal research in-depth questions is the</td>
</tr>
<tr>
<td>research instrument to measure responses by</td>
<td>research instrument to interpret results as an</td>
</tr>
<tr>
<td>informants</td>
<td>element of epistemological consilience</td>
</tr>
<tr>
<td>12. Employment of statistical measurements</td>
<td>12. Use of “insight” and “interpretivist”</td>
</tr>
<tr>
<td>and tests</td>
<td>concepts as an element of epistemological consilience</td>
</tr>
<tr>
<td>13. Limited role for interpreted meaning due</td>
<td>13. Interpreted “Meaning” is a central</td>
</tr>
<tr>
<td>to scaling and measuring</td>
<td>concept to check results of the survey</td>
</tr>
<tr>
<td>14. Surveys research participants</td>
<td>14. Consults research informants</td>
</tr>
<tr>
<td>15. Research methods are underpinned by a</td>
<td>15. Semi Structured dynamic aspect of</td>
</tr>
<tr>
<td>theoretical framework documented and structured</td>
<td>research through questions and responses</td>
</tr>
</tbody>
</table>

*Source: Adapted from Cresswell (2003, p. 5)*
4.5.3 Data Collection

The data was collected using both questionnaire surveys and ten semi-structured interviews with prominent investors who were well-placed and highly experienced in the field providing information. The main exploratory research was carried out using both exploratory and opinionative methods. This part was accomplished by a postal questionnaire that was quantitatively analysed to test the validity and applicability of the decision-making of shareholders as described in the literature. These results were then compared and supported with the interview results. Thus, this part was validated by both the findings of the literature review and by the preliminary interviews. The samples for the postal questionnaires and interviews were collected from the 204 listed companies in the three chosen industries which have large asset bases: Resources, Industrials, and Property and Construction industries. These companies represent 53 per cent of the market capitalisation held by all listed companies on the Stock Exchange of Thailand in 2008 (SET 2008).

Nine steps to determine the research questions were undertaken. Firstly, an initial plan was made to investigate the research questions. After that, secondary data was obtained through a review of literature related to the adoption of IASs and the factors that influence decision-making by shareholders. The lists of names and addresses of Thai shareholders were acquired from the Department of Business Development (DBD). This was followed by a questionnaire and preliminary interviews conducted in Thailand. Following this, the hypotheses were refined to accept or reject the influence of the adoption of IASs on decision-making by shareholders. Then the questionnaire was
developed and sent to the shareholders in the companies in the selected industry sectors. After all the responses were received and recorded, results were tabulated, and a statistical analysis was performed to establish the relationships of the variables stated in the hypotheses. Finally, conclusions and recommendations were developed from this analysis. The following section describes the questionnaire surveys and interview processes.

**Questionnaire Survey**

Questionnaire surveys are a standard research method used to collect data about the opinions and attitudes of interested parties on a large scale to determine facts, important items, and information (Srijunpetch 2004). To achieve this outcome this, Marshall and Rossman (1999) explained that questionnaires need to present standard questions to respondents to collect facts, views, opinions, attitudes, and perceptions of people on the particular subject matter. Srijunpetch (2004) considered that questionnaires have the advantage of allowing subjects to remain anonymous, and thereby express controversial opinions and respond without any inhibitions. Questionnaires, however, are limited due to their reliance on the honesty and accuracy of the participants’ responses (Srijunpetch 2004). Similarly, participants may be unaware of their feelings, interactions and behaviours, and therefore unable to articulate them clearly in a questionnaire response (Marshall & Rossman 1999; Minichiello 2005).
In designing the questionnaire for this study input from literature in the field, reviewed as recommended by Myers (2001), was used as a basis to assist in determining what factors affected the decision-making of investors and shareholders in Thailand. Likert scale, multiple-choice, and open and closed-ended questions were designed to suit the content of each construct investigated. Tull and Hawkins (1993) suggested that a Likert scale has the advantages of being relatively easy to create and administer and easily understood by respondents, making it especially useful in mail surveys.

Once the draft questionnaire was developed, its validity and reliability were tested. The following section describes the development of the questionnaires and the procedures used to ensure the quality of data collected. Questions were asked about the influence of the adoption of IAS 36 and the factors that impact on the investment decision-making of shareholders in major asset-based industries in Thailand. The structure of the questionnaire is outlined in the following subsection.

(i) Structure of questionnaire

The questionnaire (see Appendix A) comprises five sections. Section A, containing questions about share ownership, was expected to generate information about shareholder behaviour by asking respondents about their diversity of shareholding, trading activity, methods of purchasing and receiving their shares, diversity of investments and the person responsible for decisions.
Section B sought shareholder opinions on the degree of trust they place on information that is prepared according to IASs, especially with regard to impairment of assets (IAS 36). Questions were asked about their opinions concerning whether the IASs adoption provided more information for share investment decisions; whether adopting IAS 36 increases the reliability of financial reporting; whether IAS 36 is suitable for financial reporting circumstances in Thailand; and the understanding by shareholders of the context of IAS 36.

A five-point Likert scale was used to determine the degree of trust in each issue: this scale ranged from Strongly Agree (5) through Agree (4), Neutral (3), Disagree (2) to Strongly Disagree (1). This section of the questionnaire (question 10) also asked which group of audit firms was most important for making investment decisions for shareholders. Audit firms comprised two groups: major international audit firms (i.e. the big four audit firms -Price Waterhouse Coopers, KPMG, Deloitte Touché Tohmatsu and Ernst & Young) and the Thai-owned audit firms.

Section C deals with questions about opinions on the relevance and reliability of accounting information for share investment decisions. The responses in this section provide shareholders’ views as to whether they rely on accounting information in financial reports in annual reports such as profit (earnings or rate of return), EPS and asset figures for decision-making. Accounting information includes all information directly generated in the preparation of the profit and loss statement and balance sheet (Myers 2001). It is known that many shareholders use information for their share
decisions and making predictions about the future for their investment, and this study assumed that shareholders believe that they are receiving relevant information. The independent auditors’ reports, opinions of directors and use of accounting standards are expected to increase the reliability of accounting information.

Section D deals with shareholders’ views about their use of information that is important for investment decision-making on buying, selling or holding shares. These information items include EPS, profits (rates of return), dividend yields, share price, price-earnings ratio, asset ratio, gearing ratio, reputation of the managing director and audit firm, auditor’s reports, financial reports from media and advisors/stockbrokers, and other factors in financial reports which may influence decision-making by shareholders in Thailand. Examples of these factors are the chairpersons’ and director’s report and statement, announcements on environment policies, and any changes in the scope of company operations. A five-point Likert scale was again used, to assess the strength of agreement with the statements provided as High Importance (5), Moderate Importance (4), Some Importance (3), Low Importance (2) and Not Important (1).

Section E gathered the demographic information of shareholders, including (i) gender, (ii) age, (iii) education qualification, and (iv) experience and training in a job providing familiarity with accounting, finance, auditing, investment analysis and financial analysis of stock market investing. The responses to this section provided reasons for differences in the behaviour of shareholders for share decision-making.
(ii) Pre-testing of questionnaire surveys process

Pre-testing of the draft questionnaire was conducted in two steps. Step one dealt with the evaluation of content validity in which the subjective agreement among professionals was expected to reflect accurately what the questionnaire had purported to measure (Zikmund 2003). In this study, the draft questionnaire was initially assessed by five accounting academics in a Thai University to identify any ambiguities, problems or weaknesses that required further refinement, to increase content validity, and to ensure that the final questionnaire was well-presented. The pilot study did not reveal any ambiguities for the respondents.

A pilot study was conducted to measure whether the questionnaire was sufficiently reliable. Here, reliability was defined as the degree to which the measures used were free from error and would, therefore, yield consistent results (Zikmund 1994). The purpose of this pilot study was to learn more about the data acquisition process without investing large amounts of time and resources (Short and Pigeon 1998). It was conducted among fifteen shareholders (who were not included in the 107 final responses) from the three large asset-based industries to ensure reliability and, after revision, translated into the Thai language to ensure that the survey respondents fully understood the questionnaire content. Survey responses were then translated back into English in order to make sure that the meanings of questions were not misconstrued or confused. To do this, two people who were experts in the subject of this study and fluent in both Thai and English, a CPA in Australia and a university lecturer in accountancy in Thailand, translated the revised questionnaire into Thai, and then back into English. This ensured that the questionnaire was valid in all aspects.
(iii) Pre-testing questionnaire surveys sample

The sample of pre-testing questionnaire surveys was selected from the Department of Business Development database, providing information on the population of shareholders from the three large asset-based industries (Resources, Industrials and Property and Construction). In this study, fifteen shareholders were identified using a random sampling process to draw a probability sample. This process allows each unit of the population to have an equal chance of being selected in the sample. This pilot study initially conducted with 15 shareholders was not included in the 107 final responses.

The instructions to the expert panel have not been included in the thesis nor have the basis upon which they were asked to review the initial survey that was constructed. Simply stated, I met with a panel and then wrote them via email asking them to provide feedback on the survey, which they did with very minimal criticisms that were quite negligible resulting in very minor changes to the survey. Given the compliments received concerning the survey from the consultative panel, comprised of five university professors in finance, no evaluation was required or undertaken. It was ready to be posted to informants.

(iv) Final questionnaire surveys

A mailing survey was employed to collect data for the final questionnaire survey, as this type of questionnaire can be filled out whenever the respondent has time. In this way, there was a better chance that respondents would take the time to think about their replies. In preparation for this mailing survey, the Department of Business
Development of the Ministry of Commerce Thailand was contacted to provide a list of shareholders in specific industries in Thailand. This is a public document. Upon revision of the questionnaire, a package including a brief letter to shareholders explaining the purpose of the study, the questionnaire, and a free post envelope was sent to shareholders in the three specified industries, for participation.

(v) Population and sample design

In this thesis, ‘population’ refers to the shareholders in the 204 listed companies in 2008 in the Stock Exchange of Thailand with three industries as follows: 26 Resources companies; 70 Industrial companies; and 108 Property and Construction companies, as provided by the DBD. There were 420 shareholders willing to answer the questionnaire and disclose their information and address in listed companies of the three chosen industries. The listed shareholders provided by the Department of Business Development. This is the public document. Public companies keep a register of information about their shareholders. Names and addresses of shareholders are publicly available through the register provided by the DBD. These databases were used to select the Thai individual shareholders for the postal survey.

According to Myers (2001) when determining the sample size for estimation of proportions, the accepted statistical theory requires consideration of two factors: the degree of accuracy required; and the extent to which there is variation within the population (de Vaus, 2001). In this research, the variance in the population was not known and is being investigated. Therefore, the sample size had to allow for the
greatest possible difference. In this case, it had to allow for 50 per cent of the population to answer differently from the other 50 per cent. This required a slightly higher sample than populations with variances of 20 per cent to 80 per cent. The confidence interval level of 95 per cent was deemed appropriate. Responses from 121 shareholders are deemed appropriate, as calculated by Zikmund, (2003) and de Vaus (2001), after allowing for the stated parameters.

This study achieved a sample of 121 participants with a 28.81 per cent response rate. An acceptable response rate was calculated by reference to similar studies such as Anderson & Eptsein 1995 (18 per cent response), Courtis, 1982 (42 per cent), Epstein & Pava, 1991 (11 per cent), Myers, 2001 (25 per cent), Lee & Tweedie, 1977 (15.7 per cent). Lee and Tweedie (1975) reported a response rate of 23.5 per cent, and Bartlett and Chandler (1997) claimed a 25.3 per cent response rate.

(vi) Questionnaire cover letter

As an ethical convention the cover letter accessible by informants provided an explanation of the research project and the need for the respondent’s participation. The letter assured the participants of the confidentiality and security of the information provided and the use of the information in aggregate. When the survey was posted a stamped envelope for the return of the questionnaire was enclosed
(vii) Approval by the human research ethics committee

Before distributing the survey questionnaire, an application for approval of the project involving human participants was submitted to the Faculty Human Research Ethics Committee. As part of the informed consent process, this application addressed issues of participant confidentiality and privacy, assured the University that there was no conflict of interest between any of the researchers, and identified potential participants’ risks in the research.

(viii) Final questionnaire analysis

Questionnaires were sent in mid-June 2009. By early July 2009, 107 completed questionnaires had been received from the 420 posed to potential informants. The usable response rate was 25.48 per cent. In addition, fourteen questionnaires (3.33 per cent) were returned unanswered with eight addressees having moved to another address, six unanswered (blank). The final response rate was 28.81 per cent (121 questionnaires returned). After all questionnaires were received, sorted and labelled, the coding was finalised for the 107 returned questionnaires. The pilot study conducted with 15 shareholders was not included within the 107 final responses. The response bias is not occurring in this study because the 121 questionnaires were returned in three weeks after being posted. In this thesis there were no differences in the informants’ early responses as opposed to the later responses when prompted to respond, therefore, this did not feature as an issue in the research, consequently in this study it was not necessary to check for a non-response bias.
The researcher investigated and standardised differing answers given by the respondents under the category of ‘others’ in the questionnaires. Then, all categories were summarised and grouped into broader categories, such as assumed fact, friends, and Securities and Exchange Commission (SEC). These are the factors, which influence buy, sell, and hold share decisions by respondents. Attention was also given to ensuring that differentiations not fitting under a specific category were not lost. This study followed the recommendation of Alreck and Settle (1995), where the coded data from the questionnaire was entered into a computer file, with appropriate attention being given to ensure maximum accuracy. This involved ‘spot checks’ being made by the researcher to verify the accuracy of the data input when compared to randomly selected questionnaires. In cases of no data being provided by respondents, a figure ‘9’ was entered. This technique meant there were no blank columns left in the files.

(ix) Statistical analysis

The statistical analysis in this research is described in two parts.

(a) The analysis of the relationship between seven variables and the decision-making of shareholders.

In this thesis, multiple responses and cross tabulations were used to determine the relationship between seven variables including: (1) accounting standard (IAS 36); (2) asset size; (3) audit firms; (4) qualitative characteristics in terms of relevance and reliability, (5) rates of return; (6) earnings per share and (7) other factors, in which relate to the decision-making of shareholders.
Cross-tabulation is appropriate to use in this study because it shows the relationship between seven variables and the decision-making of shareholders. Cross-tabulations also show a comparison of the data separately for each group and the significance of their relationships (Freedman, Pisani & Purves 1998).

(b) The analysis of the relationship between the demographic of respondents (age, gender and level of education) and the decision-making of shareholders.

The demographic data of respondents (age, gender and level of education) is nominal (non-parametric data) for which it is appropriate to analysing the Kruskal-Wallis and Mann-Whitney U tests. The normality test of the data (skewness and kurtosis) in this study is to confirm that the distribution of the data is valid for analysis with the Kruskal-Wallis and Mann-Whitney U tests, because skewness and kurtosis involve both empirical measures of a distribution’s shape and normal probability plots. In this study, the Kruskal-Wallis test and the Mann-Whitney U test were used because only some responses were normally distributed; most of them were not. Therefore, the results of non-normality of the data distribution represent non-parametric data which confirms that the Kruskal-Wallis and Mann-Whitney U tests are appropriate for the relationship test in this study.

Semi-structured interviews

In this study, ten qualitative interviews of approximately one hour each were conducted with randomly selected shareholders from the three large asset-based industries (Resources, Industrials and, Property and Construction industries). This accords with Yin (2003), who stated that six to ten cases conducted during an exploratory study should provide convincing support to address the research questions.
In this study, the aim of interviews has been to identify and define appropriate variables defined in the findings of the survey as well as the literature review that are meaningful to the hypotheses within this research design, to minimise random error and bias (Veal 2005). Content analysis was adopted as the most appropriate way to analyse data from recorded human communications in interviews (Bordens & Abbott 1999). Respondents were not asked to provide names or contact information as anonymity is a necessity for research relating to individual wealth (Lease et al. 1974; Yang 2013) and an appropriate ethical convention was formulated and approved for this study.

Interview respondents were sought at the Stock Exchange of Thailand (SET) location where their financial transactions and work was performed. Every fifth person entering the stock exchange of Thailand building was invited to be an interview participant. If the invitation to participate was declined, the next “fifth” customer was asked to join. Not all of these participants agreed to do so but eventually ten people agreed to this. Persons contacted by telephone have been invited to take part in the quantitative component of the research. No data was presented about the expertise of the informants on their trading. However, the list obtained of shareholders from the DBD contained the name and details of what is referred to as prominent shareholders highly active in the field.

Interviews were conducted to inform the research on the decision-making process of shareholders in Thailand regarding their buying, selling and holding shares, using the parameters of inquiry adopted in the survey. The same questions were primarily asked,
but semi-structured interviews were also conducted where added questions were needed for clarity or to confirm that what may have been interpreted was accurate. The researcher was able to seek clarification of responses and offer clarification to respondents when questions were not understood. At the beginning of each interview and before embarking on the collection of data, the researcher described the aim of the study and stressed the importance of the opinions of the respondents.

By following the ethics requirements, respondents were asked to sign a consent form before being interviewed. This form asked respondents who preferred to be interviewed by telephone or in person, as to whether they would allow these interviews to be recorded on tape. Furthermore, they were assured that at any time during the meeting the tape recorder could be switched off if requested. However, all interviewees allowed the recording to proceed. These semi-structured interviews were conducted with the use of an interview guide, and during the interview process, each respondent was invited to seek further clarification of any issue concerning the study that might be of concern to them.

The random selection process with the total of ten interviewees yielded seven categories of employment type among the participants. Employment types included a programmer, two stock investors, three university lecturers, a food nutritionist, a general manager, a government project consultant and a real estate investor. All agreed and arrangements were made for a time to conduct the interviews. Three respondents were interviewed by telephone and the remaining seven were interviewed in person.
The respondents were provided with an overview of the research and the objective of the interview.

4.6 Reliability and Validity

The questionnaire survey instrument was evaluated for reliability and validity, using Cronbach’s alpha described below.

4.6.1 Reliability

Cronbach’s alpha is a reliability coefficient that indicates how well the items in a set are positively correlated (Cavana, Delahaye & Sekaran 2001). Cronbach’s alpha is based on the average correlations of the issues within a test when the items are standardised, and when the items are not standardised it is based on average covariance among the items (Coakes, Sherodan, Steed & Ong 2010). As this measure is the most commonly-used approach to estimate an item’s reliability, it was used in this research.

Cronbach’s Alpha provides a measure of the internal consistency of a test or scale. It is expressed as a number between 0 and 1. Internal consistency describes the extent to which all the items in a test measure the same concept or construct and hence it is connected to the inter-relatedness of the items within the test. Internal consistency should be determined before a test can be employed for research or examination.
purposes used for research or testing purposes to ensure validity. Also, reliability estimates show the amount of measurement error in a test. Put simply, this interpretation of reliability is the correlation of the test with itself. As stated by Hair et al. (2006), in confirmatory studies the accepted lower value for Cronbach’s alpha is 0.7. Furthermore, as Cronbach’s alpha is a measure of internal consistency, based on the average inter-items correlation, alpha scores above 0.9 are considered as excellent, above 0.8 as good, and above 0.7 as acceptable in exploratory studies (George & Mallery 2009; Turner 2007). Therefore, the higher the coefficients, the better the measuring instrument (Cavana, Delahaye & Sekaran 2001).

4.6.2 Validity

Validity measures how well a scale or set of measures represent the underlying concept of interest (Hair et al. 1998). Davis (1999) pointed out that reliability assesses the degree of consistency between multiple measurements of the variable. This ensures that responses are not too variable across periods so that measurements taken at any point in time are reliable. Davis explained that in respect to validity, the robust coefficient alpha would seem the most prudent course of action. Furthermore, the validity of measure depends on how to define the concept it is designed to measure (de Vaus 2002).
There are several types of validity test. For example, Cavana, Delahaye and Sekaran (2001) divided validity into four groups including face validity, content validity, criterion-related validity and construct validity. These validity tests are described as follows.

4.6.3 Face Validity

Face-to-face validity is considered by some to be a basic and minimal index of validity (Cavana, Delahaye & Sekaran 2001). It indicates that the items presented on the questionnaires are clear and understandable to the subjects. It is also usually tested by giving the questionnaire to respondents to measure their reactions to items. To test the face-to-face validity in this study, 15 questionnaires (pre-tested) were sent to shareholders in specific industries in the Stock Exchange of Thailand. Questionnaires were returned with a 40 per cent response rate.

4.6.4 Content validity

According to Cavana, Delahaye and Sekaran(2001), content validity ensures that the measures included are adequate in representing the set of items in the questionnaire. They pointed out that the more the scale items in the questionnaire represent the field of the concept being measured, the greater the content validity. In other words, content validity evaluates how well the measures tap the different aspects of the concept defined (de Vaus 2001). As suggested by Cavana, Delahaye and Sekaran(2001), the three ways to achieve content validity include a comprehensive literature review, qualitative interviews, and the judgement of a panel of professionals. In the current study, a review
of relevant literature (see Chapter 3) was used to provide the basis for the study, and a qualitative interview was conducted to test content validity.

4.6.5 Criterion-related validity

Criterion-related validity (Cavana, Delahaye & Sekaran 2001) is “established when the measure differentiates individuals on a criterion it is expected to predict” (p. 213). Furthermore, de Vaus (2001) states “criterion validity is best suited to situations where there are well-established measures of a concept that need adapting, shortening or updating” (p. 29). As this study is exploratory in nature, a criterion-related validity test does not apply.

4.6.6 Construct validity

Construct validity relies on how well the results obtained from the use of the measure fit the theories around which the test is designed (Cavana, Delahaye & Sekaran 2001; de Vaus 2001). Moreover, this approach to assessing validity relies on the correctness of the result expectations (de Vaus 2001).

This study used the accountability theory to explain relationships between factors that influence the shared decision-making of shareholders in the major asset-based industries in Thailand. Here, accountability theory focuses on the relationship between a
company and its shareholders and financial information in annual reports that provide useful information to shareholders in making decisions.

4.7 Summary

In this chapter, the research methods used in this study that comprise both questionnaire surveys and interviews are described. Eight hypotheses were developed to answer the research questions. Furthermore, the study design and the structure of questionnaire surveys and interviews were explained, followed by detail on the questionnaire surveys and interviews. It was noted in the chapter that approval from the human research ethics committee was obtained. Following this, the effectiveness of measurement including reliability and validity were discussed. The next chapter provides the research findings.
CHAPTER 5 - RESEARCH FINDINGS

5.1 Introduction

This chapter presents survey findings in order to determine the influence factors of the adoption of the Impairment Asset Standards in financial statements, relevance and reliability of accounting information, asset size, audit firm, rates of return, earnings per share, personal characteristics (age, gender, and level of education), on the investment decision-making of shareholders in large asset-based industries in Thailand. This chapter also addresses the suitability of IAS 36 to the Thai environment and the understanding of IAS 36 by shareholders in Thailand. It also addresses in both the survey and interview findings those other factors that may influence the shares investment decision of shareholders. These include fundamental and technical analyses, the company’s corporate governance, corporate social responsibility, the chairperson’s and director’s reports and statements, announcements on environment and policies, and changes in the scope of company operations.

The findings in this chapter, which are presented in tables, are based on the survey responses, with cross-tabulation and multiple responses used to analyse the survey results. Additionally, the Kruskal-Wallis test and the Mann-Whitney U test were used to describe the relationships between the influence of age, gender, level of education, and type of occupation or experience and training on decision-making and also to investigate the factors which affect this share investment decision-making by Thai shareholders. Opinions influencing stock investment decisions are provided in the following chapter on the interview findings. Investment decision-making is defined as buying, selling or
holding shares by shareholders of companies in the major asset-based industries in the Stock Exchange of Thailand.

In summary, the questionnaire survey results are presented in section 5.2, to describe the characteristics of the sample. This is followed by section 5.3 in which the analysis of the variables of information sources that influence the decision-making of Thai shareholders is discussed. The analysis of the five groups of information sources is provided in section 5.4. Next, in section 5.5 the test of normality is described, and in section 5.6 the influence of gender, age, level of education, and type of occupation or experience and training, on the decision-making of shareholders is determined, and a summary of the chapter is contained in section 5.7.

5.2 Survey Findings

As discussed in Chapter 4, a quantitative approach was used to measure the phenomena under investigation. In the present study, this involved collecting and analysing numerical data and applying statistical tests (Collis & Hussey 2003). Shareholders of companies in three large asset-based industries in the Stock Exchange of Thailand were selected to respond to a survey questionnaire to examine the factors which influence their investment decision-making.

The selected industries were Resources, Industrials, and Property and Construction (the rationale for choosing these industries has been discussed in Chapter 1). The form
of questions used in the questionnaire incorporated a Likert scale, requiring respondents to indicate the degree of agreement or disagreement with a series of statements related to the subject of the questionnaire as discussed in Chapter 4.

5.2.1 Response rate

Questionnaires were mailed to 420 shareholders randomly selected from the lists provided by the DBD. One hundred and seven valid responses were received, giving a valid response rate of 25.48 per cent. Furthermore, fourteen questionnaires were returned unanswered; the final response rate was 28.81 per cent. The questionnaires were returned unanswered because many informants moved according to the returned mail with stamps on it verifying this issue. The response rate is similar to the response rates of surveys of private shareholders related to the use of annual reports. In this case, Lee and Tweedie (1975) reported a response rate of 23.5 per cent, and Bartlett and Chandler (1997) claimed a 25.3 per cent response rate.

5.2.2 Sample characteristics

The personal data of respondents are provided to describe the characteristics of the sample.
5.2.3 Gender of respondents

Table 5.1 below presents the gender of respondents with male participants being marginally greater (53.3 per cent) than females (46.7 per cent). This table also shows the difference in the number of respondents for each gender.

Table 5.1: Gender of respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>57</td>
<td>53.3</td>
</tr>
<tr>
<td>Female</td>
<td>50</td>
<td>46.7</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 17. Which gender are you?

5.2.4 Age of respondents

Table 5.2 shows the age of respondents, with the largest age group (31.8 per cent) being 41-50 years old. This is followed by age ranges between 51-60 (30.8 per cent), and between 30-40 (17.8 per cent). The smallest groups were over 60 (15 per cent) and below 30 (4.7 per cent).

Table 5.2: Comparison of respondents’ ages

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30</td>
<td>5</td>
<td>4.7</td>
</tr>
<tr>
<td>30-40</td>
<td>19</td>
<td>17.8</td>
</tr>
<tr>
<td>41-50</td>
<td>34</td>
<td>31.8</td>
</tr>
<tr>
<td>51-60</td>
<td>33</td>
<td>30.8</td>
</tr>
<tr>
<td>More than 60</td>
<td>16</td>
<td>15.0</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Question 18. Which of the following groups represents you?

5.2.5 Education level of respondents

Table 5.3 below shows respondents’ highest education levels, where the majority (92.5 per cent) have at least a bachelor’s degree. In showing the highest educational levels achieved, 56.1 per cent had Bachelor’s degrees, 34.6 per cent had Master’s degrees, and 2 per cent had a DBA or PhD. Only 7.5 per cent had not completed tertiary education.

Table 5.3: Education levels of respondents

<table>
<thead>
<tr>
<th>Education level</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below bachelor degree</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>60</td>
<td>56.1</td>
</tr>
<tr>
<td>Master degree</td>
<td>37</td>
<td>34.6</td>
</tr>
<tr>
<td>DBA or PHD</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 19. What level of education have you completed?

5.2.6 Ownership of shares

All respondents to the questionnaire were shareholders of companies in one or more of three major industries: 30 per cent invested in Resources; 34 per cent invested in Industrials; and 36 per cent invested in Property and Construction. Some respondents
invested in more than one industry. Therefore, the total number is higher than 107. Table 5.4 below shows that respondents had been involved in the three industries.

Table 5.4: Shareholders investing in three industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>48</td>
<td>30</td>
</tr>
<tr>
<td>Industrials</td>
<td>53</td>
<td>34</td>
</tr>
<tr>
<td>Property and Construction</td>
<td>57</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>158</td>
<td>100</td>
</tr>
</tbody>
</table>

Question 1. In which industry do you hold shares?

Table 5.5 below shows the number of companies in which shareholders had invested. These have been categorised into four categories: 1 company; 2-3 companies; 4-10 companies, and over 10 companies. The category with the highest number of investments for individuals was 2-3 companies (54.2 per cent of respondents). This was followed by 4-10 companies (25.2 per cent), 1 company (11.2 per cent), and over 10 companies (9.3 per cent).
Table 5.5: Number of companies in which shareholders held shares

<table>
<thead>
<tr>
<th>Number of company</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>11.2</td>
</tr>
<tr>
<td>2-3</td>
<td>58</td>
<td>54.2</td>
</tr>
<tr>
<td>4-10</td>
<td>27</td>
<td>25.2</td>
</tr>
<tr>
<td>Over 10</td>
<td>10</td>
<td>9.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 2. In how many companies do you directly hold shares in the industry identified in question 1 above?

5.2.7 Methods of receiving shares

The methods of how shareholders received their shares were classified into five categories, including: purchasing on the stock market (trading online); purchasing through stockbroker; inheriting or receiving as a gift; receiving through employee stock option programs; and “other”.

Table 5.6 below shows that the majority (56.1 per cent) had purchased through a stockbroker, and 43.9 per cent purchased on the stock market themselves (trading online). However, 6.5 per cent of respondents had received shares either by inheriting or as a gift, and 4.7 per cent had received shares through employee stock option programs.
Table 5.6: The methods of receiving shares

<table>
<thead>
<tr>
<th>Share receiving</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Purchasing on the stock market by themselves (trading online)</td>
<td>47</td>
<td>43.9</td>
</tr>
<tr>
<td>2. Purchasing through a stockbroker</td>
<td>60</td>
<td>56.1</td>
</tr>
<tr>
<td>3. Inherited or received by gift</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>4. Received through employee stock option program</td>
<td>5</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>119</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 3. How have you received your shares? (Please tick as many as appropriate)

Some respondents received their shares by more than one method, therefore the total number is higher than 107 in some instances.

5.2.8 Shareholders having investment in any other assets

This study classified other investments into six types including home investment, debentures, mutual funds, property trusts, property investment, and other as specified by respondents. The other specifications suggested by respondents included investments in bank accounts, gold, land, and bonds.

Table 5.7 below suggests that the two most common types of investments were mutual funds (35.6 per cent) and debentures (23 per cent). These were followed by
home investment (18.4 per cent); property trusts (8.1 per cent), property investment (7.5 per cent) and bank account investment (2.3 per cent). The smallest category of investment was gold, land and bonds (1.7 per cent each).
Table 5.7: Shareholder investment in other assets

<table>
<thead>
<tr>
<th>Asset</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td>62</td>
<td>35.6</td>
</tr>
<tr>
<td>Debentures</td>
<td>40</td>
<td>23</td>
</tr>
<tr>
<td>Home</td>
<td>32</td>
<td>18.4</td>
</tr>
<tr>
<td>Property Trusts</td>
<td>14</td>
<td>8.1</td>
</tr>
<tr>
<td>Property Investment</td>
<td>13</td>
<td>7.5</td>
</tr>
<tr>
<td>Bank Account</td>
<td>4</td>
<td>2.3</td>
</tr>
<tr>
<td>Gold</td>
<td>3</td>
<td>1.7</td>
</tr>
<tr>
<td>Land</td>
<td>3</td>
<td>1.7</td>
</tr>
<tr>
<td>Bonds</td>
<td>3</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>174</td>
<td>100</td>
</tr>
</tbody>
</table>

Question 4. Do you have investments in any other assets? (Please tick as many as appropriate)

Some respondents invested in more than one type of asset, therefore the total number is higher than 107 in some instances.

5.2.9 Investment decision making of respondents

Investment decisions were reported by shareholders as represented by three characteristics including ‘myself’, ‘myself in consultation with financial advisor or marketing (stockbroker)’, and ‘financial advisor or following stockbroker’s investment plan’.
Table 5.8 below shows that the majority of respondents (53.3 per cent) made decisions by themselves, with 45.8 per cent of decisions being made by themselves but in consultation with their financial advisor or stockbroker. The lowest percentage (0.9 per cent) was influenced by their financial advisor or following their stockbroker’s investment plan.

**Table 5.8: Decision making of respondents**

<table>
<thead>
<tr>
<th>Decision-making</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myself</td>
<td>57</td>
<td>53.3</td>
</tr>
<tr>
<td>Myself in consultation with financial advisors/stockbrokers</td>
<td>49</td>
<td>45.8</td>
</tr>
<tr>
<td>Financial advisors or following stockbroker’s investment plan</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 5. The decision to buy, sell or hold shares is usually made by?

### 5.2.10 Investment decisions made by shareholders because of the audit firms’ reputation

Table 5.9 below shows the importance of the reputation of audit firms when respondents make investment decisions. The audit firms perceived as being most reliable were the major international audit firms at 74.8 per cent (i.e. PricewaterhouseCoopers, KPMG, Deloitte Touché Tohmatsu and, Ernst & Young).
Further, 20.6 per cent of respondents preferred Thai owned audit firms, and 4.7 per cent of respondents preferred both international and Thai audit firms.

Table 5.9: Investment decisions made by shareholders because of the audit firms’ reputation

<table>
<thead>
<tr>
<th>Group of audit firms</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major international audit firms</td>
<td>80</td>
<td>74.8</td>
</tr>
<tr>
<td>Thai owned audit firms</td>
<td>22</td>
<td>20.6</td>
</tr>
<tr>
<td>Both international and Thai audit firms</td>
<td>5</td>
<td>4.7</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 10. Which group of an audit firm is important when making your investment decision?

5.2.11 Relevant employment and training of respondents

Table 5.10 below shows that the majority of respondents (53.3 per cent) has experienced formal training in a job in which they had become familiar with accounting, finance, auditing, investment analysis or stock market investing. Those who not the beneficiaries of any kind of relevant training were 46.7 per cent.
Table 5.10: Respondents with formal training enabling familiarity with accounting, finance, auditing, investment analysis and stock market investing

<table>
<thead>
<tr>
<th>Respondent</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trained</td>
<td>57</td>
<td>53.3</td>
</tr>
<tr>
<td>Not trained</td>
<td>50</td>
<td>46.7</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 20.1 Do you have formal training in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?

However, Table 5.11 below shows that the majority of respondents (70.1 per cent) had never been professionally employed in a job where they had worked as accountants, financiers, auditor, investment analysts or stock market investors. The respondents employed in these particular professions comprised 29.9 per cent of the overall number.

Table 5.11: Respondents employed in a job enabling familiarity with accounting, finance, auditing, investment analysis or stock market investing

<table>
<thead>
<tr>
<th>Respondent</th>
<th>N</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed related career</td>
<td>32</td>
<td>29.9</td>
</tr>
<tr>
<td>Unemployed related career</td>
<td>75</td>
<td>70.1</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 20.2 Have you been employed in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?
5.3 Sources of Information for Decision-Making

Tables 5.12-5.16 below presents the sources of information that shareholders use when making their investment decisions. These sources of information are categorised into five groups of variables: financial statement information; reputation; financial opinions; impairment of assets (IAS 36); and relevance and reliability of accounting information. In the questionnaire, the influence of sources of information was measured using a five-point Likert scale of (1) not important, (2) low importance, (3) some importance, (4) moderate importance, and (5) high importance. These Likert scales were collapsed from five to three response points to crystallise the differences in the importance of data sources.

Table 5.12 below shows that the information in financial statements is of high importance for decisions in buying shares for the majority of respondents (76.6 per cent), with 19.6 per cent rating the information in financial statements as being of some importance, and only 3.7 per cent of respondents rating information in financial statements as not important for their share-buying decisions.

For decisions on selling shares, the majority of respondents (76.6 per cent) rated information in financial statements as being of high importance, with 16.8 per cent rating it as being of some importance for their selling shares decisions. On the other hand, only 6.6 per cent rated financial statements information as not important when making their share-selling decisions.
The majority of respondents (80.4 per cent) rated financial statement variables as of high importance for share-holding decisions. About 16.8 per cent of respondents rated the information in financial statements as being of some importance for their holding shares decisions, and a mere 2.8 per cent of respondents rate this variable as not important for share-holding decisions.

**Table 5.12: Importance of financial statement**

<table>
<thead>
<tr>
<th>Financial statement</th>
<th>Decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Buying</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>Not important</td>
<td>4</td>
</tr>
<tr>
<td>Some importance</td>
<td>21</td>
</tr>
<tr>
<td>High importance</td>
<td>82</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
</tr>
</tbody>
</table>

Questions 14-16 ask shareholders about the importance of financial statement variables that affect their decisions in buying, selling and holding shares.

Table 5.13 below indicates the importance of reputation, including that of the managing director and the audit firm. When shareholders are analysing financial reporting the qualitative information usually analyse are both reputation of both managing director and audit firm which are important for their investment decision-making. The status variables are of high importance for investment decisions, supported by more than 50 per cent of Thai respondents, with almost 30 per cent rating it as being of some importance, and 15 per cent considering it not important for their share-buying decisions.
For share-selling decisions, the majority of respondents (44.9 per cent) rated the reputation variables as of high importance. About 38.3 per cent of respondents rated them as being of some importance. In contrast, only 16.8 per cent of respondents believed that reputations are not important for their share-selling decisions.

Furthermore, the majority of those surveyed (47.7 per cent) rated reputation(s) as being of high importance for share-buying decisions. Almost 37 per cent of respondents rated the status variable as of some importance for their shareholding decisions. However, only 15.9 per cent of respondents rated them as not important for such decisions.

Table 5.13: Reputation

<table>
<thead>
<tr>
<th>Reputation</th>
<th>Buying</th>
<th>Selling</th>
<th>Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>(%)</td>
<td>N</td>
</tr>
<tr>
<td>Not important</td>
<td>16</td>
<td>15.0</td>
<td>18</td>
</tr>
<tr>
<td>Some importance</td>
<td>31</td>
<td>29.0</td>
<td>41</td>
</tr>
<tr>
<td>High importance</td>
<td>60</td>
<td>56.0</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
<td>100.0</td>
<td>107</td>
</tr>
</tbody>
</table>

Questions 14-16 ask shareholders about the importance of reputation variables that affect their decisions in buying, selling and holding shares.
The results of financial opinion variables from the media, financial advisors, or stockbrokers are presented in Table 5.14. Financial opinion variables are financial opinion from media and from financial advisor/stockbroker which are related to items in questions 14.11, 14.12, 15.11, 15.12, 16.11 and 16.12. This section deals with shareholder views about their use of information for investment decision making (buying, selling or holding shares). For share-buying decisions, 50.5 per cent of shareholders rated this information as of high importance, 40.2 per cent of some importance, and only 9.3 per cent not important.

The majority of respondents also rated financial opinion variables (qualitative information) as of high importance (46.7 per cent) and 38.3 per cent of some importance. Only a few Thai shareholders (15 per cent) rated financial opinions as unimportant for their share-selling decisions.

For share-holding decisions, the majority of respondents (45.8 per cent) rated financial opinion variables in the category of high importance, with 43.9 per cent of some importance, but 10.3 per cent of respondents rated financial opinion variables as unimportant for their shareholding decisions.
Table 5.14: Financial opinion

<table>
<thead>
<tr>
<th>Qualitative information</th>
<th>Decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Buying</td>
</tr>
<tr>
<td></td>
<td>N (%)</td>
</tr>
<tr>
<td>Not important</td>
<td>10</td>
</tr>
<tr>
<td>Some importance</td>
<td>43</td>
</tr>
<tr>
<td>High importance</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>107</td>
</tr>
</tbody>
</table>

Questions 14-16 asked shareholders about the importance of financial opinion variables that affect their decisions in buying, selling and holding shares.

Table 5.15 below shows the degree of importance that shareholders placed on the information that is prepared according to IAS 36. The majority of respondents (54.4 per cent) agreed that this information is important for investment decisions, and one-third (36.5 per cent) of respondents rated it as neutral (indifference) for their decisions. Only 9.1 per cent of respondents disagreed that such information is important for their investment decision-making.
Table 5.15: Impairment of assets (IAS 36)

<table>
<thead>
<tr>
<th>Agreement</th>
<th>IAS 36 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>9.1</td>
</tr>
<tr>
<td>Neutral</td>
<td>36.5</td>
</tr>
<tr>
<td>Agree</td>
<td>54.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Questions 6-9 asked a shareholder about whether the information that is prepared according to IAS 36 is important for their investment decision-making.

Results in Table 5.16 represent the degree to which shareholders believed that accounting information is relevant and reliable for their investment decisions. Results show that the majority of respondents agreed (62.6 per cent) that this information is important for their investment decisions. In contrast, only 5.9 per cent of respondents disagreed that this accounting information is important for investment decisions.

Table 5.16: Relevance and reliability of accounting information

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Relevance and reliability of accounting information (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>5.9</td>
</tr>
<tr>
<td>Neutral</td>
<td>31.5</td>
</tr>
<tr>
<td>Agree</td>
<td>62.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Questions 11-13 asked shareholders the degree to which they believed that accounting information is relevant and reliable for their investment decisions.
5.4 Analysis of the Five Groups of Variables of Information

Sources

Sources of information are defined in five groups, as presented below in tables 5.17-5.21. In this section, the components of the five groups of variables of information sources are analysed. In the questionnaire, the influence of sources of information was measured using a five point Likert scale of (1) not important, (2) low importance, (3) some importance, (4) moderate importance, and (5) high importance. The reason the scale was reduced was to ensure that a heightened accuracy occurred across five points to crystallise the differences in the importance of data sources as recommended by Bertram (2007). This was recommended by the pilot group to avoid the possibility of points three and five being avoided to focus clear responses given the questions. In Tables 5.17-5.20, the notation is NI: not important, SI: some importance, and HI: high importance. In the following Tables 5.21-5.22, the categories are disagree, neutral, and agree.

5.4.1 Financial statement variables

Financial statement variables refer to earnings per share (EPS), profits, dividend yields, share prices, price earnings ratio (P/E ratio) and asset size.

Table 5.17 demonstrates that the majority of respondents rated the information in financial statements as being of high importance for share-buying decisions. Over 90 per cent of respondents rated ‘using EPS, profits and dividend yields’ as ‘highly important’ in
making share-buying decisions. This is followed by 84 per cent rating share price information as highly important and almost 60 per cent rating P/E ratio information as highly important in making buying shares decisions. On the other hand, less than 50 per cent of respondents rated asset size as highly important in making share-buying decisions.

For share-selling decisions, the majority of respondents (over 70 per cent) preferred using EPS, profits, dividend yields, share prices, P/E ratio and asset size. Less than 10 per cent of respondents rated each of those information variables in financial statements as not important for their share-selling decisions.

Table 5.17 also shows that the majority of respondents (more than 70 per cent) rated using EPS, profits, dividend yields, share prices and P/E ratio as being of high importance for their share-holding decisions. However, respondents rated asset size as being of high importance (48.6 per cent) or some importance (44 per cent) for their share-holding decisions. On the other hand, less than 10 per cent of respondents rated each of the information categories in financial statements as unimportant for their share-holding decisions.
Table 5.17: Information sources in financial statements that affect decision making by shareholders

<table>
<thead>
<tr>
<th>Sources of information</th>
<th>Buying (%)</th>
<th>Selling (%)</th>
<th>Holding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NI</td>
<td>SI</td>
<td>HI</td>
</tr>
<tr>
<td>1. EPS</td>
<td>-</td>
<td>9.3</td>
<td>90.7</td>
</tr>
<tr>
<td>2. Profit</td>
<td>-</td>
<td>7.5</td>
<td>92.5</td>
</tr>
<tr>
<td>3. Dividend Yields</td>
<td>0.9</td>
<td>7.5</td>
<td>91.6</td>
</tr>
<tr>
<td>4. Share prices</td>
<td>0.9</td>
<td>15.0</td>
<td>84.1</td>
</tr>
<tr>
<td>5. P/E ratio</td>
<td>7.4</td>
<td>32.7</td>
<td>59.9</td>
</tr>
<tr>
<td>6. Asset size</td>
<td>10.2</td>
<td>46.7</td>
<td>43.0</td>
</tr>
</tbody>
</table>

Questions 14-16 ask shareholders about the importance of financial statement variables in affecting their decisions in buying, selling and holding shares.

5.4.2 Reputation information variables

In the context of information sources, reputation information includes both the reputation of the managing director and of the audit firm.

Table 5.18 below illustrates that firstly, the majority of respondents rated the reputations of the managing director and audit firm in company financial reporting as highly important (54.3 per cent, 58 per cent respectively) for their share-buying decisions. Almost one third of respondents rated them as being of some importance, with less than 15 per cent of respondents rating the reputations of managing director and the audit firm as not important for their share-buying decisions.
Secondly, 48 per cent of respondents rated the reputation of the managing director as being highly important and 38 per cent as of some importance, for their share-selling decisions. With respect to the reputation of the audit firm, about 42 per cent of respondents rated this information as highly important, with 38.3 per cent considering it of some importance for their share-selling decisions. On the other hand, less than 20 per cent of respondents rated the reputations of the managing director and audit firm as not important for their share-selling decisions.

Finally, for share-holding decisions, almost 50 per cent of the respondents rated the reputation of the managing directors as highly important, with 35 per cent rating it as being of some importance for share-holding decisions. Furthermore, 45.8 per cent of respondents rated the reputation of audit firms as highly important, and 39.3 per cent as of some importance for their share-holding decisions. Less than 16 per cent rated this information as not important for their share-holding decisions.
Table 5.18: Effects on decision-making of shareholders of the reputation of managing director and audit firm

<table>
<thead>
<tr>
<th>Sources of information</th>
<th>Buying (%)</th>
<th></th>
<th></th>
<th></th>
<th>Selling (%)</th>
<th></th>
<th></th>
<th></th>
<th>Holding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NI</td>
<td>SI</td>
<td>HI</td>
<td>NI</td>
<td>SI</td>
<td>HI</td>
<td>NI</td>
<td>SI</td>
<td>HI</td>
</tr>
<tr>
<td>Reputation of MD</td>
<td>14.9</td>
<td>30.8</td>
<td>54.3</td>
<td>14.0</td>
<td>38.3</td>
<td>47.7</td>
<td>15.8</td>
<td>34.6</td>
<td>49.5</td>
</tr>
<tr>
<td>Reputation of audit firm</td>
<td>14.0</td>
<td>28.0</td>
<td>58.0</td>
<td>19.7</td>
<td>38.3</td>
<td>42.0</td>
<td>14.9</td>
<td>39.3</td>
<td>45.8</td>
</tr>
</tbody>
</table>

Questions 14-16 ask shareholders about the importance of reputation variables that affect their decisions in buying, selling and holding shares.

5.4.3 Financial opinion variables

Financial opinion variables include the auditor’s reports, financial opinions from media, and financial opinions from financial advisors/stockbrokers.

Table 5.19 below indicates that the majority of respondents rated the auditor’s report as highly important (61.7 per cent), with 27.1 per cent as of some importance, and 11.2 per cent as not important for share-buying decisions. This was followed by financial opinions from the media, and financial advisors and stockbrokers (both about 44 per cent). In addition, the majority of respondents (46.7 per cent each) rated both financial opinions from media and financial advisors/stockbrokers are of high importance for their share-buying decisions. In contrast, less than 10 per cent rated financial opinions from media and financial advisors/stockbrokers as not important.
When making decisions about selling shares, the majority of respondents (just under 50 per cent) considered using auditor’s reports, financial opinions from media and financial advisors/stockbrokers in the category of high importance for their share-selling decisions. Almost 45 per cent of respondents rated these financial opinions as being of some importance for making such decisions. On the other hand, less than 16 per cent of respondents rated auditor’s reports, financial opinions from media and financial advisors/stockbrokers as unimportant for these decisions.

For share-holding decisions, the majority of respondents (over 50 per cent) rated auditor’s reports as of high importance (42.1 per cent), whilst 43 per cent regarded using financial opinions from media and financial advisors/stockbrokers as having some importance for share-holding decisions. Also, less than 12 per cent rated that information as not important for their decisions.

Table 5.19: Effects on decision-making of shareholders of financial opinions

<table>
<thead>
<tr>
<th>Sources of information</th>
<th>Buying (%)</th>
<th>Selling (%)</th>
<th>Holding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NI SI HI</td>
<td>NI SI HI</td>
<td>NI SI HI</td>
</tr>
<tr>
<td>1. Auditors’ report</td>
<td>11.2 27.1 61.7</td>
<td>14.0 38.3 47.7</td>
<td>10.3 38.3 51.4</td>
</tr>
<tr>
<td>2. Financial opinion</td>
<td>9.3 46.7 44.0</td>
<td>15.9 37.4 46.7</td>
<td>9.3 48.6 42.1</td>
</tr>
<tr>
<td>3. Financial opinions from financial advisor/stockbroker</td>
<td>8.4 46.7 44.9</td>
<td>15.0 39.3 45.7</td>
<td>11.2 45.8 43.0</td>
</tr>
</tbody>
</table>

Questions 14-16 ask shareholders about the importance of financial opinions variables that affect their decisions in buying, selling and holding shares.
5.4.4 Degree of trust shareholders place on information prepared according to IASs, especially impairment of assets (IAS 36)

Respondents were asked to indicate the effects of IAS 36 on their investment decision-making by reporting whether they disagreed or agreed that: (1) financial statements prepared from the adopted IAS 36 provide more accounting information; (2) adopting IAS 36 increased the reliability of accounting information; (3) IAS 36 is suitable for financial reporting circumstances in Thailand; and (4) Thai shareholders understand the context of IAS 36.

In the questionnaire, the degree of shareholders’ trust was measured using a five-point Likert scale of (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree. These Likert scales were collapsed from five response points to three in order to crystallise the differences between data sources. Cronbach’s alpha, which measures internal consistency based on average inter-item correlation were determined as outlined by Turner (2007). Alpha scores above 0.9 are considered as excellent, above 0.8 good, and above 0.7 acceptable for exploratory studies (George and Mallery, 2009). Hair et al. (2006) pointed out that the accepted lower value for Cronbach’s alpha is 0.7 in confirmatory studies.

The reliability test is of the degree of trust that shareholders placed on information prepared according to IASs, especially for impairment of assets (IAS 36). Results give a value for Cronbach’s alpha of 0.81. This is well above the acceptable benchmark of 0.7
according to George and Mallery (2009) thus indicating a high reliability in these answers.

Table 5.20 below demonstrates the ratings that shareholders gave to information that is prepared according to the IASs, especially Impairment of Assets. The results show that the majority of respondents (57.9 per cent) agreed that the adoption of IAS 36 increases the reliability of accounting information. Another 54.3 per cent of respondents agreed that IAS 36 is suitable for financial reporting circumstances in Thailand and 53.3 per cent of shareholders were of the view that financial statements prepared from the adopted IAS 36 provided more information for share investment decision-making. Lastly, 52.3 per cent of respondents understood the context of IAS 36. Therefore, the analysis of these results shows that shareholders in Thailand believed that information prepared according to IAS 36 increases the reliability of information and is important for their investment decision-making.

Table 5.20: Degree of trust that shareholders place on information prepared according to IASs, especially impairment of assets (IAS 36)

<table>
<thead>
<tr>
<th>Sources of information</th>
<th>Disagree (%)</th>
<th>Neutral (%)</th>
<th>Agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 6. Financial statements prepared from the adoption IAS 36 provide more information</td>
<td>4.7</td>
<td>42.1</td>
<td>53.3</td>
</tr>
<tr>
<td>Q 7. Adopting IAS 36 increases the reliability of accounting information</td>
<td>7.5</td>
<td>34.6</td>
<td>57.9</td>
</tr>
<tr>
<td>Q 8. IAS 36 is suitable for financial reporting circumstances in Thailand</td>
<td>9.3</td>
<td>36.4</td>
<td>54.3</td>
</tr>
<tr>
<td>Q 9. Understand the context of IAS 36</td>
<td>15</td>
<td>32.7</td>
<td>52.3</td>
</tr>
</tbody>
</table>

(N=107) Questions 6-9 ask shareholders about the degree of trust that they place in information prepared according to IASs, especially for impairment of assets (IAS 36) as to its importance for their investment decision-making.
5.4.5 Relevance and reliability of accounting information variables

Respondents’ views on the relevance and reliability of accounting information for share investments were also measured using a five point Likert scale of (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree. Results give a value for Cronbach’s alpha of 0.89. This is well above the acceptable benchmark of 0.7 (George and Mallery, 2009), again indicating high reliability rating in the responses.

Analysis of the respondents’ views on the relevance and reliability of accounting information for share investments of shareholders in Thailand indicated that the main influencing factors were EPS, profit and asset figures reported by an independent auditor; followed by EPS, asset figure and profit prepared under GAAP. Alternatively, shareholders rely less on EPS, profit and asset figures reported by directors.

Table 5.21 below presents respondents’ views on the relevance and reliability of accounting information for share investment decision-making. Significantly, results show that the majority of respondents rely on EPS (82.2 per cent), profits (77.5 per cent) and asset figures (73.8 per cent), which have been subjected to independent audit. Secondly, 71 per cent of respondents rely on EPS, asset figures (64.5 per cent) and profits (57.1 per cent) because they have been prepared under GAAP. Finally, 50.5 per cent rely on EPS, profits (41.1 per cent) and asset figures (40.2 per cent) because directors are responsible for reporting the correctness and completeness of financial reports.
Table 5.21: Respondents’ views on the relevance and reliability of accounting information for share investments

<table>
<thead>
<tr>
<th>Views</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. EPS reported by independent auditor</td>
<td>3.7</td>
<td>14.0</td>
<td>82.2</td>
</tr>
<tr>
<td>2. Profits reported by independent auditor</td>
<td>10.3</td>
<td>16.8</td>
<td>77.5</td>
</tr>
<tr>
<td>3. Asset figure reported by independent auditor</td>
<td>0.9</td>
<td>25.2</td>
<td>73.8</td>
</tr>
<tr>
<td>4. EPS prepared under GAAP</td>
<td>0.9</td>
<td>28.0</td>
<td>71.0</td>
</tr>
<tr>
<td>5. Profits prepared under GAAP</td>
<td>6.5</td>
<td>36.4</td>
<td>57.1</td>
</tr>
<tr>
<td>6. Asset figure prepared under GAAP</td>
<td>2.8</td>
<td>32.7</td>
<td>64.5</td>
</tr>
<tr>
<td>7. EPS reported by director</td>
<td>10.2</td>
<td>32.7</td>
<td>50.5</td>
</tr>
<tr>
<td>8. Profits reported by director</td>
<td>13.1</td>
<td>45.8</td>
<td>41.1</td>
</tr>
<tr>
<td>9. Asset figure reported by director</td>
<td>9.4</td>
<td>50.5</td>
<td>40.2</td>
</tr>
</tbody>
</table>

(N=107)

Questions 11-13 ask shareholders’ views on the relevance and reliability of accounting information for share investments.

5.5 Tests of Normality

According to Hair et al. (2006), the assessment of normality of variables involves both empirical measures of a distribution’s shape (skewness and kurtosis) and normal probability plots. These empirical measures provide a guide to variables with significant deviations from normality, and normal probability plots provide a visual portrayal of the shape of distribution (Hair et al. 2006). Furthermore, the assumption of normality suggested by Coakes, Steed and Price (2008) is a requirement for many inferential statistical techniques. There are some different ways to explore this assumption graphically including histogram; stem-and-leaf plot; box plot; normal probability plot; and de-trended normal plotting. Additionally, some statistics are available to test
normality such as the Kolmogorov-Smirnov and Shapiro-Wilk statistics, skewness and kurtosis (Coakes, Steed & Price 2008).

The simple test is a rule of thumb based on the skewness and kurtosis values (Hair et al. 1998). Therefore, this thesis used skewness and kurtosis to determine normality of the distribution. Skewness and kurtosis tests refer to the shape of the distribution and provide values of zero if the data shows a normal distribution (Coakes, Steed & Price 2008).

According to Das (2009) a frequency distribution should be symmetrical, but in general, frequency distributions are not symmetrical because some are slightly asymmetrical, and some others may be highly asymmetrical. A symmetrical distribution has zero skewness, while skewness may be positive or negative. Furthermore, Coolidge (2006) maintains that “when a value of zero for skewness [is obtained], it means that the curve is not skewed, [while] positive values indicate a right or positive skew, and negative values indicate a left or negative skew” (p. 49).

Kurtosis refers to the degree of “peakedness” of the frequency curve (Das 2009) where the normal frequency distribution is a bell-shaped curve (with a kurtosis value as zero). Also, when a frequency distribution is represented, the resulting curve sometimes has an asymmetrical shape (Coolidge 2006). Furthermore, Das (2009) mentions that “two distributions may have the same average, dispersion and skewness; yet, in one
there may be a high concentration of value near the mode, showing a sharper peak in
the frequency curve than in the other” (p. 235). Therefore, as skewness in this study
indicated mostly negative values and for kurtosis, none of the variables reported zero
values; the data in the present study has been assumed to have a non-normal
distribution. A summary of skewness and kurtosis is shown in Table 5.22.

The demographic data of respondents (age, gender and level of education) is
nominal (non-parametric data) for which it is appropriate to analysing the Kruskal-Wallis
and Mann-Whitney U tests. The normality test of the data (skewness and kurtosis) in
this study is to confirm that the distribution of the data is valid for analysis with the
Kruskal-Wallis and Mann-Whitney U tests, because skewness and kurtosis involve both
empirical measures of a distribution’s shape and normal probability plots. In this study,
the Kruskal-Wallis test and the Mann-Whitney U test were used because only some
responses were normally distributed; most of them were not. Therefore, the results of
non-normality of the data distribution represent non-parametric data which confirms
that the Kruskal-Wallis and Mann-Whitney U tests are appropriate for the relationship
test in this study.
Table 5.22: Summary of skewness and kurtosis

<table>
<thead>
<tr>
<th>Information factors</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Earnings per share</td>
<td>-1.218</td>
<td>1.127</td>
</tr>
<tr>
<td>2. Profits/rates of return</td>
<td>-1.113</td>
<td>1.205</td>
</tr>
<tr>
<td>3. Dividend yields</td>
<td>-1.284</td>
<td>1.353</td>
</tr>
<tr>
<td>4. Share prices</td>
<td>-.713</td>
<td>-.029</td>
</tr>
<tr>
<td>5. Price earnings ratio</td>
<td>-.553</td>
<td>-.224</td>
</tr>
<tr>
<td>6. Asset size</td>
<td>-.262</td>
<td>-.061</td>
</tr>
<tr>
<td>7. Managing directors’ reputation</td>
<td>-.302</td>
<td>-.362</td>
</tr>
<tr>
<td>8. Audit firm reputation</td>
<td>-.127</td>
<td>-.570</td>
</tr>
<tr>
<td>9. Auditors report</td>
<td>-.154</td>
<td>-.701</td>
</tr>
<tr>
<td>10. Financial opinion from media</td>
<td>-.102</td>
<td>.009</td>
</tr>
<tr>
<td>11. Financial opinion from stockbrokers/advisors</td>
<td>-.124</td>
<td>.022</td>
</tr>
<tr>
<td>12. Importance of IAS 36</td>
<td>-.482</td>
<td>1.129</td>
</tr>
<tr>
<td>13. Believe that IAS 36 increases the reliability</td>
<td>-.634</td>
<td>.836</td>
</tr>
<tr>
<td>14. Understand the context of IAS 36</td>
<td>-.536</td>
<td>.833</td>
</tr>
<tr>
<td>15. IAS 36 suitable for Thailand environment</td>
<td>-.435</td>
<td>1.150</td>
</tr>
<tr>
<td>16. Profit reported by directors</td>
<td>.041</td>
<td>-.241</td>
</tr>
<tr>
<td>17. Profit reported by an independent auditor</td>
<td>-.814</td>
<td>.916</td>
</tr>
<tr>
<td>18. Profit prepared under GAAP</td>
<td>-.110</td>
<td>-.311</td>
</tr>
<tr>
<td>19. EPS reported by directors</td>
<td>-.154</td>
<td>-.152</td>
</tr>
<tr>
<td>20. EPS reported by an independent auditor</td>
<td>-.629</td>
<td>.773</td>
</tr>
<tr>
<td>21. EPS prepared under GAAP</td>
<td>-.026</td>
<td>-.794</td>
</tr>
<tr>
<td>22. Asset figures reported by directors</td>
<td>-.098</td>
<td>.513</td>
</tr>
<tr>
<td>23. Asset figures reported by an independent auditor</td>
<td>-.068</td>
<td>-.497</td>
</tr>
<tr>
<td>24. Asset figures prepared under GAAP</td>
<td>-.180</td>
<td>-.020</td>
</tr>
<tr>
<td></td>
<td>-10.077</td>
<td>5.904</td>
</tr>
</tbody>
</table>
5.6 The Influence of Age, Gender and Level of Education

The Kruskal-Wallis test is the nonparametric tool and distribution free test used in this study due to only some responses being normally distributed and most of them not. Use of the Kruskal-Wallis test instead of the ANOVA test was explained in Chapter 4 (Research Methodology). This section reveals the influence, if any of age, gender and educational levels upon the perceptions of Thai shareholders in their investment decision-making.

The Kruskal-Wallis test was again used to measure the relationships between the influence of age and level of education, and factors that affect the investment decision-making of shareholders. Also, the Mann-Whitney U test was used to measure the relationships between gender influences and factors that influence the investment decision-making of shareholders. In both cases, factors that affect the investment decision-making of shareholders refer to EPS, profits, dividend yields, share prices, P/E ratio, asset size, managing director and audit firm reputations, auditor reports, financial opinions from media and stockbrokers’ opinions. Furthermore, the importance of IAS 36, the belief that IAS 36 increases the reliability of financial reporting, and the understanding of the IAS 36 itself, are by the accounting environment in Thailand. Finally, the qualitative characteristics of accounting information regarding relevance and reliability including EPS, profits and asset figures subjected to independent audit and prepared under GAAP, are the factors that influence shareholders’ investment decisions.
5.6.1 The influence of age on the investment decision-making of shareholders in Thailand

The Kruskal-Wallis Test was used to measure the relationships between age and factors that affect the buying, selling and holding of shares decisions of shareholders.

(i) Buying shares decision

Table 5.23 below shows that for the independent sample, the Kruskal-Wallis test indicated a significant number of factors at greater than the 0.05 levels that influence the share-buying decisions of shareholders. Therefore, the hypothesis (see section 4.4) was substantiated. Firstly, when making a share-buying decision, shareholders across all age categories consistently use EPS, profits, dividend yields, share price, P/E ratio, asset size, managing director reputation, auditor’s report, and financial opinions from media and stockbrokers for their buying decisions.

Secondly, financial statements based on the adopted IAS 36 provide more information and increase the reliability of accounting information. IAS 36 also affects shareholders’ buying decisions. Thirdly, shareholders believe that IAS 36 is suitable for financial reporting circumstances in Thailand. The majority of respondents understood the context of IAS 36 due, probably, to their high levels of education. Finally, due to the qualitative characteristics of accounting information regarding relevance and reliability, shareholders rely on profits, EPS and asset figures reported by the independent auditor and directors, and prepared under GAAP. Results are the same across age categories.
On the other hand, independent samples in the Kruskal-Wallis test indicated a 0.02 significance at the 0.05 level, meaning that the hypothesis was rejected. In other words, when making share-buying decisions, individual shareholders’ use an audit firm’s reputation in their decision making across all age categories. Therefore, in share-buying decisions, reliance on the audit firm reputation was not influenced by age differences.

(ii) Selling shares decision

Table 5.23 below shows that the independent sample in the Kruskal-Wallis test indicated a significant number of factors at higher than 0.05 levels influencing the share-selling decisions of shareholders. Therefore, the hypothesis was substantiated. Firstly, when making share-selling decisions, shareholders use EPS, profits, dividend yields, share prices, P/E ratio, asset size, managing director reputation, financial opinions from media and stockbrokers similarly across all age categories.

Secondly, shareholders make share-selling decisions based on financial statements adopting IAS 36, because they provide more accounting information and increased reliability. Furthermore, shareholders believe that IAS 36 is suitable for the financial reporting circumstances in Thailand, and the majority of respondents understand the context of IAS 36 due to their high educational levels. Finally, for qualitative characteristics of accounting information, regarding relevance and reliability, shareholders rely on profits, EPS and asset figures reported by independent auditors and directors, and prepared under GAAP. These are the same across all age categories for share-selling decisions.
On the other hand, independent samples in the Kruskal-Wallis test indicated 0.014 and 0.031 significance at the 0.05 level. Therefore, the hypothesis was rejected. When making share-selling decisions, shareholders’ use of audit firm reputation and auditors’ reports were not the same across age categories. This means that the influence of audit firm reputation and auditors’ reports were not influenced by age differences.

(iii) Holding shares decisions

Table 5.23 below shows that the independent sample in the Kruskal-Wallis test indicated a significant number of factors at higher than 0.05 levels that influence the share-holding decisions of shareholders. Therefore, in this case, the hypothesis was substantiated. Firstly, when making holding share-holding decisions, shareholders consistently use EPS, profits, dividend yields, share prices, P/E ratio, asset size, managing director and audit firm reputations, auditor’s report, financial opinions from media and stockbrokers were similar across all categories of age for share-holding decisions.

Secondly, shareholders make share-holding decisions based on financial statements which have adopted IAS 36, to provide increased accounting information and reliability. Furthermore, shareholders believe that IAS 36 is suitable for the financial reporting circumstances in Thailand, with the majority understanding the context of IAS 36 due to their high educational levels. Finally, for qualitative characteristics of accounting information regarding relevance and reliability, shareholders rely on profits, EPS and asset figures reported by independent auditors and directors, and prepared under GAAP. These are the same across all age categories for shareholding decision-making in Thailand.
Table 5.23 The influence on age and the factors affecting buying, selling and holding shares decisions

<table>
<thead>
<tr>
<th>Factors</th>
<th>Buying P-value</th>
<th>Selling P-value</th>
<th>Holding P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. EPS</td>
<td>0.937</td>
<td>0.111</td>
<td>0.084</td>
</tr>
<tr>
<td>2. Profits</td>
<td>0.927</td>
<td>0.344</td>
<td>0.304</td>
</tr>
<tr>
<td>3. Dividend yields</td>
<td>0.272</td>
<td>0.407</td>
<td>0.377</td>
</tr>
<tr>
<td>4. Share prices</td>
<td>0.775</td>
<td>0.476</td>
<td>0.267</td>
</tr>
<tr>
<td>5. P/E ratio</td>
<td>0.903</td>
<td>0.359</td>
<td>0.793</td>
</tr>
<tr>
<td>6. Asset size</td>
<td>0.977</td>
<td>0.354</td>
<td>0.542</td>
</tr>
<tr>
<td>7. MD reputation</td>
<td>0.101</td>
<td>0.368</td>
<td>0.180</td>
</tr>
<tr>
<td>8. Audit firm reputation</td>
<td>0.02*</td>
<td>0.014*</td>
<td>0.077</td>
</tr>
<tr>
<td>9. Auditors report</td>
<td>0.104</td>
<td>0.031*</td>
<td>0.053</td>
</tr>
<tr>
<td>10. Financial opinion from media</td>
<td>0.582</td>
<td>0.182</td>
<td>0.517</td>
</tr>
<tr>
<td>11. Stockbrokers opinions</td>
<td>0.171</td>
<td>0.112</td>
<td>0.885</td>
</tr>
<tr>
<td>12. Importance of IAS 36</td>
<td>0.662</td>
<td>0.662</td>
<td>0.662</td>
</tr>
<tr>
<td>13. IAS 36 increases the reliability of financial reporting</td>
<td>0.976</td>
<td>0.976</td>
<td>0.976</td>
</tr>
<tr>
<td>14. Understand the context of IAS 36</td>
<td>0.367</td>
<td>0.367</td>
<td>0.367</td>
</tr>
<tr>
<td>15 IAS 36 suitable for Thailand environment</td>
<td>0.846</td>
<td>0.846</td>
<td>0.846</td>
</tr>
<tr>
<td>16. Profits subject to independent audit</td>
<td>0.812</td>
<td>0.812</td>
<td>0.812</td>
</tr>
<tr>
<td>17. Profits subject to director</td>
<td>0.076</td>
<td>0.076</td>
<td>0.076</td>
</tr>
<tr>
<td>18. Profits prepared under GAAP</td>
<td>0.343</td>
<td>0.343</td>
<td>0.343</td>
</tr>
<tr>
<td>19. EPS subject to independent audit</td>
<td>0.785</td>
<td>0.785</td>
<td>0.785</td>
</tr>
<tr>
<td>20. EPS subject to directors</td>
<td>0.573</td>
<td>0.573</td>
<td>0.573</td>
</tr>
<tr>
<td>21. EPS prepared under GAAP</td>
<td>0.379</td>
<td>0.379</td>
<td>0.379</td>
</tr>
<tr>
<td>22. Asset figure subject to independent audit</td>
<td>0.709</td>
<td>0.709</td>
<td>0.709</td>
</tr>
<tr>
<td>23. Asset figure subject to director</td>
<td>0.149</td>
<td>0.149</td>
<td>0.149</td>
</tr>
<tr>
<td>24. Asset figure prepared under GAAP</td>
<td>0.231</td>
<td>0.231</td>
<td>0.231</td>
</tr>
</tbody>
</table>

*Significant at the 0.05 level
5.6.2 The influence of gender on the investment decision-making of shareholders in Thailand

The Mann-Whitney U Test was used to measure the relationships between gender and factors that affect the share buying, selling and holding decisions of shareholders.

(i) Buying decisions

Table 5.24 below shows that the independent sample in the Mann-Whitney test indicated a significant number of factors at greater than 0.05 levels that influence the share-buying decisions of shareholders. Therefore, the null hypothesis (see section 4.4) was substantiated. Firstly, when making share-buying decisions, shareholders across all categories of gender consistently use EPS, profits, dividend yields, share price, P/E ratio, asset size, managing director and audit firm reputations, auditor’s report, and financial opinions from media and stockbrokers for their decisions.

Secondly, IAS 36 affects shareholders’ share-buying decisions with the majority of respondents understanding the context of IAS 36 due to having high educational levels. Finally, due to the qualitative characteristics of accounting information concerning relevance and reliability, shareholders rely on profits reported by directors and prepared under GAAP, EPS and asset figures reported by independent auditors and directors, and prepared under GAAP. Results are the same across both gender categories for share-buying decisions.
On the other hand, independent samples in the Kruskal-Wallis test indicated a significant number of factors at lower than the 0.05 levels. Therefore, the null hypothesis was rejected. Firstly, when making share-buying decisions, shareholders use financial statements that are prepared based on IAS 36 to provide more accounting information and increased reliability. Secondly, shareholders believe that the IAS 36 is suited to the financial reporting circumstances in Thailand. Therefore, these two factors vary across categories of gender in share-buying decisions. In other words, these two IAS 36 factors were not influenced by gender for share-buying decisions.

(ii) Selling shares decision

Table 5.24 below shows that the independent sample in the Mann-Whitney U test indicates a significant number of factors at higher than 0.05 levels which influence the share-selling decisions of shareholders. Therefore, the null hypothesis was substantiated. Firstly, when making share-selling decisions, shareholders consistently use EPS, profits, dividend yields, share prices, P/E ratio, asset size, managing director and audit firm reputations, auditors’ reports, financial opinions from the media and stockbrokers’ opinions similarly across both genders for share-selling decisions.

Secondly, the findings showed that the majority of respondents understand the context of IAS 36 due to their high educational levels. Finally, for qualitative characteristics of accounting information regarding relevance and reliability, shareholders rely on profits, EPS and asset figures reported by independent auditors and directors, and prepared under GAAP. Results are the same across both genders for share-selling decisions.
The Mann-Whitney U test rejected independent samples, indicating a significant number of factors at lower than 0.05 levels. Therefore, the null hypothesis was rejected. In share-selling decisions, the importance of IAS 36, the belief of IAS 36 increasing the reliability of financial reporting, and IAS 36 itself being suited to Thai circumstances, were dissimilar across genders. Therefore, these three IAS 36 factors were not influenced by gender for share-selling decisions.

(iii) Holding shares decision

Table 5.24 below shows that the independent sample in the Mann-Whitney U test indicates a significant number of factors at higher than the 0.05 levels that influence the share-holding decisions of shareholders. Therefore, the null hypothesis was substantiated. Firstly, when making a share-holding decision, shareholders across genders consistently use EPS, profits, dividend yields, share prices, P/E ratio, asset size, managing director and auditor firm reputations, auditors’ reports, financial opinions from media, and stockbrokers’ opinions for their shareholding decisions.

Secondly, IAS 36 also affects shareholders’ holding decisions, with the majority of respondents understanding the context of IAS 36 due to their high educational levels. Finally, due to the qualitative characteristics of accounting information concerning relevance and reliability, shareholders rely on profits, EPS and asset figures reported by independent auditors and directors, and prepared under GAAP. Results are the same across genders for share-holding decisions.
On the other hand, independent samples in the Mann-Whitney U test indicated a significant number of factors at lower than the 0.05 level. Therefore, the null hypothesis was rejected. When making share-holding decisions, shareholders’ recognition of the importance of IAS 36, their belief that IAS 36 increases the reliability of financial reporting and is suitable for Thai circumstances, were not the same across genders. Therefore, these three IAS 36 factors were not influenced by gender for share-holding decisions.
Table 5.24 The influence on gender and the factors affecting buying, selling and holding shares decisions

<table>
<thead>
<tr>
<th>Factors</th>
<th>Buying P-value</th>
<th>Selling P-value</th>
<th>Holding P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. EPS</td>
<td>0.907</td>
<td>0.716</td>
<td>0.613</td>
</tr>
<tr>
<td>2. Profits</td>
<td>0.688</td>
<td>0.992</td>
<td>0.344</td>
</tr>
<tr>
<td>3. Dividend yields</td>
<td>0.601</td>
<td>0.626</td>
<td>0.912</td>
</tr>
<tr>
<td>4. Share prices</td>
<td>0.273</td>
<td>0.733</td>
<td>0.688</td>
</tr>
<tr>
<td>5. P/E ratio</td>
<td>0.446</td>
<td>0.227</td>
<td>0.112</td>
</tr>
<tr>
<td>6. Asset size</td>
<td>0.294</td>
<td>0.687</td>
<td>0.550</td>
</tr>
<tr>
<td>7. MD reputation</td>
<td>0.778</td>
<td>0.519</td>
<td>0.607</td>
</tr>
<tr>
<td>8. Audit firm reputation</td>
<td>0.961</td>
<td>0.417</td>
<td>0.672</td>
</tr>
<tr>
<td>9. Auditors report</td>
<td>0.526</td>
<td>0.776</td>
<td>0.508</td>
</tr>
<tr>
<td>10. Financial opinion from media</td>
<td>0.502</td>
<td>0.916</td>
<td>0.241</td>
</tr>
<tr>
<td>11. Stockbrokers opinions</td>
<td>0.478</td>
<td>0.260</td>
<td>0.866</td>
</tr>
<tr>
<td>12. Importance of IAS 36</td>
<td>0.001*</td>
<td>0.001*</td>
<td>0.001*</td>
</tr>
<tr>
<td>13. IAS 36 increases the reliability of</td>
<td>0.001*</td>
<td>0.001*</td>
<td>0.001*</td>
</tr>
<tr>
<td>financial reporting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Understand the context of IAS 36</td>
<td>0.715</td>
<td>0.715</td>
<td>0.715</td>
</tr>
<tr>
<td>15 IAS 36 suitable for Thailand environment</td>
<td>0.000*</td>
<td>0.000*</td>
<td>0.000*</td>
</tr>
<tr>
<td>16. Profits subject to independent audit</td>
<td>0.055</td>
<td>0.055</td>
<td>0.055</td>
</tr>
<tr>
<td>17. Profits subject to director</td>
<td>0.302</td>
<td>0.302</td>
<td>0.302</td>
</tr>
<tr>
<td>18. Profits prepared under GAAP</td>
<td>0.924</td>
<td>0.924</td>
<td>0.924</td>
</tr>
<tr>
<td>19. EPS subject to independent audit</td>
<td>0.697</td>
<td>0.697</td>
<td>0.697</td>
</tr>
<tr>
<td>20. EPS subject to directors</td>
<td>0.289</td>
<td>0.289</td>
<td>0.289</td>
</tr>
<tr>
<td>21. EPS prepared under GAAP</td>
<td>0.507</td>
<td>0.507</td>
<td>0.507</td>
</tr>
<tr>
<td>22. Asset figure subject to independent</td>
<td>0.772</td>
<td>0.772</td>
<td>0.772</td>
</tr>
<tr>
<td>audit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Asset figure subject to director</td>
<td>0.541</td>
<td>0.541</td>
<td>0.541</td>
</tr>
<tr>
<td>24. Asset figure prepared under GAAP</td>
<td>0.916</td>
<td>0.916</td>
<td>0.916</td>
</tr>
</tbody>
</table>

*Significant at the 0.05 level
5.6.3 The influence of level of education on the investment decision making of shareholders in Thailand

The Kruskal-Wallis Test was used to measure the relationships between levels of education and factors that affect the share buying, selling and holding decisions of shareholders.

(i) Buying shares decisions

Table 5.25 below shows that the independent sample in the Kruskal-Wallis test indicates a significant number of factors at greater than 0.05 levels that influence the share-buying decisions of shareholders. Therefore, the null hypothesis (see section 4.4) was substantiated. Firstly, when making share-buying decisions, shareholders across categories of level of education consistently use profits, dividend yields, share prices, P/E ratio, managing director and audit firm reputations, financial opinions from media and stockbrokers’ opinions for share-buying decisions.

Secondly, as financial statements prepared and based on IAS 36 provide more information, IAS 36 also affects shareholders’ investment decisions. Furthermore, the majority of respondents believed that IAS 36 increases the reliability of financial reporting, IAS 36 is suitable for the Thai environment, and they understand the context of IAS 36 due to their high educational levels. Finally, due to the qualitative characteristics of accounting information regarding relevance and reliability, shareholders rely on profits reported by independent auditors and directors and prepared under GAAP, EPS and asset figures reported by directors and prepared under
GAAP. Results are the same across categories of level of education for share-buying decisions.

On the other hand, independent samples in the Kruskal-Wallis test indicated a significant number of factors at lower than the 0.05 level. Therefore, the null hypothesis was rejected. This means that when making share-buying decisions, shareholders’ belief that IAS 36 provides more accounting information is dissimilar across categories of level of education for share-buying decisions. Therefore, this factor was not influenced by the level of education.

(ii) Selling shares decision

Table 5.25 below shows that the independent sample in the Kruskal-Wallis test indicated a significant number of factors at higher than 0.05 levels that influence the share-selling decisions of shareholders. Therefore, the null hypothesis was substantiated. Firstly, when making share-buying decisions, shareholders across categories of level of education consistently use EPS, profits, dividend yield, share price, P/E ratio, asset size, managing director’s reputation, auditor’s report, and financial opinions from media and stockbrokers’ opinions for their decisions.

Secondly, financial statements prepared based on IAS 36 provide more accounting information and increased reliability. IAS 36 also affects shareholders’ selling decisions. Furthermore, shareholders believe that IAS 36 is suitable for financial reporting circumstances in Thailand, with the majority of respondents understanding the context
of IAS 36 due to their high educational levels. Finally, due to the qualitative characteristics of accounting information, concerning relevance and reliability, shareholders rely on profits, EPS and asset figures reported by independent auditors and directors, and prepared under GAAP. Results are the same across categories of level of education for share-selling decisions.

On the other hand, independent samples in the Kruskal-Wallis test indicated a significance of factors lower than the 0.05 level. Therefore, the null hypothesis was rejected. This means that when making share-selling decisions, shareholders’ belief in the importance of IAS 36 based accounting information and audit firm reputation are dissimilar across categories of level of education. Therefore, this factor was not influenced by the level of education.

(iii) Holding shares decisions

Table 5.25 below shows that the independent sample in the Kruskal-Wallis test indicated a significant number of factors at higher than 0.05 levels influencing share-holding decisions of shareholders. Therefore, the null hypothesis was substantiated. Firstly, when making share-holding decisions, shareholders consistently use profits, dividend yields, share price, P/E ratio, managing director and audit firm reputations, auditors’ reports, financial opinions from media and stockbrokers similarly across all categories of level of education for such decisions.
Secondly, financial statements based on the adopted IAS 36 increased the reliability of accounting information. IAS 36 also affects shareholders’ holding decisions. Furthermore, shareholders believed that IAS 36 is suitable for the financial reporting circumstances in Thailand with the majority of respondents understanding the context of IAS 36 due to their high educational levels. Finally, due to the qualitative characteristics of accounting information, regarding relevance and reliability, shareholders rely on profits, EPS and asset figures reported by independent auditors and directors, and prepared under GAAP. Results are the same across categories of level of education for share-holding decisions.

On the other hand, independent samples in the Kruskal-Wallis test indicated factors with a significance lower than the 0.05 level. Therefore, the null hypothesis was rejected. This means that when making shareholding decisions, shareholders’ use of EPS, asset size and the importance of IAS 36 are not the same across categories of level of education for their shareholding decisions. Therefore, these three factors were not influenced by the level of education.
Table 5.25 The influence on education and the factors affecting buying, selling and holding shares decisions

<table>
<thead>
<tr>
<th>Factors</th>
<th>Buying P-value</th>
<th>Selling P-value</th>
<th>Holding P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. EPS</td>
<td>0.124</td>
<td>0.184</td>
<td>0.021*</td>
</tr>
<tr>
<td>2. Profits</td>
<td>0.840</td>
<td>0.245</td>
<td>0.358</td>
</tr>
<tr>
<td>3. Dividend yields</td>
<td>0.996</td>
<td>0.376</td>
<td>0.344</td>
</tr>
<tr>
<td>4. Share prices</td>
<td>0.298</td>
<td>0.062</td>
<td>0.982</td>
</tr>
<tr>
<td>5. P/E ratio</td>
<td>0.429</td>
<td>0.287</td>
<td>0.460</td>
</tr>
<tr>
<td>6. Asset size</td>
<td>0.082</td>
<td>0.072</td>
<td>0.032*</td>
</tr>
<tr>
<td>7. MD reputation</td>
<td>0.435</td>
<td>0.836</td>
<td>0.411</td>
</tr>
<tr>
<td>8. Audit firm reputation</td>
<td>0.089</td>
<td>0.025*</td>
<td>0.061</td>
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<tr>
<td>9. Auditors report</td>
<td>0.438</td>
<td>0.161</td>
<td>0.090</td>
</tr>
<tr>
<td>10. Financial opinion from media</td>
<td>0.082</td>
<td>0.723</td>
<td>0.396</td>
</tr>
<tr>
<td>11. Stockbrokers opinions</td>
<td>0.062</td>
<td>0.294</td>
<td>0.141</td>
</tr>
<tr>
<td>12. Importance of IAS 36</td>
<td>0.049*</td>
<td>0.049*</td>
<td>0.049*</td>
</tr>
<tr>
<td>13. IAS 36 increases the reliability of financial reporting</td>
<td>0.832</td>
<td>0.832</td>
<td>0.832</td>
</tr>
<tr>
<td>14. Understand the context of IAS 36</td>
<td>0.346</td>
<td>0.346</td>
<td>0.346</td>
</tr>
<tr>
<td>15. IAS 36 suitable for Thailand environment</td>
<td>0.405</td>
<td>0.405</td>
<td>0.405</td>
</tr>
<tr>
<td>16. Profits subject to independent audit</td>
<td>0.426</td>
<td>0.426</td>
<td>0.426</td>
</tr>
<tr>
<td>17. Profits subject to director</td>
<td>0.394</td>
<td>0.394</td>
<td>0.394</td>
</tr>
<tr>
<td>18. Profits prepared under GAAP</td>
<td>0.310</td>
<td>0.310</td>
<td>0.310</td>
</tr>
<tr>
<td>19. EPS subject to independent audit</td>
<td>0.537</td>
<td>0.537</td>
<td>0.537</td>
</tr>
<tr>
<td>20. EPS subject to directors</td>
<td>0.420</td>
<td>0.420</td>
<td>0.420</td>
</tr>
<tr>
<td>21. EPS prepared under GAAP</td>
<td>0.103</td>
<td>0.103</td>
<td>0.103</td>
</tr>
<tr>
<td>22. Asset figure subject to independent audit</td>
<td>0.858</td>
<td>0.858</td>
<td>0.858</td>
</tr>
<tr>
<td>23. Asset figure subject to director</td>
<td>0.434</td>
<td>0.434</td>
<td>0.434</td>
</tr>
<tr>
<td>24. Asset figure prepared under GAAP</td>
<td>0.174</td>
<td>0.174</td>
<td>0.174</td>
</tr>
</tbody>
</table>

*Significant at the 0.05 level
To summarise in order of importance, the five-groups of variables of information sources from the survey findings that Thai shareholders use for investment decision making are ranked below.

(1) the financial statement variables (EPS, profits, dividend yields, shares prices, P/E ratios and asset size);

(2) financial reporting (EPS, profits and asset figures reported by independent auditors, prepared under GAAP and director’s reports of accounting information) being relevant and reliable;

(3) The reputations of managing directors and audit firms;

(4) qualitative information, from the auditors’ report, financial opinions from media and financial advisors/stockbrokers; and –

(5) financial statements based on IAS 36.

5.7 Summary

In this chapter, survey findings on the influence of the adoption of the revised standards for the measurement of assets, IAS 36 and other factors affecting the investment decision-making of individual Thai shareholders were analysed. Respondents rated the sources of information as most important when making investment decisions in the following rank order of importance: (1) financial statements (90%); (2) relevance and reliability of accounting information (82%); (3) reputation of managing directors and audit firms (75%); (4) financial opinions from media and advisors/stockbrokers (61%) and; (5) impairment of assets accounting standard (IAS 36) (58%). In addition, the respondents agreed that age, gender and level of education are important for their investment decision-making.

The following chapter analyses the findings from the interviews.
CHAPTER 6 - INTERVIEW FINDINGS

6.1 Introduction

As noted in Chapter 4, qualitative research involves examining and reflecting on experiences and perceptions to gain an understanding of social and human activities (Collis and Hussey, 2003). Interview findings were used in the present study to support the questionnaire findings. Content analysis was used to analyse the interviews to ensure that the measures included are adequate in representing the set of items from the interviews. Interviews were conducted with ten randomly-selected shareholders from lists of shareholders of specific large asset-based industries in Thailand, as provided by the Department of Business Development (DBD). To gather insights into significant issues related to the factors that influence the investment decision-making of individual shareholders in Thailand, interview questions based on those used in the questionnaires were asked. Information and opinions from these interviews were used to assist in the analysis and interpretation of questionnaire survey results.

In the thesis, the qualitative interviews were undertaken to test the validity of the study and as there was little difference between the ten persons questioned in the comments the survey was seen as valid. This was an interesting finding as the qualitative interview informants were of an almost identical background to those who undertook the survey. This measure further justified the survey instrument. The questions posed to the qualitative phase informants were identical to those asked within the survey.


### 6.2 Summary of the interview questions and objectives

The interview questions and the objective of each question are set out below.

**Question 1.**

**Question 1a.** Who assists you with your investment decision, when you want to buy, sell or hold your shares?

**Question 1b.** Why do you rely on (Yourself/yourself in consultation with financial advisor/stockbroker)?

There are two objectives of interview Question 1. The first objective (1a) sought to find out what types of professional advice, or people working in the field, assists shareholders for investment decisions, and to what extent these decisions are based on media reports, company websites, and consensus from stockbroker websites. The second objective (1b) was to understand the reasons why shareholders rely on particular persons and obtained information by themselves and/or through consultations with their professional financial advisors/stockbrokers, in their investment decisions.

**Question 2.** How do you think financial reports provide useful information? (After the adoption of IAS 36)

The objective of this question was to investigate how the accounting information in financial reports prepared under the IAS 36, Impairment of Assets standard, provides useful information to shareholders in their investment decisions. To answer this question, interviewees must have understood the context of IAS 36. As all respondents
possessed a high level of educational qualifications, they were assumed to understand the context of IAS 36.

Question 3. How does the adoption of IAS 36 increase the reliability of financial reports when you make your investment decision?

The objective of this question was to understand how the interviewees perceive that the adoption of IAS 36 increases the reliability of financial reports in assisting them to make well-founded investment decisions.

Question 4. How has your choice of investment decision been affected by the name of the audit firm which signs the financial reports?

Question 4 aimed to reveal how the investment choices of shareholders rely on the reputation of audit firms (both international and Thai).

Question 5.

Question 5a. When you make your investment decision, do you rely on profitability announcements by the companies (in the income statement)? Such as rate of return, earnings per share (EPS), dividend yield, or others.

Question 5b. When you make your investment decision, do you rely on other items (in the balance sheet)? For example; asset figures, gearing ratios, share price, or others.

The objectives of Question 5 (5a and 5b) were to determine shareholders’ investment decision-making about profitability announcements including income statements, balance sheets and other items. These may include fundamental and/or technical analyses.
Question 6. When you make your investment decision what other factors do you take into consideration? For example, manager reputation, financial reviews, company announcements environmental issues or any other issues that you consider as affecting your investment decisions.

The aim of this question was to investigate any other factors (e.g. announcements of environmental issues or company reputation) that shareholders consider as affecting their investment decisions.

Question 7. Ask about the personal information of interview respondents including age, gender, level of education and work experience.

The aim of the final question was to analyse the demographics of the interview respondents, namely age, gender, the level of education and work experience (including whether they have been employed or trained in accounting/finance), that may influence their investment decision-making.

Table 6.1 below demonstrated the questions from the questionnaire survey and the interview.

As stated in the thesis the qualitative interviews were undertaken to test the validity of the survey and as there was little difference between the ten persons interviewed in the comments the survey was seen as valid. This was very interesting as the qualitative interview informants were of an almost identical background to those who undertook the survey. This measure further justified the questionnaire instrument. The questions posed to the qualitative phase informants were exactly the same as those asked within the survey. The results were comprehensively parallel as outlined in detail in Table 6.1 below.
Table 6.1 Questionnaire survey and interview questions

<table>
<thead>
<tr>
<th>Questionnaire Survey Questions</th>
<th>Interview Questions</th>
</tr>
</thead>
</table>
| **Section A**: This section contains questions about your shares ownership  
  Q1. In which industry do you hold shares?  
  Q2. In how many companies do you directly hold shares in the industry identified in 1 above?  
  Q3. How have you received your shares?  
  Q4. Do you have investments in any other assets?  
  Q5. The decision to buy, sell or hold shares is usually made by? | Q1a. Who assists you with your investment decision when you want to buy, sell or hold your shares?  
Q1b. Why do you rely on (yourself/yourself in consultation with financial advisors/financial advisor)?  
Q2. How do you think financial reports provide useful information? (After the adopted IAS 36)  
Q3. How does the adopted IAS 36 increase the reliability of financial reports when you make your investment decision?  
Q4. How has your choice of investment decision been affected by the name of the audit firm, which signs the financial report?  
Q5a. When you make your investment decision (buy, sell and hold shares) do you rely on profitability announcements by the companies? such as:  
1. Earnings Per Share (EPS)  
2. Profit or rate of return  
3. Dividend yield  
4. Share price  
5. Price earnings ratio  
6. Asset ratio  
7. Gearing ratio (Debt to equity ratio)  
8. Reputation of managing director  
9. Reputation of audit firm  
10. Auditors’ report  
11. Financial opinions from media  
12. Financial opinions from financial advisor/stockbroker  
13. Others (please specify)  
Q5b. In addition, when you make your investment decision do you rely on other items? Such as:  
1. Reputation of the audit firm/managing director of the company  
2. Financial opinions from media  
3. Others |
| **Section B**: This section contains the degree of trust that shareholders place on the information that is prepared according to IASs, especially on an impairment of assets (IAS 36).  
Q6. Financial statement prepared from the adopted IAS 36 provided more information for my investment decision making  
Q7. I believe that adopting of IAS 36 increases the reliability of financial reporting  
Q8. IAS 36 is suitable for financial reporting circumstances in Thailand  
Q9. I understand the context of IAS 36  
Q10. Which group of an audit firm is important when making your investment decision? |  |
| **Section C**: This section asks your views on the relevance and reliability of accounting information for share investments.  
Q11-13. I can rely on the profit (earnings or rate of return), EPS and asset figure for decision making because:  
1. They have been reported by an independent auditor as presented fairly in all material respects  
2. They have been reported by the directors who is responsible for the correctness and completeness of financial report  
3. They have been prepared under generally-accepted accounting principles (GAAP) |  |
<table>
<thead>
<tr>
<th>Questionnaire Survey Questions</th>
<th>Interview Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section D:</strong> This section deals with your views about your use of information for investment decision making (buying, selling or holding shares) (Q.14-16)</td>
<td>Q6. When you make your investment decision what other factors do you take into consideration? For example: Manager reputation, financial reviews, company announcements environmental issues</td>
</tr>
<tr>
<td>1. Earnings Per Share (EPS)</td>
<td>Q7. Ask question about your personal information (Demography)</td>
</tr>
<tr>
<td>2. Profit or rate of return</td>
<td>7.1 Which gender are you?</td>
</tr>
<tr>
<td>3. Dividend yield</td>
<td>7.2 Which of the following groups of age represents you?</td>
</tr>
<tr>
<td>4. Share price</td>
<td>7.3 What level of education have you completed?</td>
</tr>
<tr>
<td>5. Price earnings ratio</td>
<td>7.4 Do you have formal training in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?</td>
</tr>
<tr>
<td>6. Asset ratio</td>
<td>7.5 Have you been employed in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?</td>
</tr>
<tr>
<td>7. Gearing ratio (Debt to equity ratio)</td>
<td></td>
</tr>
<tr>
<td>8. Reputation of managing director</td>
<td></td>
</tr>
<tr>
<td>9. Reputation of audit firm</td>
<td></td>
</tr>
<tr>
<td>10. Auditors’ report</td>
<td></td>
</tr>
<tr>
<td>11. Financial opinions from media</td>
<td></td>
</tr>
<tr>
<td>12. Financial opinions from financial advisor/stockbroker</td>
<td></td>
</tr>
<tr>
<td>13. Others (please specify)</td>
<td></td>
</tr>
<tr>
<td><strong>Section E:</strong> This section contains questions about your personal information</td>
<td></td>
</tr>
<tr>
<td>Q17. Which gender are you?</td>
<td></td>
</tr>
<tr>
<td>Q18. Which of the following groups of age represents you?</td>
<td></td>
</tr>
<tr>
<td>Q19. What level of education have you completed?</td>
<td></td>
</tr>
<tr>
<td>Q20. Please answer the following questions.</td>
<td></td>
</tr>
<tr>
<td>Q20.1 Do you have formal training in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?</td>
<td></td>
</tr>
<tr>
<td>Q20.2 Have you been employed in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?</td>
<td></td>
</tr>
</tbody>
</table>
Table 6.2 below sets out the list of interviewees by occupation and the date of interviews. All interviews were conducted within a period of approximately six weeks, between December 17, 2009 and January 31, 2010. While the interviews were conducted 6 months after the surveys there were no significant factors to affect their opinions during that time.

Table 6.2: List of interview respondents

<table>
<thead>
<tr>
<th>Interview respondents</th>
<th>Date of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stock Investor (A)</td>
<td>17/12/2009</td>
</tr>
<tr>
<td>2. Stock Investor (B)</td>
<td>18/12/2009</td>
</tr>
<tr>
<td>3. Programmer</td>
<td>29/12/2009</td>
</tr>
<tr>
<td>4. University Lecturer (A)</td>
<td>13/01/2010</td>
</tr>
<tr>
<td>5. University Lecturer (B)</td>
<td>13/01/2010</td>
</tr>
<tr>
<td>6. Food Nutritionist</td>
<td>14/01/2010</td>
</tr>
<tr>
<td>7. General Manager</td>
<td>15/01/2010</td>
</tr>
<tr>
<td>8. University Lecturer (C)</td>
<td>18/01/2010</td>
</tr>
<tr>
<td>10. Real Estate Investor</td>
<td>31/01/2010</td>
</tr>
</tbody>
</table>

6.3 Interview respondents’ background summary

Table 6.3 reveals the demographic information of interview respondents including age, gender, level of education and work experience. The majority of interviewees were male (80 per cent) followed by female (20 per cent). Forty per cent were aged 36-45 years old, with 30 per cent were aged 25-35, 20 per cent were aged over 55 years old, and 10 per cent were aged between 46 and 55 years of age.
The majority (60 per cent) of interview respondents held a Master’s degree, with 30 per cent holding a doctoral degree, and only 10 per cent held a Bachelor’s degree as the highest level of academic qualification. Almost one-third (30 per cent) of interviewees had been trained and employed in accounting and finance areas, with 80 per cent having more than five years’ work experience. These tables show that interview respondents had significant working experience and had high levels of qualifications, suggesting that responses obtained from interviews could provide relevant and accurate information on the research topic.
Table 6.3 Interview respondents’ background by gender, age, level of education and work experiences

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Gender</th>
<th>Age</th>
<th>Level of Education</th>
<th>Have been employed in Accounting/Finance</th>
<th>Have been trained in Accounting/Finance</th>
<th>Work Experience (Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stock Investor (A)</td>
<td>Male</td>
<td>32</td>
<td>Master</td>
<td>No</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>2. Stock Investor (B)</td>
<td>Male</td>
<td>40</td>
<td>Master</td>
<td>Yes</td>
<td>Yes</td>
<td>10</td>
</tr>
<tr>
<td>3. Programmer</td>
<td>Male</td>
<td>25</td>
<td>Bachelor</td>
<td>No</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>4. University Lecturer (A)</td>
<td>Male</td>
<td>31</td>
<td>Master</td>
<td>No</td>
<td>No</td>
<td>5</td>
</tr>
<tr>
<td>5. University Lecturer (B)</td>
<td>Male</td>
<td>37</td>
<td>Master</td>
<td>Yes</td>
<td>Yes</td>
<td>8</td>
</tr>
<tr>
<td>6. Food Nutritionist</td>
<td>Male</td>
<td>50</td>
<td>PhD</td>
<td>No</td>
<td>No</td>
<td>20</td>
</tr>
<tr>
<td>7. General Manager</td>
<td>Female</td>
<td>37</td>
<td>Master</td>
<td>No</td>
<td>No</td>
<td>10</td>
</tr>
<tr>
<td>8. University Lecture (C)</td>
<td>Male</td>
<td>41</td>
<td>PhD</td>
<td>No</td>
<td>No</td>
<td>5</td>
</tr>
<tr>
<td>9. Government Project Consultation</td>
<td>Male</td>
<td>67</td>
<td>PhD</td>
<td>No</td>
<td>No</td>
<td>35</td>
</tr>
<tr>
<td>10. Real Estate Investor</td>
<td>Female</td>
<td>65</td>
<td>Master</td>
<td>Yes</td>
<td>Yes</td>
<td>30</td>
</tr>
</tbody>
</table>
6.4 Qualitative interviews analysis

Through analysing answers to the seven questions outlined above (section 6.2), the following section provides evidence to gain additional insights into the significant issues related to factors that influence investment decision-making by shareholders in Thailand.

As stated earlier, Question 1 was divided into two parts (1a and 1b) to determine who assists shareholders in making investment decisions, and why they value their advice. Thus, Question 1a asked shareholders, who assisted them with their investment decisions when they wanted to buy, sell or hold shares. Question 1b asked them why they relied on this assistance. The findings arising from the questions perhaps surprisingly indicate that 50 per cent of participants (including a food nutritionist, general manager, government project consultant and two university lecturers) relied only on themselves for making investment decisions of buying, selling and holding shares, using information from companies’ financial reporting and their experience in accounting and finance. Shareholder responses include the university lecturer’s (C) following comment:

“Company information can be found through many sources including newspapers and company websites which provide financial statements, as well as company profiles and forecasts which are updated due to market competition. Currently, these information sources can help investors perceive and analyse data and then make their investment decisions”.

This university lecturer (C) stated that he makes investment decisions based on his efforts because sources of information can be found through newspapers, company websites and
related useful websites including the Stock Exchange of Thailand (SET), the Securities and Exchange Commission (SEC), Office of the National Economic and Social Development Board (NESDB), and the Federation of Thai Industries (FIT). These information sources are assumed to be reliable as they are government websites in which information is regularly updated for investors. Also, one university lecturer (B) also makes investment decisions himself as noted in the following comment:

“My knowledge came from my intention to study the financial market and investment opinion, as well as experiences in accounting and finance that help when making investment decisions. Further, [investors need to be aware that] company’ information from financial advisors or stockbrokers may result in company’ bias”.

University lecturer (B) stated that his investment decision-making is based on the experience of both working and teaching in business areas of accounting and finance, which is helpful for analysing data provided by company management (company’ forecasts and/or their reputation). This person indicated that personal experience in finance influences investment decisions. As a result, he looks at company websites (financial statement, company profile and forecasts), which are updated due to market competition for investors to make investment decisions. In contrast, company information based on financial advisors or stockbrokers may be distorted by their relationship with such companies and their commissions.

On the other hand, of shareholders who make investment decisions by themselves (Question 1a), the remaining 50 per cent of participants (a programmer, university lecturer, real estate investor and two stock investors) suggested that they rely on both themselves and
consultations with their professional financial advisors and stockbrokers (Question 1b) to gain in-depth information and current company news. They felt that these consultations helped them to be more confident with their investment decisions, as indicated in the following comment made by the programmer:

“There is limited time to find financial information and it is also hard to understand. However, financial advisors and stockbrokers have the fastest and latest information on both international stock markets and the Stock Exchange of Thailand. Information from these consultations is useful for making investment decisions”.

Due to working in the area of information technology rather than business, the programmer makes investment decisions relying on both his own knowledge (through discussing with friends or reading newspapers) and his financial stockbroker’s advice (which includes an analysis of international stock markets). He believes that these two information sources provide adequate information for decision-making.

In the three above comments, some interviewees make investment decisions based on themselves, and others based on themselves in consultation with professional financial advisors/stockbrokers. Therefore, shareholders who make unaided investment decisions reflect the impact of information sources from media (newspapers) and company websites, whereas others make decisions in consultation with their advisors and stockbrokers due to lack of time, lack of confidence, and personal expertise.
In Question 2, respondents were asked why they believed that financial reports would provide useful information due to the adoption of the impairment of asset standard (IAS 36). All respondents stated that financial reports prepared by IAS 36 should provide useful information for their investment decisions because shareholders assume that those financial reports are reliable, and information about IAS 36 standards is widely available. One comment by university lecturer (C) is as follows:

“To understand the context of impairment of assets standard (IAS 36), useful information can be found in many sources. For example, IAS Plus website (Deloitte Touché Tohmatsu Limited) provides a summary of this standard, including objectives and interpretations. It is also available on the Stock Exchange of Thailand website”.

As stated by university lecturer (C), IAS Plus website provides affirmative information to assist in the understanding of this standard, including its interpretation and objectives. Additionally, to protect SET group interests (shareholders and other stakeholders); the Stock Exchange of Thailand has rules and regulations to provide advice related to implementation or enforcement of laws to ensure compliance with SET regulations.

In relation to gaining understandings of IAS 36, stock investor (A) stated that:

“Financial reports should provide useful information because they have been prepared under International Accounting Standards especially the adopted IAS 36, and signed off by the company auditors. For this reason, shareholders rely on accounting reports that are by the International Accounting Standards”.

The understanding of stock investor (A) reflects that accounting information provided in company financial statements, prepared by IASs (especially IAS 36) and signed off by company auditors, influences his investment decisions. Therefore, it is assumed that information in financial reporting reflects the commercial actuality of the company concerned. It is also expected that these financial reports will assist in making informed decisions about the company.

The general manager respondent suggested that she could use information in financial statements provided under IAS 36 to predict, and forecast company growth and potential, as reflected in the following comment:

“Company financial information (especially asset value in the financial statement) prepared under IAS 36 (as accepted worldwide) could provide useful information for decision making. Further, this information is helpful and can be used for making efficient investment decisions to predict, and company forecast growth and potential”.

Furthermore, stock investor (B) added that:

“This standard (IAS 36) improves financial reporting and increases the fairness of financial statements. Companies on the Stock Exchange of Thailand have been required to adopt accounting measurement using IAS 36 to revalue assets every year (annually) to provide with relevant information for their decision-making”.

Stock investor (B) stated that in his opinion when company assets are revalued every year (especially prepared according to IAS 36), they should reflect the fair value of assets that affect the company’s share prices and capital gains in his portfolio.

Comments from all interviewees’ above (university lecturer C, stock investor A, B and general manager) are consistent with the requirements of the Stock Exchange of Thailand; listed companies must prepare financial statements by International Accounting Standards to ensure accurate and adequate of information needed for investment decision-making. Therefore, IAS 36 has improved company financial reporting and increased the fairness of financial statements, which in turn influences shareholders’ investment decisions.

Question 3 asked respondents how IAS 36 increased the reliability of financial reports when they made their investment decisions. All respondents agreed that accounting information supplied by IASs is reliable. For example, university lecturer (B) stated that:

“...The objective of IAS 36 is to ensure that assets are carried at no more than their net selling price and to describe how a recoverable amount is determined. In my opinion, I have confidence and trust that information in financial reports represented by companies prepared under IAS 36 increased the reliability of financial reports and provided needed information for my investment decisions”.

University lecturer (B) commented that he has confidence and can trust information in company financial reports if they are prepared by IAS 36, which represented faithfulness and
increased the reliability of financial reporting. Moreover, such information influenced his investment decisions.

Additionally, the real estate investor commented that:

“Investment decision-making based on accounting information provided by listed companies in their financial reports has been prepared by quality accountants reporting under IASs that are accepted worldwide”.

He stated that the accounting information in company financial reports prepared under IASs is truly represented and reliable, so it is expected that it can assist shareholders in making informed decisions about their company.

Question 4 asked how shareholders’ choices of investment decisions had been positively influenced by the names of the audit firms (both international and Thai), that had signed company financial reports. Eighty per cent of interviewees agreed that international audit firms would be the most reliable due to having developed the standards demanded by the large international firms that only recruit experienced and high-quality accountants. The three major reasons from the respondents provided for preferring the use of international auditors to local ones are negatively related to the highly-accommodating Thai culture. The programmer stated that:
“Due to the Thai culture of negotiating understandings and supporting each other, the correctness and fairness of company financial auditing may become distorted. Furthermore, the smaller the audit firm is the higher the negative effect on perceived independence”.

The above comment shows how a positive relationship between a particular Thai company and a Thai audit firm may provide a perception that the reliability of the company’s financial reports has been impaired. As a result, the independent audit will be impaired, which influences the investment decision-making process. This is the opinion of the interviewee who believes that a positive relationship between a Thai company and a Thai audit firm may distort the accurate in the financial reports and the independent audit may be impaired. The interview with university lecturer (A) added that:

“My investment decisions rely on international audit firms that have signed company financial statements. Moreover, I believe that large international audit firms have business knowledge and industry expertise as well as staff professionals that can help such company manage and sustain company growth”.

This comment reflects that shareholders who rely on reports from international audit firms pay particular attention to the levels of professional experience, and staff knowledge of firms, as well as the quality of the accountants who sign company financial statements, in making their investment decisions.
Concerning relying on international audit firms for investment decisions, a government project consultant added the following comment:

“I believe that international audit firms’ auditing standards are accepted and reliable (including auditor independence), especially about the international investors who fully understand the need for reliable financial statements (information). Consequently, if these aspects are adhered to Thai firms would readily attract foreign investment that satisfies the needs of foreign users of such company’s’ financial statements”.

Due to international audit firms having professionals with experience in auditing standards, this comment from the government project consultant supports the notion that international audit firms are independent, so their financial reports are acceptable and reliable. Consequently, they can attract foreign investors.

In contrast to shareholders who believe that reports from international audit firms are important to their investment decision-making, the remaining 20 per cent of shareholder interviewees in this study believed that Thai audit firms better understand the Thai culture and related circumstances. For example, a general manager remarked that:

“Thai auditors more readily understand the Thai environment and ways/styles of the presentation of Thai company financial reporting and business activities, as well as other related circumstances that are relevant to the culture”.
Also, this general manager mentioned that Thai auditors more readily understand and communicate in ways that elucidate the presentations of Thai company financial reports and circumstances of the local environment.

The four above comments confirm that Thai shareholders tend to value the reports from international audit firms rather than Thai audit firms when making their investment decisions.

As stated earlier, Question 5 is divided into two parts (a and b) aimed at determining shareholders’ decision-making about profitability and other aspects. Question 5a asked whether or not shareholders make their investment decisions based on profitability announcements by companies. All respondents agreed that for their decision-making they rely on information in financial reports including the rate of return, debt-equity ratios, earnings per share, dividend yield, share price, return on assets and return on equity. For example, a food nutritionist stated that:

“I rely on the profitability announcements of rate of return, debt-equity ratios, share price, dividend yield and earnings per share because this information clearly reflects both the company performance and business activities that guide my investment decision-making”.

The food nutritionist added that some items in the company income statement and balance sheet for the past 1-3 years provided company performance including company earnings per share, return on assets (ROA), return on equity (ROE), dividend yield and share price to guide his
investment decision-making. Therefore, these items are useful for shareholders to make efficient investment decisions. The university lecturer (B) added that:

“Before making investment decisions related to a particular company, I usually review the preceding three years of company profitability outlined in the company’s income statements. Nevertheless, in the balance sheets, there are other aspects, which are important to consider when making investment decisions. These include both asset figures and gearing ratios”.

In agreement with the comment of the food nutritionist, the university lecturer (B) stated that shareholders rely on the company’s income statements and balance sheets for their investment decision-making.

In responding to Question 5b, shareholders were asked what other factors they rely on when making their investment decisions. Interviews revealed that all respondents agreed that they rely on information related to both fundamental and technical analyses, marketing trends, company liquidity and international stock market trends for their investment decision-making. The University lecturer (A), who used only technical analysis for his investment decisions, commented that:

“Apart from understanding a fundamental analysis, I use technical analysis on which to base my investment decisions. The technical analysis depicts share prices from the past to current movements, helps to predict the future, and finds good potential opportunities to trade in the stock market”.
The university lecturer (A) stated that he uses technical analysis for investment decisions. This technique draws the movement of share price from both short-term and long-term analysis provided by the stock demand and supply, to determine the timing of stock trading.

The above three major reasons summarised in interviews show that respondents used both fundamental and technical analyses for the information needed to make efficient investment decisions. Therefore, in this thesis both fundamental and technical analyses are considered as influencing shareholders to make informed decisions for investment.

Question 6 asked what other factors shareholders take into account when they make their investment decisions. All respondents agreed that chief financial officers’ reports, financial reviews, company announcements on environmental issues, corporate social responsibilities (CSR), corporate governance (CG), and investment and business opportunities were all important for their decision-making. The stock investor (A) commented that:

“I was looking for a well-governed company that had a majority of external directors, had no management ties, undertook a formal evaluation of its directors, and was responsive to investors’ requests for information on governance issues. However, even though - it is hard to find companies, which have good corporate governance that are registered in the stock market. These issues are highly important for my investment decision-making”.
As stated by the stock investor (A) above, in recent times company corporate governance has become more important due to the need for assurance that they behave in the interests of shareholders and other stakeholders.

Apart from shareholders who used information from financial reports including corporate governance for making investment decisions, all interviewees agreed that CSR, company reports and announcements are important for their decisions. As stated by the university lecturer (B):

“Another issue that I consider important for my investment decisions are corporate social responsibilities (CSR) in which corporations not only impact on society, but on shareholders and other stakeholders (creditors, supplier and employees), the chairperson and director’s report and statement, company announcements on the environment and policies, and changes of scope in company operations”.

These above two comments indicate that sources of information for investment decision-making are partly based on company corporate governance and corporate social responsibility concerning society, shareholders and other stakeholders. Also, other factors that influence Thai shareholders’ investment decision-making include the chairperson and director’s reports and statements, announcements on the environment and policies, and changes of scope of company operations.
6.5 Summary

Consistent with the survey responses, interviewees agreed that sources of information that influence the investment decisions of Thai shareholders are the adoption of IAS 36 in financial reports and the names of audit firms (both international and Thai). This is followed by sources of information based on company profitability (included earning per shares) in income statements and balance sheets. In addition, fundamental and technical analyses, the company corporate governance (CG) and Corporate Social Responsibility (CSR), are also important for share investment decisions. Other factors that respondents have taken into consideration when making their investment decisions in Thailand have included the chairperson and director’s report and statement, announcements on the environment and policies, and changes of scope of company operations. The following chapter provides a discussion of the research findings.
CHAPTER 7-DISCUSSION OF RESEARCH FINDINGS

7.1 Introduction

In this chapter, a discussion of the results of the quantitative questionnaires and qualitative interviews is provided to present the factors that influence the share investment decision-making by shareholders in Thailand. A comment about how the results reflect or contrast with the literature reviewed in this thesis is also undertaken.

To answer the five research questions outlined in Chapter 1, this chapter comprises nine sections. The following section 7.2 summarises the investment decision-making of shareholders. Section 7.3 discusses the importance of the adoption of IAS 36 in company financial reports that influence the share investment decisions of Thai shareholders. Sections 7.4 discuss the effects of asset size, (7.5) audit firm, and qualitative of accounting information regarding relevance and reliability, (7.6) earnings per share and rate of return, and (7.7) the influence of gender, age and level of education on the decision-making of shareholders. These are followed by other factors in financial reports that influence the decision-making of shareholders in section 7.8, and a summary of the chapter is contained in section 7.9.
7.2 Investment Decision-Making of Shareholders and the Usefulness of Accounting Information

In the decision-making of shareholders, including share-buying, selling and holding decisions, the current study found that all Thai shareholders in this study use information in financial statements prepared under IASs provided by companies to assist them in investment decisions. Shareholders believe that this information is reliable because IASs requires companies which report accounting information to shareholders or other users to provide useful information needed for making economic decisions. Thus, this understanding meets the objective of financial statements in the accounting conceptual framework (IASC 2007).

These findings agree with a number of studies including that of Staubus (1961) and Lennard (2007), that suggested that the purpose of financial reporting is to influence the decisions of primary users, including present and potential investors, shareholders and creditors, who make decisions about whether to buy or sell their investments, or to continue to hold them. In addition, Chambers (1966), Stanton (1997) and Henderson et al. (2004) claimed that accounting information should provide up-to-date information to all users for decision-making, including that which is relevant to the needs of the users of financial reports including shareholders, investors, creditors, government, management, employees and competitors, customers and suppliers. These findings are consistent with Barton (1982) who found that accounting information could assist decision-makers to forecast the future accurately to estimate future benefits and costs, and provide information on current costs incurred in a particular decision. Therefore, the decision-usefulness objective is helpful in making economic decisions.
The findings in this study showed that the majority of survey respondents (53 per cent) and 50 per cent of interview respondents were confident in making investment decisions by themselves. As these shareholders and investors (from both the survey and interview question) made decisions by themselves, it seems that they tend to trade more often in the stock exchange. However, this type of investor would be considered as being somewhat overconfident. Their over-confidence may be reflected in the market, but they are still relying on IAS 36 and other accounting information to make decisions. They are finding value in the accounting information. These findings are consistent with the Takahashi and Terano (2006) study focusing on the role that investors and shareholders’ over-confidence plays in the financial market. They found that over-confident investors might tend to emerge in a market in a ‘bottom-up’ fashion. This kind of investor can contribute to the markets, in which trading prices are coinciding with the theoretical fundamental values of such markets. This finding is consistent with a study by Odean (1998) which revealed that over-confident investors tended to trade more often and held portfolios that lacked diversity, while buying or selling more shares as they grew in confidence (Bloomfield, Libby & Nelson 1996). Also, Takahashi and Terano (2006) warned that these over-confident investors and shareholders tended to calculate their transaction prices based on their forecasts of market tendencies, taking into account both risk and return rates when making their investment decisions.

Further to the survey findings in this study, the interviews suggest that shareholders made their investment decisions based on their judgement, due to the accessibility of sources of information in financial reporting from company websites. Furthermore, respondent’s investment knowledge emanated from their inclination to study the financial market and investment opinions as well as their experience in accounting and finance. This finding is
consistent with Chang, Ng and Yu (2008), who found that investors and shareholders might have prior knowledge about the likely type of news that financial analysts and management more frequently release, and attach different weightings to them accordingly.

Some interview respondents pointed out that they needed to be aware that company information from financial advisors and stockbrokers may result in company bias that is affected by relationships between the companies and stockbrokers’ commissions. This evidence is consistent with Chang et al.’s (2008), findings that analyst forecasts influence investors’ decision-making, suggesting that analysts are perceived to be impartial with less opportunity to directly influence information and time its release opportunistically. Chang et al (2008) also observed that information from management forecasts depended on its timing, forecast horizon, forecast form, type of earnings news released and the perceived credibility of management, had a significant impact on decision-makers. Also, according to Chang et al (2008) managers make both positive and negative news forecasts in different forms and for various reasons, and are conscious of how they are perceived by investors and analysts, and the effects that forecasts have on their reputation. Given these three findings based on their research, Chang et al. (2008) also contended that investors and shareholders are mindful that managers are often rewarded for a firm’s higher share price through share-based compensation, bonuses and performance evaluations based on firm value.

In contrast with shareholders who make investment decisions by themselves, the findings of this study indicate that 46 per cent of those surveyed and 50 per cent of interview respondents made investment decisions by themselves in association with consultation from their financial
advisors and stockbrokers. These findings indicate that this was due to lack of time and never having worked or been trained in business areas including accounting and finance. Both the survey and interview respondents agreed that professional financial advisors and stockbrokers should provide useful and up-to-date information for their investment decisions. These findings agree with Ryan and Buchholtz’s (2001) study that suggested shareholders are more likely to rely on their brokers’ advice. Similarly, a study by Shapira and Venezia (2001) showed that Israeli investors relied on their brokerage professionals and revealed that the disposition effect (i.e., the tendency to sell profit-shares quicker than loss-shares) characterises both professional and independent investors, with effects being stronger for independent investors. As a result of providing their advice to investors/shareholders, the stockbrokers used accounting information to support their views.

Findings from the interviews conducted within this research found that Thai shareholders placed their confidence in financial analysts and stockbrokers. They did so because the financial information, in their view, should reveal the market analysts’ professional experiences in the financial area. This finding is consistent with Anderson and Epstein (1996) who found that shareholders in Australia and New Zealand are more reliant on stockbrokers for making investment decisions. The finding in the present study is also consistent with Chang et al. (2008), who found that investors and shareholders placed more importance on the news released by analysts. Additionally, their results indicated that investors use financial analysts and management forecasts differently.
Further to this, financial analyst forecasts have a stronger impact on investor decisions than do management forecasts. Investors’ decisions to hold onto or sell shares are affected by information in management forecasts that differ to existing conditions (Chang, Ng & Yu 2008). Interview findings also show that shareholders believe that financial advisors and stockbrokers have the latest information on both international stock markets and the Stock Exchange of Thailand, and communicate their knowledge more swiftly than other sources. Therefore, these consultations are useful in making their investment decisions.

7.3 Influence of the Adoption of Impairment of Assets Standard (IAS 36) On Thai Individual Shareholder’s Decision-Making

This section answers the first research question of this study, does the adoption of impairment of asset standards affect the investment decision-making of individual shareholders? From the survey and interviews, individual shareholders’ opinions are based on accounting information prepared according to IAS 36. Results in this study revealed that the majority of the survey respondents (57.9 per cent) agreed that financial statements prepared by IAS 36 provided useful information for their investment decision-making. These findings are consistent with Giannini (2007) who asserted that when long-term assets are impaired (the fair value of the asset is less than book value), the resources of a company change value. In consequence, it is important to inform the external users such as investors and shareholders and creditors of the change in financial information. As a result, Giannini (2007) pointed out that asset write-downs may provide useful information on an asset’s value, the decline in value and significance of that decline, about how it may affect users of the financial information. Further to this, interview findings showed that shareholders believed that financial reports could
provide useful information because of the adoption of IAS 36. The reason for this is that shareholders assumed that these financial reports were reliable.

In considering the representational faithfulness of asset impairment, the measure of fair value emphasises the value of an asset. These comments confirm the findings of Barth, Beaver and Landsman (2001) that a significantly positive relationship between share prices and estimates of intangible-asset values can reliably reflect the values of assets as assessed by investors. These comments confirm that investors perceive fair value estimates of shares as more useful than historical cost. Therefore, this study suggests, based on the research outcomes, that company financial reports prepared by IAS 36 should provide information that is more useful to shareholders for investment decision-making.

To some extent, the findings of this study, from the survey and the interviews, showed that respondents believed that IAS 36 increases the reliability of accounting information. One particular comment from one informant, a university lecturer in the field, suggested that the objective of IAS 36 was to ensure that assets are carried at no more than their net selling price, and to describe how a recoverable amount is determined. Respondents exhibited confidence and trust, as their view was that information in company financial reports prepared under IAS 36 increased the reliability of financial reports, and provided essential information for the survey and the interview respondents’ investment decisions.
Furthermore, respondents agreed that accounting information in company financial reports prepared under IASs is represented truly and reliably to assist shareholders in making informed decisions about the company. This finding is consistent with Reinstein and Lander’s (2004) study, in which all respondents believed that IAS 36 improved financial reporting and increased its fairness.

The findings in this study reveal that respondents believed that IAS 36 improves financial reporting and has increased the usefulness of financial statements because companies in the Stock Exchange of Thailand are required to present accounting measurements using IAS 36 to revalue assets every year to provide relevant information for shareholders’ decision-making. These comments reflect the awareness of respondents that the impact of fair value assets affects company share prices and capital gains presented in their portfolio. Similar findings reported by Srijunpetch (2004) were that the adoption of IAS 36 in Thailand increases the relevance and reliability of accounting information, with financial statements providing reliable information for investment decision-making.

The findings showed that almost sixty-six per cent of interviewees and 54 per cent of survey respondents in the primary research underpinning this study considered that IAS 36 was suitable for the Thai financial reporting circumstances. In other words, the adoption of IAS 36 in Thailand as one of the country’s accounting national standards is supported by the research informants, with almost two-thirds of interviewees and just over half of survey respondents having expressed these views.
As listed companies in the Stock Exchange of Thailand are required to provide financial reports prepared under IASs, accounting information in company financial reports allows shareholders to make efficient investment decisions. A number of researchers have suggested that adoption of the International Accounting Standards in developing countries would allow access to the benefits related to high-quality financial reporting, more efficient capital markets, better relations with development agencies, easier and cheaper access to international capital, and enhanced economic development (Bowrin 2007, Hoyle Schaefer & Doupnik 1998; Staking & Schulz 1999). These benefits were expected to flow from increased consistency and uniformity among financial reports prepared in agreement with IASs, with a consequence being an improved understanding, comprehension with perceived credibility of financial disclosures (Bowrin 2007; Staking & Schulz 1999).

Over 50 per cent of questionnaire respondents understood the context of IAS 36 due to their high educational qualifications, with 56 per cent having bachelor degrees and 35 per cent having master degrees as their highest education level. One-third of respondents was professionally employed in jobs where they worked as accountants, financiers, auditors, investment analysts and stock market investors. Fifty-three per cent of respondents were formally trained in jobs where they had become familiar with accounting, finance, investment analysis and stock market investing. These results confirm the work of Lee and Tweedie (1975) and Myers (2001), whose findings showed that involvement in formal training in jobs related to accounting and finance increases the level of understanding in financial reports. Therefore, the questionnaire respondents who had this training also used financial reports for making their investment decisions.
Further to this, the interview findings in this study suggested that information sources can be found on relevant websites. For example, IAS Plus websites provide affirmative information to assist in the understanding of the IAS 36 standard, including its interpretation and objectives. Furthermore, the Stock Exchange of Thailand website ensures the provision of accurate advice related to the implementation and enforcement of laws in compliance with the SET regulation, to protect the interests of shareholders and other stakeholders. Other information sources can be found in both international and Thai audit firms’ websites and the Federal Auditor Professional in Thailand (FAP) website. Therefore, the interview respondents in Thailand also used these sources of information which are based on IAS.

7.4 Asset Size Affects Investment Decision Making by Shareholders

The second research question, investigating the relationship between asset size and type of decision-making by shareholders, focuses on the listed companies in the three large asset-based industries. These three industries represented 53 per cent of the market capitalisation in the Stock Exchange of Thailand. This study found that the majority of respondents (80 per cent) rated asset size as highly important in making share-selling decisions. On the other hand, less than 50 per cent rated asset size as highly important for their buying and share-holding decisions. It can be inferred that the decision to sell shares is often linked to investors changing their view on the value of the company. Changes to asset values due to impairment are a significant issue which may cause investors to re-evaluate their decisions. On the other hand, the decision to hold shares reflects satisfaction with the decision to buy shares, as the new information does not affect the decision-making. This finding is supported by Inchausti (1997)
who suggested that large companies have more advantages in gaining investment than small companies.

7.5 Audit Firm Reputation and Qualitative Characteristics of Accounting Information Affects Investment Decision-Making by Shareholders

The third and fourth research questions investigated the effect of audit firm reputation and qualitative characteristics of accounting information regarding their relevance and reliability on the decision-making by shareholders. In relation to audit firm reputation and auditor’s reports, the survey results in this study indicate that the majority of respondents agreed that both audit firm reputation and the auditor’s report are important for investment (buy, sell and hold shares) decisions. This finding is consistent with Street and Bryant (2000) who contended that greater disclosure was associated with an accounting policies footnote specifically stating that the financial statements were prepared by IASs; as well as an audit opinion stating that International Standards of Auditing (ISAs) were followed when completing the audit. Furthermore, they suggested that greater compliance was associated with an audit opinion specifically stating that the financial reporting is in accordance with IASs. Moreover, raising the quality of auditing standards internationally was the most important issue (Ryan & Buchholtz 2001).

Findings in the present study also appear to support Rasmussen and Jensen’s (1998) claim that shareholders believe that auditors need knowledge of the industry to accurately examine
assets (e.g. stocks) in the company’s financial statement. Furthermore, a study of users’ views on corporate annual reports in Qatar found that the respondents considered annual reports to be important and useful and to be the main source of information for investment decisions (Alattar & Al-Khater 2007). In addition, the respondents in this study rated the auditor’s report as one of the most important and understandable sections in the annual reports. In contrast, a study by Naser, Nuseibeh and Al-Hussaini (2003) indicated that individual investors in Kuwait obtain information directly from the company but they placed little importance on the auditor’s report.

The results showed that the majority (75 per cent) of survey respondents in this study relied on international audit firms (i.e. PricewaterhouseCoopers, KPMG, Deloitte Touché Tohmatsu and Ernst & Young) when making investment decisions. The findings obtained from surveys supported the interview findings and provided additional evidence that international audit firms’ auditing standards are acceptable and reliable (including auditor independence), particularly in relation to international investors who fully understand the need for reliability in financial statements. Consequently, if these understandings were adhered to by Thai-owned audit firms, their financial statements would more readily attract foreign investments that satisfy the needs of foreign users.

In light of the economic crisis in 1997 faced by some of the ASEAN countries (including Thailand), these findings further support the view of Marchesi (2000) who maintained that increasing the quality of audit services should enhance investors’ confidence in the fairness of ASEAN markets. The reliability of financial information is an essential condition to sound foreign
investments; one step in the economic recovery of the ASEAN countries could have been to promote auditing standards that lent credibility to the process and improved the quality of financial information (Marchesi 2000).

In relation to auditor independence, the interview findings suggest that due to the Thai way of communication including the negotiation of understandings and supportive writing, the correctness and fairness of company financial auditing may become distorted or even misused, thus affecting perceived independence. As a result, independent auditing may be impaired and wrongly influence the investment decision-making of shareholders. These findings are consistent with Cheung and Hay’s (2004) research which suggested that in an Asian context an auditor must ensure that their decision is not impaired by reason of any relationship with or pecuniary interest in such company. This finding provided evidence for Acemoglu and Gietzmann’s (1997) view that the auditor stands between the management responsible for preparing statements of company financial position and results of operations, and investors and shareholders who use these statements along with other information in making investment decisions.

In additional confirmation of the interview findings in this study, Cheung and Hay (2004) supported the view that shareholders held concerns that audit firms which provide internal audit services or design financial systems for clients may consequently significantly affect auditor independence. Furthermore, they (Cheung and Hay 2004) maintained that an auditor becoming a director of the client, thus moving in the opposite direction to stakeholders, is of major concern to such shareholders. Similarly, research by Street and Bryant (2000) found that
greater compliance is associated with an audit opinion that makes a specific reference to the utilisation of the International Standards on Auditing as issued by the International Federation of Accountants (IFAC); and lower compliance is associated with an audit opinion that refers to the use of domestic auditing standards.

The findings in this study are consistent with the empirical studies by Quick and Rasmussen (2005) that investigated the influence of management advisory services on the perceived independence of auditors. They found that management advisory services had a negative impact on auditor independence, arguing that perceived auditor independence does not increase if a separate department of the audit firm provides management advisory services. Additionally, in relation to the size of the audit firm, empirical research (Dykxhoorn & Sinning 1982; McKinley, Pany & Reckers 1985; Shockley 1981) showed that perceptions of independence are related to the size of the audit firms, with smaller audit firms negatively impacting on perceived independence (Quick & Rasmussen 2005). The audit reports are more reliable because they are based on IAS, and that some of the previous perceptions of lack of auditor independence have been diluted.

On the other hand, shareholders rely on Thai audit firms for their investment decisions. Findings in both the survey (21 per cent) and interviews (20 per cent) agree that Thai auditors understand and communicate in ways that elucidate the presentation of their company financial reports, and the circumstances of their local environment. In addition, Marchesi (2000) concluded that the reliability of financial information was also an essential condition to assess the soundness of foreign investments. The economic development of ASEAN countries would be
better served by the promotion of auditing standards that lend credibility to the audit process and improve the quality of financial information.

In relation to the qualitative characteristics of accounting information in terms of relevance and reliability, the findings of this study revealed that the majority of survey respondents (62 per cent) believed that information in company financial reports should provide relevant and reliable accounting information for investment decision-making. Similar to Myers (2001), this study confirms that factors identifying reliability include audit independence and the use of approved accounting standards. Further, it confirms that the quality of financial statements under IASs is both relevant and reliable.

The results also indicate that Thai shareholders are more likely to rely on earnings per share, and profit and asset figures reported by independent auditors and prepared under GAAP, than those reported by a director of the company, with over 70 per cent agreement. They believe that professional independent auditors’ financial reports should provide relevant and reliable information that is useful for their investment decisions. Additionally, the findings indicate that the respondents rely on earnings per share (EPS), asset figures, and profit prepared under GAAP (IAS after 2008), with more than a 57 per cent agreement. These findings support the importance of qualitative characteristics of accounting information regarding relevance and reliability. Information must be relevant to the decision-making needs of users (shareholders), and information has the quality of relevance when it influences the economic decisions of shareholders to help them evaluate the past, present, and future events (IASC 2000). Furthermore, information must also be reliable; being free from material error or bias, and
representing faithfully what it purports to represent and/or could reasonably be expected to represent, and which users (shareholders) can rely on to make their investment decisions (IASC 2000).

7.6 Use of Accounting Information (Rate of Return [Profits] and Earnings per Share) on Investment Decision Making

To fulfil the fifth research question, the association between rate of return (profits) and earnings per share in the decision-making of shareholders is outlined in this section.

The survey respondents agreed that information in financial statements is useful and important for their decision-making. Shareholders make their investment decisions based firstly on EPS, which is dependent on the net profit of the company. Furthermore, as the related expenses are calculated in accord with IAS 36, the net profit of a company consequently affects shareholder decisions. EPS is highly important for share investment decisions (90.7 per cent for buying, 72.9 per cent selling and 94.4 per cent holding) because its ratio represents a company’s capacity for absorbing rising costs. In cases when a company shows high profitability, the shareholders have greater confidence to invest in that company.

The findings in this study showed that Thai shareholders rate using company profits (rate of return) as highly important in making buy (92.5 per cent), sell (73.8 per cent) and hold (94.4 per cent) investment decisions. As assets are now valued at fair value, these findings support the
conclusion of Kvaal (2007) that rational investors will value an investment project at the present value of its net estimated cash flow, calculated by the investor’s required rate of return as the discount rate for investment decisions.

### 7.7 The Influence of Age, Gender, and Level of Education for Decision-Making of Shareholders

This section demonstrates the personal characteristic including age, gender, and level of education that may influence the decision-making of individual shareholders.

#### 7.7.1 The influence of age on the investment decision-making of shareholders in Thailand

Firstly, the findings of this study indicate that over 60 per cent of respondents is aged between 41-60 years. Concerning share investment decisions, shareholders across all categories of age consistently use fundamental analyses, including EPS, profits, dividend yields, share price, P/E ratio, asset size, managing director reputation, auditor’s reports, and financial opinions from media and stockbrokers for their decision-making. The finding in this thesis is consistent with the study by Lease, Lewellen and Schlarbaum (1974) who conducted a survey of individual investors on the New York Stock Exchange. They found that one-third of their sample was over the age of 65 years and the majority of investors in the US used fundamental analysis as an aid to their investment decisions. Furthermore, a quarter of investors in their study relied on their brokers or professional investment advisors in making their investment choices.
Secondly, IAS 36 factors affect shareholders’ investment decisions because financial statements prepared based on IAS 36 provided more information and increased the reliability of accounting information. Shareholders believe that IAS 36 is suitable for financial reporting circumstances in Thailand, with the shareholders all across categories of age understanding the context of IAS 36 due to having high levels of education. These findings are consistent with those found in Srijunpetch’s (2004) study, suggesting that the financial reports prepared from the IASs are perceived as providing more information for investment decision-making.

Finally, due to the qualitative characteristics of accounting information regarding relevance and reliability, shareholders rely on profits, EPS, and asset figures reported by independent auditor and director, and prepared under GAAP. This finding is consistent with Srijunpetch’s (2004) study, which found that the respondents believed that the adoption of IAS could improve the reliability of Thai financial reporting. Therefore, these factors were influenced by the age differences of shareholders for share-buying, selling and holding decisions. However, auditor firm reputations were not influenced by age differences regarding decisions on the buying and selling of shares. Additionally, auditors’ reports were not influenced by age differences for share-selling decisions.

7.7.2 The influence of gender on the investment decision-making of shareholders in Thailand

In this study, 53 per cent of respondents were male, similar to the respondents in previous surveys of individual investors in the Johannesburg Securities Exchange (Brijlal 2007). Firer’s
(1988) study found that 84 per cent were male. Findings in the present study also indicate that all individual Thai shareholders consistently use the following items including earnings per share, dividend yields, share prices, P/E ratio, asset size, the reputations of managing director and audit firms, auditors’ reports, and financial opinions from the media and stockbrokers for share-buying, selling, and holding decisions.

Furthermore, the findings indicate that the majority of respondents (both male and female) understand the context of IAS 36 due to their high education levels. The findings demonstrate that for qualitative characteristics of accounting information concerning relevance and reliability, shareholders rely on profits, earnings per share, and asset figures reported by independent auditors and directors, and prepared under GAAP, for their decisions on selling shares, which all respondents were in agreement. Therefore, these factors were not influenced by gender for investment decision-making.

The IAS 36 factors included: (i) financial statements prepared based on IAS 36 provide more accounting information, (ii) increase its reliability, and (iii) shareholders believed that IAS 36 is suitable for financial reporting circumstances in Thailand. Similarly, these three factors were not influenced by gender for share investment decision-making by individual Thai shareholders. However, Estes and Hosseini (1988) investigated the personal characteristics that influence confidence in an investment decision, with their results showing that women had significantly lower confidence in an investment task than men. This research is similar to Powell and Ansic’ s (1997) research, which examined whether gender differences existed in risk propensity and
strategy in financial decision-making. They found that females are less risk-seeking than males irrespective of familiarity, costs and ambiguity (Powell and Ansic 1997).

7.7.3 The influence of level of education on the investment decision-making of shareholders in Thailand

The findings in this study indicated that 90 per cent of respondents had a bachelor’s degree or postgraduate qualification, compared with only half of the respondents in the study by Lease, Lewellen and Schlarbaum (1974), 42 per cent in Firer (1988), and 63 per cent in Brijlal (2007). It can, therefore, be assumed that individual investors since the 1970s until the present held high educational qualifications when making their investment decisions.

The current study also found that the factors influenced by the level of education, for share-buying, selling and holding decisions of Thai shareholders, were based on the following factors. Dividend yields, share prices, P/E ratio, asset size, the reputations of managing director and audit firms, auditors’ reports, and financial opinions from the media and stockbrokers predominantly influenced their investments decisions. However, regarding decisions on selling shares, audit firm’s reputation was not influenced by the level of education. Interestingly, for decisions on holding shares, earnings per share and asset size were also not influenced by the level of education.
Furthermore, the findings indicated that IAS 36 factors including financial statements prepared from the adopted IAS 36 and increased reliability of accounting information suggested that shareholders believed that IAS 36 is suitable for financial reporting circumstances in Thailand. Also, the understanding of the context of IAS 36 was influenced by the level of education of Thai shareholders.

The findings reveal that the qualitative characteristics of accounting information regarding relevance and reliability; shareholders rely on profits, earnings per share and asset figures reported by independent auditors and directors prepared under GAAP; for decisions on selling shares. These factors were clearly influenced by the level of education regarding investment decision-making. On the other hand, the findings show that company’s financial reports based on IAS 36 provide more information and are not therefore influenced by the level of education for shareholders’ investment decisions.

In summary, it is important to note that although in many countries these factors were influenced by age, gender and level of education, in this study the survey and interviews showed that these factors were not influenced by age, gender and level of education regarding Thai shareholders’ decision-making.
7.8 Other Factors in Financial Reports That Influence the Decision-Making of Shareholders

To fulfil the research objective of any other factors in financial reports that influence the decision-making of shareholders, the findings are analysed, and where possible, related literature supporting these findings is discussed.

The findings suggest that other factors in financial reports influencing the decision-making of shareholders include: dividend yield; price to earnings ratio; fundamental and technical analyses (which evaluate both the income statement and balance sheet); corporate governance (CG); corporate social responsibility (CSR); the chairperson and directors report and statement; announcements on the environment and policies; and changes in scope of company operations.

Firstly, the results of this study for both the questionnaire survey and the interviews indicated that a company’s high dividend yields attract Thai shareholders. The findings showed that these shareholders liked to invest in shares paying high and stable dividend yields, with over 90 per cent relying on these for share-buying and holding decisions, and 78.5 per cent for share-selling decisions. Here, the share price is directly related to the profits and dividends of the company.

Secondly, price to earnings (P/E) ratio also affects the investment decision-making of Thai shareholders. This suggests that investors are expecting higher earnings growth in the future.
than companies with a lower P/E. However, as a P/E ratio does not allow shareholders to calculate all implications of the share profitability, it is no doubt more useful to compare the P/E ratio of either one company to other companies in the same industry, or to the market generally, as well as against the company’s own historical P/E. In agreement with this understanding, respondents in the current study relied on the profitability announcements of rate of return, P/E ratio, debt to equity ratio, share price, dividend yield and earnings per share for their investment decision-making. They believed that this information clearly reflects both the company’s performance and business activities in guiding them to make efficient investment decisions.

Thirdly, this current study suggests that fundamental analysis is the important factor that Thai shareholders rate as highly important in buying, selling and holding shares. This finding is supported by Lease, Lewellen and Schlarbaum (1974), who found that 42 per cent of shareholders used a fundamental approach, suggesting that qualitative factors including general business conditions, industry outlook and dividend are considered in shareholders’ investment decisions. Furthermore, Krantz (2010) agreed that fundamental analysts carefully evaluate a company’s income statement to see how well the company did, examine how much money the enterprise earned by selling goods and services (revenue), how much it spent on operating expenses, and the final amount of profit it generated.

One particular interview respondent preferred reviewing the preceding three years of company profitability outlined in the company’s income statements. Further to this, the informant shareholders agreed that income statements provide useful information for share-
purchase decision-making because income statements provide the sources of company’s revenues and expenses that result in a profit or a loss for a particular reporting period. Therefore, shareholders use this information extensively in their investment decisions, as confirmed by the informants.

The study findings show that shareholders believed that the balance sheets also contain aspects that are important to consider when making investment decisions, including asset figures and gearing ratios. Balance sheets are useful in providing a company’s financial statement that summarises assets, liabilities and shareholders’ equity at a specific time. These three components give investors and shareholders an idea of what the company owns and owes, as well as the amount invested by the shareholders. In agreement with Drever, Stanton and McGowan (2007), the standardisation of reporting periods allows investors and shareholders to compare and assess the relative effectiveness of the managements of different companies or reporting entities. Also, the company Acts B.E. 2535 require entities to provide shareholders and investors with annual balance sheets and profit and loss account (income statements) that are useful for their investment decision-making (MOC 2011). These findings are consistent with the IASs statement, requiring that financial reports (both income statements and balance sheets) be presented at least annually.

In this research, the shareholders agreed that the debt-equity ratios of companies are an important factor influencing their share-buying, selling, and holding shares decisions. This is consistent with Modigliani and Miller (1958) and Hovakimian et al., (2001)’s finding, that shareholders’ expected rates of return are directly related to levels of gearing (i.e. debt-equity
ratio), and that expected increases in returns negatively relate to risk and shareholders’ required ratios of return.

Fourthly, apart from shareholders, who rely on fundamental analysis, in recent times technical analysis has become useful to shareholders when making their investment decisions. The results of this study reveal that Thai shareholders rely on technical analysis when making investment decisions because this technique helps to depict share price movements from the past to the current time, predicts the future share prices, and finds potential opportunities to trade in the stock market. Similarly, a study by Anderson and Epstein (1996) found that U.S. respondents gave more importance to technical analysis, with its importance increasing from 8.8 per cent in 1973 to 19.2 per cent in 1996. However, this study also showed that Australian and New Zealand investors relied less on technical analysis, with only 4.3 per cent of Australian and 6.8 per cent of New Zealand respondents ranking this information source as important for their investment decisions.

The findings in the present study are consistent with those of Tinghino (2010), who asserted that technical analysis is used worldwide and, emphasises price action rather than fundamentals of supply and demand. Just as economists and fundamental analysts study business cycles that affect various industries, technical analysts often take a cyclical view of the markets. Tinghino (2010) further asserted that cyclical analysis helps investors and shareholders focus on the periods of greatest importance to price trends. Furthermore, this analysis helps to maintain a structured trend perspective as well as restraining the tendency toward overactive trading.
Furthermore, the study by Brijlal (2007) confirmed that the decrease in the use of fundamental analyses could be attributed to the use of modern technology (easy to access to the internet or website) in using more technical analyses. In agreement with Chen (2010), technical analysis is used primarily to help investors and shareholders determine the highest-probability reactions to past, current and future price movement. Therefore, technical analysis is less about truly predicting future movement and more about finding high-probability potential opportunities to trade in the financial markets. Therefore, shareholders consider that technical analysis is useful when making investment decisions.

Although shareholders considered that technical analysis influences their investment decisions, the findings in this thesis show that Thai shareholders used a combination of fundamental and technical analyses when making their investment decisions. Similar findings have been found by earlier investigations of individual investors’ trading behaviours and attitudes (Lease, Lewellen & Schlarbaum 1974; Yang 2013). This research found that 23 per cent of shareholders used fundamental analysis combined with the technical approaches for share investment decisions. Therefore, in this thesis both fundamental and technical analyses were considered as influencing shareholders in making informed decisions for investment.

Concerning another aspect that influences Thai shareholders’ investment decision-making, the findings in this study show that all respondents agreed that company corporate governance is the one factor which has become more important, because of the need for assurance that the company is behaving in the interests of shareholders and other stakeholders. Furthermore, this study indicates that in recent times shareholders are looking for a well-governed company that
has a majority of external directors, no management ties, undertakes formal evaluation of its
directors, and is responsive to investors’ requests for information on governance issues. These
findings are consistent with those of Keasey and Wright (1993), who suggested that corporate
governance concerns the structures and processes associated with production, decision-making,
and control within an organisation. In addition, accountability, which is a sub-set of governance,
involves the monitoring, evaluation, and control of organisational agents to ensure that they
behave in the interest of shareholders and other stakeholders.

Furthermore, Keasey and Wright’s (1993) finding is consistent with that of Tricker (1984)
who maintained that the two key elements of governance concern were supervising or
monitoring management performance and ensuring accountability of management to
shareholders and other stakeholders. This finding is supported by Carver’s (2009) study, which
found that the chair and CEO roles are important components of the board’s responsibility and
that the board is accountable to shareholders. These roles include the company achieving
(return on earnings (ROE) and long-term investment value), and unacceptable circumstances
(excessive risk and illegality).

A further issue that Thai shareholders consider important for investment decisions is the
concept of corporate social responsibility (CSR), which recognises that corporations not only
affect society but also shareholders and other stakeholders (creditors, suppliers and employees).
This is in agreement with Reverte (2011), who claimed that improving CSR could increase the
firm’s value by decreasing the cost of the equity capital of the firm. This implies that CSR
reporting is a part of a firm’s communication tools to reduce information asymmetries between
managers and investors and shareholders. The findings are consistent with that of Sanchez, Sotorrio and Diez (2011), who indicated that to achieve the goal of CSR, a company must be concerned with the two approaches: the shareholder approach, and the stakeholder approach. First, the shareholder approach is concerned with those company activities which focus on economic aspects to create financial value for its shareholders. Second, the stakeholder approach concerns the social actions to reduce information asymmetry, and to create both the firm’s financial and social values (Sanchez, Sotorrio & Diez 2011). These two approaches are thought to be influential when shareholders make investment decisions about the company.

The results of this study are consistent with Shauki (2011), who found that investment decisions are mediated by CSR content, CSR format, and changes in public confidence. Furthermore, the two main ideas underlying CSR, are that companies should build shareholders’ value by engaging non-shareholders (stakeholders), and by taking account of the companies’ impacts on society (Drever, Stanton & McGowan 2007). As a consequence, CSR refers to the effects of corporations on society and the need to deal with these impacts concerning stakeholders which include shareholders, creditors, suppliers, employees and the community. Thus, shareholders consider that CSR is one of the factors that is important when making investment decisions.

Finally, all of the respondents in this study agreed that the following issues were of significant importance. These included the chairperson’s and director’s reports, the chief financial officers’ reports, financial reviews, company announcements on environmental issues
and policies, and changes in scope in business operations are considered influences on investment regarding the buying, selling, and holding of shares of individual Thai shareholders.

7.9 Summary

This chapter has provided evidence from both the survey and interviews concerning the factors that influence the decision-making of shareholders in large asset-based industries in the Stock Exchange of Thailand. These factors include the adoption of IAS 36 providing increased reliability of financial reports, the effect of company asset size, the choice of investment decision being affected by the name of the audit firm, the profitability announcements (EPS and rates of return) made by the companies, and other factors in financial reports that influence the decision-making of shareholders. The findings also indicated that gender, age, and level of education are influential on shareholders’ investment decision-making. However, the IAS 36 factors, including financial statements based on IAS 36, provide more accounting information; IAS 36 increases the reliability of accounting information, and shareholders believed that IAS 36 is suitable for the financial reporting circumstances in Thailand. This perception was not influenced by gender regarding investment decision-making by shareholders.

This chapter is followed by the conclusions, implications, limitations of the study, and recommendations for the future research.
CHAPTER 8 - CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

The discussion in this chapter provides a summary of the findings for the research questions, examining the factors that influenced the investment decision-making of shareholders in large asset-based industries in Thailand. The final chapter is organised into six sections as follows. It begins with an overview of the study. The second section reports the main findings of the research. The next section describes the contribution and the implications of the study. The fourth sections cover limitations of the research. Suggestions for future research follow, and the final section summarises the chapter.

8.2 An Overview of the Study

Accounting reform in Thailand aims to establish a new set of accounting standards to replace the prior accounting regulations, to better satisfy the information needs of various user groups including shareholders (Srijunpetch 2004). This study investigates the point of view of shareholders when making informed decisions, rather than the point of view adopted by the standard-setters. The current study examined shareholders’ decision-making regarding companies in the Resources, Industrials and, Property and Construction industries that represented 53 per cent of the market capitalisation of listed companies in the Stock Exchange of Thailand in 2007.
The adoption of International Accounting Standards for financial reporting in both developed and developing countries has been reviewed in some previous studies (Ding, Jeanjean & Stolowy 2005; Larson & Street 2004). Furthermore, the adoption of IASs in many countries requires standard-setters to understand the different regulatory and commercial environments (Street 2002a), as the objective of financial reporting is to provide information that is useful to shareholders and other users in making rational investment decisions (IASC 2007). The IASB has the objective of developing, in the public interest, a single set of high quality, understandable, and enforceable global accounting standards.

In Thailand, as required by the SET, all listed companies prepare their financial reports following the IASs to be consistent and comparable. As a result, this is expected to attract foreign investment. The type of decisions made by individual Thai shareholders should be the same as elsewhere in the world; however, there may be some differences for cultural and economic reasons (Damant 2000). Individual Thai shareholders make their investment decisions based on accounting information provided by listed companies in their financial reports. They assume that financial reports prepared under IASs principles are relevant and reliable. Accounting standards are based on the accountability theory that views a corporation’s management as accountable to shareholders and other stakeholders (Drever, Stanton & McGowan 2007).

As indicated in Chapter 3, previous studies confirm that companies adopting IASs provide accounting information of a higher quality than companies that have not adopted IASs. Further to this, shareholders make their investment decisions on the level of earnings per share that are
dependent on the net profit of the business, which is affected by the related expenses usually calculated according to the impairment of assets standard (IAS 36). A number of studies have found that the factors that affect the decision-making of shareholders include: compliance with the impairment of assets standard (IAS 36); company asset size; audit firm reputation; relevance and reliability of accounting information; rates of return; earnings per share; and other factors in financial reports. Drever, Stanton and McGowan (2007) suggested that examples of other factors in financial reports having an effect on shareholder decision-making are the chairperson and directors’ reports and statements; announcements on environment policies; and change of scope in company operations.

To achieve the objectives of this research, the present study employed a mixed research methodology, which combined quantitative and qualitative methods. Six hypotheses were developed to address the six areas listed above. The quantitative component used questionnaires to collect the data from shareholders in the 204 listed companies in the three industries that have large asset bases. These are the Resources; Industrials, and Property and Construction industries. The companies in these sectors represented 53 per cent of the market capitalisation of all listed companies on the SET in 2008.

The questionnaire used in this study was designed after having reviewed the literature to find factors influencing the investment decision-making of shareholders. Questions used a 5-point Likert scale, with multiple-choice and open and closed-ended approaches to suit the content of each construct investigated. The questionnaire comprised five sections. Section A contained questions about share ownership, and section B sought shareholders’ opinions on the
degree of trust they place on information that is prepared according to IAS 36. Section C asked shareholders’ opinions on the relevance and reliability of accounting information for share investment decisions. Next, Section D dealt with shareholders’ views on their use of information that is important for investment decision-making in buying, selling and holding shares. Finally, section E gathered demographic information from the shareholder participants.

A pilot study was conducted with fifteen shareholders to verify the reliability of the questionnaire. To ensure that the Thai respondents fully understood the questionnaire it was translated into the Thai language and the participants received both the Thai and the English versions. Respondents wrote their comments in Thai rather than in English. Completed questionnaires were subsequently translated into English for analysis. A total of 420 questionnaires were sent to shareholders in 204 companies in the following three specific industries: 26 companies from Resources; 71 from Industrials; and 108 from Property and Construction.

Cross-tabulations were used to analyse data in this thesis to determine the association between the seven variables. Furthermore, owing to the nature of the measurement of the present data, parametric tests were inappropriate, and therefore the Kruskal-Wallis and the Mann-Whitney tests (non-parametric test) were used. Cronbach’s alpha was applied to the four items related to IAS 36.
In accordance with the ethics requirements of RMIT University, an information sheet and consent form was sent to participants addressing issues of the objectives of the research, participant confidentiality and privacy. Please note that the candidate was relocated from VU to RMIT University since 2013 after the data was collected.

The qualitative component of the study used semi-structured interviews to gather the data from the participants. Ten interviews were conducted with randomly selected shareholders who had not previously completed the questionnaire, from the three large asset-based industries in the SET. Content analysis was adopted as the most appropriate way to analyse data from the interviews (Bordens & Abbott 1999).

### 8.3 The Main Findings of the Study

The main findings presented in this section address the research objectives (Chapter 1). Shareholders are users of the financial reports prepared by companies; these reports provide useful information for their investment decision-making (buying, selling and holding shares). Survey and interview findings were found to be consistently similar. The total survey response rate was 25.48 per cent (107 responses), and ten interviews were conducted.

The results of the questionnaires reveal that 54 per cent of the respondents were men and 46 per cent were women. The majority of respondents (62.6 per cent) were aged between 41-60 years of age. The majority of respondents (56.1 per cent) had a bachelor degree or a Master’s
degree (34.6 per cent) as their highest level of academic qualification. Shareholders invested in one or more of the three selected major industries: 30 per cent invested in Resources, 34 per cent invested in Industrials and 36 per cent invested in Property and Construction, with an average of shares owned in 2-3 companies by each direct shareholder. The majority of respondents (56 per cent) purchased shares through their stockbrokers. Shareholders had investments in other assets, with the majority of respondents (57.9 per cent) investing in mutual funds, followed by debentures (37.4 per cent), home investments, property trusts, property investment and bank accounts.

Cross-tabulations were used to analyse the factors which influenced the investment decision-making of Thai shareholders. The factors were in five groups of variables: (i) information sources in financial statements that affect the investment decision-making of shareholders; (ii) effect on decision-making of shareholders of the reputation of managing director and audit firm; (iii) effect on decision-making of shareholders of the financial opinions; (iv) degree of trust that shareholders place on information prepared according to the IASs, especially impairment of assets (IAS 36); and (v) shareholders’ views on the relevance and reliability of accounting information for share investment decisions.

First, financial statement variables referred to earnings per share, profits, dividend yields, share prices, price to earnings ratio and asset size, with the majority of respondents rating them as being of high importance for their decisions in buying, selling, and holding shares. Second, the reputation information included both the reputation of the managing director and the audit firm. The results of this study revealed that the majority of Thai shareholders believed that both
types of reputation information are important for their investment decisions, particularly when buying shares.

Third, financial opinion variables included the auditor’s report, financial opinions from media, and financial opinions from financial advisors and stockbrokers. The majority of respondents believed that the auditors’ reports are important for their share-buying and holding decisions because the independent auditor has signed it. In contrast, the financial opinions from media and advisors and stockbrokers were found to be less useful for shareholders’ investment decisions.

The fourth group of variables related to the degree of trust that shareholders place on information prepared according to the impairment of assets standard, IAS 36. The findings indicated that the majority of respondents agreed that these financial statements prepared based on IAS 36 provided informed accounting information and increased the reliability of accounting information. Furthermore, Thai shareholders also agreed that IAS 36 is suitable for financial reporting circumstances in Thailand, and they understand the context of the IAS 36.

The final group of variables were the qualitative characteristics of accounting information regarding relevance and reliability affecting the decision-making of Thai shareholders including EPS, profits and asset figures reported by an independent auditor, company directors, and prepared under GAAP. Significantly, the results revealed that the majority of respondents rely on EPS, profits and asset figures reported by an independent auditor, and prepared under GAAP.
Moreover, they rely less on EPS, profits and asset figures reported by company directors, who are responsible for the correctness and completeness of financial reports.

The findings also indicated that gender, age, and level of education are influential on shareholders’ investment decision-making. However, the IAS 36 factors including financial statements based on IAS 36, provide more accounting information; IAS 36 increases the reliability of accounting information, and shareholders believed that IAS 36 is suitable for the financial reporting circumstances in Thailand. This perception was not influenced by gender regarding investment decision-making by shareholders.

Semi-structured, in-depth interviews were conducted to gather shareholders’ views for the qualitative component of the study, with ten shareholder interviewees from three large asset-based industries on the Stock Exchange of Thailand. Eighty per cent of these interviewees were male and 20 per cent were female, with 70 per cent aged between 25 and 35 years. Ninety per cent of interviewees held qualifications higher than a bachelor’s degree Almost one-third of interviewees had been trained and employed in accounting and finance areas, with 80 per cent having more than five years’ work experience.

The interviews indicated that 50 per cent of interviewees relied only on themselves when making their investment decisions for buying, selling and holding shares. The shareholders who made their investment decisions by themselves based their decisions on information gathered from newspapers, company websites and useful related websites, including the Stock Exchange
of Thailand, the Securities Exchange Commission, Office of the National Economic and Social Development Board and the Federation of Thai Industries. These are government websites and assumed to be reliable, with information regularly updated for investors.

Shareholders who make investment decisions without professional help tended to have investment knowledge based on the experience of both working and teaching in the areas of accounting and finance, which helped them to analyse data. This finding revealed that personal experience in finance and accounting influenced the investment decisions of Thai shareholders.

In contrast with shareholders who made investment decisions by themselves, the remaining 50 per cent of interviewees suggested that they rely on both their judgement and consultations with their professional finance advisors or stockbrokers to gain in-depth information and company news. These shareholders believed that these consultations were useful and helped them to be more confident when making investment decisions. One participant suggested that owing to working in the area of information technology rather than business, financial advisors or stockbrokers were found to be useful, and provided adequate information for share investment decision-making.

Furthermore, shareholders were of the view that the information in financial reports provided by a company would assist them in making informed decisions about a company because the financial statements have been prepared according to the IASs especially the impairment of asset standard. The interview results revealed some reasons why shareholders
assumed that financial reports prepared under IAS 36 were reliable. The first reason is that this
standard was accepted and widely available, according to the informants. Secondly,
independent auditors have “signed them off”. Thirdly, to understand the context of IAS 36,
useful websites, for example, IAS Plus and the Stock Exchange of Thailand, provide affirmative
information and summaries of this standard as well as its objectives and interpretations, which
assist shareholders in making informed decisions. Fourthly, information in financial reports
prepared under IAS 36 assists shareholders to predict and forecast a company’s growth because
the companies’ asset have been revaluing every year and will affect the company ‘share price
which also assist shareholders making shares investment decisions.

Further to this, shareholders believed that accounting information prepared according to
IAS 36 represented faithfulness, and increased the reliability and fairness of financial
statements. The accurate asset values provide relevant information for shareholders when
making investment decisions about the company.

Shareholders’ investment decisions were influenced by the reputation of both international
and Thai audit firms, which signed off on company financial reports. The interviews revealed
that the majority of participants agreed that international audit firms would be more reliable
than Thai audit firms. There are three main reasons for respondents’ support of international
audit firms. First, as international audit firms recruit experienced and high-quality accountants,
shareholders preferred the use of these international auditors because shareholders pay
attention to the levels of professional experience, business knowledge and industry expertise as
well as the knowledge of the firm’s staff. Second, due to international audit firms having audit
professionals with experience in auditing standards, their financial reports are assumed to be acceptable and reliable. As a result, they can attract foreign investors who fully understand the need for reliable financial information. Finally, a positive relationship between a particular Thai company and a Thai audit firm may, in fact, distort the accurate presented in the financial reports; the independent audit may be impaired, and that influences the investment decision-making process. This is the opinion of the interviewee who believed that a positive relationship between a Thai company and a Thai audit firm might distort the accurate in the financial reports, and the independent audit may be impaired.

On the other hand, shareholders who had confidence in Thai firms suggested that Thai audit firms more readily understand and communicate their financial reports in ways or styles that are clear, and they value the circumstances of the local rather than the international environment.

Survey and interview respondents agreed that other factors in financial reports also influence the investment decisions of shareholders. There are items on a company’s income statement and balance sheet, for example: return on assets, return on equity, dividend yield and share price, fundamental and technical analyses, which evaluate the income statement and balance sheet, corporate governance, corporate social responsibility, the chairperson’s and director’s report and statement; announcements on the environment and policies, and the change of scope of company operations.
The stock market was obviously affected in line with stock markets around the world. As financial markets in the advanced economies experienced liquidity crunches, there was a massive liquidation of liquid investment assets in the emerging markets and a massive outflow of capital. Fortunately, Thailand had more than sufficient foreign reserves to cover for this capital outflow, and depreciation pressures on the exchange could be managed fairly easily (Sussangkarn and Jitsuchon, 2009). Therefore, the informants and no stage referred to any concerns about the global financial crisis so this issue was not a key topic. The question was not raised despite an expectation that the informants would raise this issue, but they did not despite a worldwide reduction in share prices.

8.4 Contribution to Knowledge and Implications of the Study

This study provides, for the first time, an investigation and analysis of the influences on the decision-making of shareholders in Thailand. A key finding was that the majority of Thai shareholders (57.9 per cent) depended on the financial statement prepared according to IAS 36 for investment decision-making. Given the paucity of research in this area, this study provides a significant contribution to knowledge through providing insights into the effects on shareholders’ decision-making in industries that have a large asset base. The thesis further contributes to the international accounting literature on the relevance and reliability of accounting information on the decision-making of shareholders in Thailand, and may be extended to other countries in South East Asia. The findings in this study provide implications for three broad perspectives as follows: the theoretical perspective, the Stock Exchange of Thailand perspective and the standard-setters’ perspective. Each of these will now be discussed in greater detail.
8.4.1 Theoretical perspective

The thesis was based on accountability and stakeholder theories, which are designed to improve the quality of accounting information and auditing that influences the decision-making of shareholders in large asset-based industries in Thailand.

Accountability theory focuses on the relationship between a company and users of its annual reports including shareholders and other stakeholders, with the amount of information revealed being dependent on the terms of that relationship and the level of transparent integrity (Owen et al. 1987, cited in Drever et al. 2007).

Brenner and Cochran (1991 p. 452) claimed that the two major purposes for the stakeholder theory of the firm were to describe how organisations operate, and to help predict productive outcomes. Freeman (2011 p. 53) defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s purpose”.

Phillips (2003) identified stakeholders as “any individual or group that is the legitimate object of managerial attention” (p. 25). By this definition, shareholders are the stakeholders of a company because they support the financial and legitimate shareholding of company shares (Shleifer & Vishny, 1997).
The adoption of accountability theory and stakeholder theory in this study is useful in understanding how shareholders in large asset-based industries make their investment decisions by identifying: rates of return, earnings per share and other factors in financial reports that influence their decision-making. Furthermore, this thesis fills a gap that existed in the broader international accounting literature by investigating whether the adoption of the IAS 36 is associated with the decision-making of individual company shareholders.

8.4.2 The Stock Exchange of Thailand perspectives

This research identified implications for the Stock Exchange of Thailand. In 2008, there were 689,774 shareholders of 476 listed companies in the Stock Exchange of Thailand (SET 2008). The findings in this study demonstrated that company financial reports that are prepared in agreement with IASs and that follow the SET regulations are perceived as relevant and reliable, and as a result, shareholders use company financial reports to make share investment decisions in the stock market. The two main aspects that concern shareholders when making decisions are company corporate governance, and appropriate monitoring systems for investor protection by the SET, including information disclosure and equal accessibility.

The findings in this study reveal that Thai shareholders use information in financial reporting when making share investment decisions in the Stock Exchange of Thailand. Information in income statements and balance sheets, which shareholders analyse using fundamental and technical as well as other factors, for example, corporate governance and corporate social responsibility policies or practices, are important for their investment decisions. The listed
companies need to prepare and publish their financial statements with integrity, accuracy, and timely accessibility to shareholders and other stakeholders. In addition, the auditors must be independent and their comments neutral, which may not be beneficial to the company. The perceived reliability of the auditors’ reports influenced Thai individual shareholder’s decisions to invest in the Stock Exchange of Thailand.

### 8.4.3 Standard-setter’s perspectives

Evidence presented in this study, based on the survey and interviews, indicated that Thai shareholders believed that financial reports prepared under IASs, particularly IAS 36, increased the reliability of accounting information and thus met the needs of a significant number of shareholders. There are two viewpoints which need to be considered by the standard-setters. First, the IASB standards appear to be relevant to a capitalistic developing country such as Thailand, which has established capital markets dominated by private investors and equity capital (Srijunpetch 2004), and may be transferable to other ASEAN countries.

Second, the results of this study have revealed that the majority of respondents believe that IAS 36 is suitable for Thai financial reports. To achieve the accounting conceptual framework objectives, IASs should assist shareholders and investors with their investment decisions. In other words, the standard-setters should, in financial reports, provide IASs which are simple to interpret and understand by the preparers of financial reports.
8.5 Limitations of the Study

There are three main limitations of this study. The first limitation is that this study investigates the influence of IAS 36 on the decision-making of shareholders investing in three specific industries in Thailand. It may be useful to investigate the perceptions of decision-making by shareholders of other standards, and to compare them, to detect any differences in their perceptions about the sources of information when making their informed decisions. Although only one standard has been investigated in this work, this standard is considered important. To comply with IAS 36, companies need to revalue their assets annually to ensure that the book value does not exceed its recoverable amount. Otherwise, the asset may be impaired. The measuring of assets’ values is essential as noted in Chapter 1 because shareholders partly make their investment decisions on the level of earnings per share, which are dependent on the net profit of the business. These decisions may be affected by the calculation of related expenses, which are based on the impairment of assets standard. Therefore, this will influence the decision-making by shareholders.

The second limitation of the study is the limited sample size. The present study investigates the investment decision-making of shareholders in Thailand in only three of the eight large asset-based industries (Resources, Industrials, and Property and Constructions) listed on the Thai Stock Exchange. It may be that the results of the present study cannot be generalised to other industries, despite these three industries representing 53 per cent of the market capitalisation of listed companies in the Stock Exchange of Thailand in 2008. Therefore, individual shareholder investment decision-making in all eight industries in the SET should be
investigated. This would mean extending the research to include the Financial, Technology, Services, Agricultural and Food industries, and Consumer Products industries.

The third limitation of this thesis that it is investigates the investment decision-making of shareholders only in Thailand, thereby raising questions regarding “generalisability” regarding sources of information. The perceptions and expectations of shareholders in Western and Eastern regions and developed and developing countries may vary.

8.6 Recommendations for Future Research

The limitations of the present study provide opportunities for further research.

Firstly, this study focused on the investment decision-making of shareholders on the adoption of IAS 36, which is only one standard of the total of 41 which make up the entire IASs. Future research could extend to other IASs, which might reveal other findings. The IASs document is a comprehensive set of accounting standards specifically developed for use in countries throughout the world, and the IASB develops IASs through an international process that involves the preparers and users of financial reports. Moreover, this process helps to ensure that IASs are high-quality standards and acceptable to users, preparers, and auditors of financial reports (Srijunpetch 2004). Therefore, IASs are accepted for cross-border stock exchange listings (IOSCO 2000).
Secondly, the study could be extended to confirm whether or not the results can be generalised beyond the selected three large asset-based industries to all eight industry groups making up the Stock Exchange of Thailand. The findings of this study may have been different if all eight industries had been included, a broader range of shareholders had been selected, or the response rate had been higher. However, as previously stated, there are strong justifications for believing that the findings from this thesis conducted in three large asset-based industries may have more general application to other industries in the Stock Exchange of Thailand.

Finally, because this thesis determines only the experiences and perceptions of shareholders in the Thai context, a further suggestion for future study is that research could be undertaken to ascertain the transferability of the findings from the present Thai study to other countries in South East Asia. Future research may include a comparison between the investment decision-making of Thai shareholders and shareholders in other South East Asian countries, and perhaps in Western countries, to understand the influence of IASs especially the impairment of assets standard (IAS 36).

**8.7 Summary**

In this chapter, the influence on shareholders’ decision-making of the adoption of the revised standard on the measurement of assets (IAS 36) and other factors that influence investment decision-making by shareholders in 204 listed companies in large asset-based industries in the Stock Exchange of Thailand was considered. Investment decisions refer to share-buying, selling and holding decisions. The findings show that the sources of information
that shareholders rated as most important when making investment decisions ranked as follows: financial statements, both income statements and balance sheets; relevance and reliability of accounting information; the reputation of audit firms and managing directors; financial opinions from stockbrokers, advisors and media; and, financial reports prepared in accordance with the impairment of assets standard (IAS 36).

The results of this study contribute towards achieving a greater understanding of individual Thai shareholders’ use of accounting information in company financial statements when making their investment decisions in the Stock Exchange of Thailand. These financial statements, which were prepared in accordance with IASs (especially IAS 36), provided relevant and reliable accounting information. This has been undertaken, as the findings of this research show that over half the respondents commented on IAS 36. This study also contributes to the types of reports and information that investors require, and may have some impact on the SET and companies to provide more useful information to potential investors.

This study is significant because its findings will affect a large number of shareholders in their investment decision-making. In Thailand the number of shareholders has increased significantly; 600,000 individual shareholders were investing in 651 listed companies in 2013 (SET 2013). The results of this thesis, which are based on accountability theory and stakeholder theory, hope to make a modest contribution in the field to boost the quality of accounting information and auditing standards, which will inevitably enhance the decision making of shareholders in the big asset-based industries in Thailand.
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Covering Letter (English Version)

17 June 2009

Dear Shareholder,

I am currently conducting research entitled “Adoption of International Accounting Standards in Thailand: Influence on Decision-Making of Shareholders in Large Asset Based Industries”. This research is part of my Doctor of Philosophy.

The main purpose of this research project is to contribute to providing insights into the effect on shareholders’ decision making in industries that have a large asset base after these companies adopted International Accounting Standards (IASs) especially in the impairment of assets (IAS 36). The questions provide you with an opportunity to state your views on these issues. This survey attempts to cover some of the many factors that may affect your investment in shares. All of your opinions provide useful information about what individual Thai shareholders think about investing in shares according to impairment of assets standard.

You have been randomly selected to participate in this project. Whilst your cooperation is completing this survey is valued, your participation is voluntary. All responses will be confidential, and individual responses will not be identified. The results in aggregate will be contained in a dissertation and it is intended to be published in professional and academic journals.
The success of the project depends on your participation and I look forward to receiving your completed survey by the end of July 2009. Please feel free to respond and return the completed survey directly to me in the stamped addressed envelope enclosed. If you have any queries please do not hesitate to contact me.

Thank you for your co-operation.

Yours faithfully,

Chutiya Kanthapanit

PhD Candidate

Supervisor
Covering Letter (Thai Version)

17 มิถุนายน 2552

เรียนท่านผู้ถือหุ้น

ดิฉันชุติญาคันธพนิตก กำลังศึกษาระดับปริญญาเอกภาควิชาการบัญชีณประเทศออสเตรเลียขณะนี้ ดิฉันกำลังทาวิจัยในหัวข้อเรื่องการปรับใช้มาตรฐานการบัญชีระดับสากลในประเทศไทยที่มีอิทธิพลต่อกำลังคืนของผู้ถือหุ้นในกลุ่มอุตสาหกรรมที่มีสินทรัพย์ขนาดใหญ่ในตลาดหลักทรัพย์แห่งประเทศไทยที่ได้ปรับใช้มาตรฐานการบัญชีระดับสากลในการเสนอข้อมูลต่อการเงินของบริษัทโดยเฉพาะเรื่องมาตรฐานการบัญชีฉบับที่ 36 เรื่องการลดค่าของสินทรัพย์ที่ดำเนินการลดค่าสินทรัพย์ในแบบสราวุธวิจัยในแบบสราวุธวิจัยเรื่องการลดค่าของสินทรัพย์ที่ดำเนินการลดค่าสินทรัพย์ในตลาดหลักทรัพย์แห่งประเทศไทยและซึ่งจะทำให้ทราบถึงผลกระทบจากการปรับใช้มาตรฐานการบัญชีระดับสากลเรื่องการลดค่าของสินทรัพย์ที่ดำเนินการลดค่าสินทรัพย์ผู้ถือหุ้นในประเทศไทย

ดิฉันขอความกรุณาจากท่านเข้าร่วมโครงการวิจัยในครั้งนี้การตอบแบบสราวุธวิจัยของท่านจะเป็นประโยชน์และมีส่วนต่อการศึกษาเป็นอย่างมากผลตอบของท่านจะถูกบันทึกลงเป็นความถูกต้องและไม่มีการเปิดเผยข้อมูลใดๆที่อ้างอิงถึงตัวท่านในรายงานวิจัยในวารสารทางวิชาการได้รับการปกป้องและจะไม่ถูกใช้ในการสนับสนุนการวิจัยในหัวข้อการลดค่าของสินทรัพย์ที่ดำเนินการลดค่าสินทรัพย์ของท่านจะได้รับแบบสราวุธวิจัยอย่างที่ระบุไว้ในแบบสราวุธวิจัย

ความสำเร็จของโครงการนี้ขึ้นอยู่กับความร่วมมือของท่าน กรุณาตอบแบบสราวุธวิจัยอย่างที่ระบุไว้ในแบบสราวุธวิจัยwei 17มิถุนายน 2552 หากท่านมีข้อสงสัยในการตอบแบบสราวุธวิจัย กรุณาติดต่อท่านผ่านโทรศัพท์ 08 5177 1286 หรือติดต่อผ่านทาง Email: chutiya.kanthapanit@live.vu.edu.au.

ขอขอบพระคุณในการให้ความร่วมมือในการตอบแบบสราวุธวิจัย

ด้วยความเคารพอย่างสูง

ชุติญา คันธพนิต
nักศึกษาปริญญาเอก
Supervisor
SURVEY

แบบสำรวจ

ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS IN THAILAND: INFLUENCE ON DECISION MAKING OF SHAREHOLDERS IN LARGE ASSET-BASED INDUSTRIES

การปรับใช้มาตรฐานการบัญชีระดับสากลในประเทศไทยที่มีอิทธิพลต่อการตัดสินใจของผู้ถือหุ้นส่วนบุคคลในอุตสาหกรรมที่มีสินทรัพย์ขนาดใหญ่

INSTRUCTIONS FOR COMPLETING THIS SURVEY

คำแนะนำในการกรอกแบบสำรวจ

1. Please answer all the survey questions to the best of your ability.

กรุณาตอบคำถามทุกข้อที่ท่านจะสามารถทำได้

2. We welcome any additional comments in the space provided at the end of the survey.

ท่านสามารถเสนอความคิดเห็นของท่านในหน้าสุดท้ายของแบบสำรวจที่เตรียมไว้ได้

3. Please place the completed survey in the enclosed reply-paid envelope and return it at your earliest convenience.

หลังจากตอบแบบสำรวจแล้ว กรุณาจัดส่งแบบสำรวจไว้ในซองที่แนบมาพร้อมนี้ทางไปรษณีย์ที่บ้านและส่งให้ทันเวลาที่ท่านสะดวก
4. If you are under 21 please ignore this survey and return in the enclosed reply-paid envelope and return it at your earliest convenience.

หากท่านอายุน้อยกว่า 21 ปี กรุณาส่งแบบสำรวจให้ในซองนี้และส่งผ่านไปรษณีย์ที่แนบมาพร้อมนี้ทางไปรษณีย์

Thank you for supporting this research project

ขอบคุณที่สนับสนุนโครงการวิจัยนี้
DEFINITION

INDIVIDUAL SHAREHOLDER

The individual persons who hold shares in his/her own name.

DECISION MAKING

The decision to buy, sell and hold shares by shareholders.

LARGE ASSET-BASED INDUSTRIES

The companies are in resources; industrials; and, property and construction industries that represent 53 per cent of the market capitalisation of listed companies in the Stock Exchange of Thailand (SET).
IMPAIRMENT OF ASSETS (INTERNATIONAL ACCOUNTING STANDARD: IAS 36)

การด้อยค่าของสินทรัพย์ (มาตรฐานการบัญชีระหว่างประเทศฉบับที่36)

The asset was impaired if the carrying amount higher than the recoverable amount.

สินทรัพย์จะเกิดการด้อยค่าเมื่อจานวนซึ่งมูลค่าตามบัญชีของสินทรัพย์สูงกว่ามูลค่าที่คาดหวังจะได้รับคืนจากสินทรัพย์นั้น
Section A: This section contains questions about your shares ownership

1. In which industry do you hold shares?

เป็นอุตสาหกรรมใดที่มีการถือหุ้น?

- Resources
- Industrials
- Property and Construction

2. In how many companies do you directly hold shares in the industry identified in 1 above?

จำนวนบริษัทที่มีการถือหุ้นในอุตสาหกรรมตามข้อ 1 (กรุณาเลือกเฉพาะข้อเดียว)

- 1
- 2 – 3
- 4 – 10
- Over 10

3. How have you received your shares? (Please tick as many as appropriate)

วิธีการรับหุ้น

- Purchased on the stock market
- Purchased through the marketing (stockbroker)
- Inherited or received as a gift
- Received through employee stock option program
- Others (please specify)
4. Do you have investments in any others assets? *(Please tick as many as appropriates)*

สินทรัพย์อื่นหรือหลักทรัพย์อื่นที่ท่านลงทุน นอกจากการลงทุนในหุ้นได้แก่อะไรบ้าง?

- [ ] Home
- [ ] Debentures
- [ ] Mutual Funds

บ้าน หุ้นกู้ กองทุนรวม

- [ ] Property Trusts
- [ ] Investment Property
- [ ] Others (please specify)...

กองทุนอสังหาริมทรัพย์เพื่อการลงทุนอื่นๆ (โปรดระบุ)............

5. The decision to buy, sell or hold shares is usually made by?

ท่านตัดสินใจซื้อ ขาย หรือถือหุ้นด้วยวิธีการใด?

- [ ] Myself
- [ ] Myself in consultation with financial advisor or marking/stockbroker
- [ ] Financial advisor or following stockbroker’ investment plan
- [ ] Others (please specify).................................

อื่นๆ (โปรดระบุ)................................................
Section B: This section contains the degree of trust that shareholders place on the information that is prepared according to IASs, especially on an impairment of assets (IAS 36).

ส่วน B: ประกอบด้วยระดับความเชื่อถือที่ผู้ถือหุ้นมีต่อข้อมูลทางการบัญชีที่อ้างอิงมาตรฐานการบัญชีระหว่างประเทศโดยเฉพาะระดับมาตรฐานการบัญชีฉบับที่ 36 การตัดค่าสินทรัพย์

Please circle a number for each statement to indicate the extent of your agreement.

กรุณาวงกลมตัวเลขที่กำหนดไว้ในแต่ละข้อความที่ท่านเห็นว่าเหมาะสม

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutra</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>ข้อความ</td>
<td>No opinion</td>
<td>No opinion</td>
<td>No opinion</td>
<td>No opinion</td>
<td>No opinion</td>
</tr>
</tbody>
</table>

6. Financial statement prepared from the adopted IAS 36 provided more information for my investment decision making

6. งบการเงินที่เตรียมโดยอ้างอิงจากมาตรฐานการบัญชีฉบับที่ 36 ให้ข้อมูลที่มีประโยชน์ต่อการตัดสินใจในการลงทุน

7. I believe that adopting of IAS 36 increases the reliability of financial reporting

7. ฉันเชื่อว่าการดำเนินการบัญชีตามมาตรฐานการบัญชีฉบับที่ 36 ทำให้ข้อมูลทางการเงินที่มีความน่าเชื่อถือมากขึ้น

1 2 3 4 5
8. IAS 36 is suitable for financial reporting circumstances in Thailand

maalavikamahattheturiyatho 36 hame saksakaparadhakam

ขอรายงานการเงินในประเทศไทย

9. I understand the context of IAS 36

thamhaxgobimatho malavikamahattheturiyatho 36

10. Which group of an audit firm is important when making your investment decision?

Bbivathavathavibhahikhiyatho gilamu jexi thamhaxkham ywum fahmajmahayathyo cot garatr vahdud innov

☐ A major international audit firms i.e. the big four audit firms (PricewaterhouseCoopers, KPMG, Deloitte Touché Tohmatsu and, Ernst & Young).

Bbivathavathavibhahikhiyatho dawvegha yatho ywum fahmajmahayathyo cot garatr vahdud innov gilamu janbeh bivathavathavibhahikhiyatho thamhaxgobimatho 4

(PricewaterhouseCoopers, KPMG, Deloitte Touché Tohmatsu (in and Ernst & Young))

☐ Thai owner audit firms.

Bbivathavathavibhahikhiyatho janbeh ywum thamhaxgobimatho

☐ Others (please specify) .................................................................

Dhamanu (pikyatho) ........................................................................
Section C: This section asks your views on the relevance and reliability of accounting information for share investments.

ส่วนC: ประกอบด้วยคำถามที่เกี่ยวกับความคิดเห็นของท่านต่อความถูกต้องและความน่าเชื่อถือของข้อมูลทางบัญชีที่มีผลต่อการตัดสินใจลงทุน

Please circle a number for each statement to indicate the extent of your agreement.

กรุณากรอกตัวเลขที่กำหนดไว้ในแต่ละข้อความที่ท่านเห็นว่าเหมาะสม

<table>
<thead>
<tr>
<th>Statements</th>
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<th>Disagree</th>
<th>Neutral</th>
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<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>ข้อความ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ไม่เห็นด้วย</td>
<td>ไม่เห็นด้วย</td>
<td>ปานกลาง</td>
<td>เห็นด้วย</td>
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<tr>
<td>ถูกต้องตามที่ควร</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

11. I can rely on the profit (earnings or rate of return) for decision making because:

ท่านเห็นว่าก้าไรรายได้หรืออัตราผลตอบแทนของบริษัทมีผลต่อการตัดสินใจลงทุนเนื่องจาก

11.1 They have been reported by an independent auditor as presented fairly in all material respects

ข้อมูลได้รับการรายงานว่าถูกต้องตามที่ควรในสาระสำคัญโดยอิสระของผู้สอบบัญชี

11.2 They have been reported by the directors who is responsible for
the correctness and completeness of financial report

ข้อมูลได้รับการตรวจสอบความถูกต้องและความถ้วน
โดยผู้บริหารของบริษัท

11.3 They have been prepared under generally accepted accounting principles (GAAP)

ข้อมูลถูกจัดทำภายใต้หลักการบัญชีที่รับรองทั่วไป

12. I can rely on earnings per share (EPS) for decision-making because:

ท่านเห็นว่าก้าไรต่อหุ้นมีผลต่อการตัดสินใจลงทุน

เนื่องจาก

12.1 They have been reported by the directors who is responsible for the correctness and completeness of financial report

ข้อมูลได้รับการตรวจสอบความถูกต้องและความถ้วน
โดยผู้บริหารของบริษัท

Statements

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<tr>
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<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>ไม่เห็นด้วยอย่างยิ่ง</td>
<td>เห็นด้วย</td>
<td>ปานกลาง</td>
<td>ไม่เห็นด้วย</td>
<td>อย่างยิ่ง</td>
</tr>
<tr>
<td>Statements</td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
</tr>
<tr>
<td>------------</td>
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</tr>
<tr>
<td>ข้อความ</td>
<td>ไม่เห็นด้วยอย่างยิ่ง</td>
<td>เห็นด้วย</td>
<td>ปานกลาง</td>
<td>ไม่เห็นด้วย</td>
</tr>
</tbody>
</table>

12.2 They are based on profit figures that have been reported by an independent auditor as presented fairly in all material respects.

12.3 They are based on profit figures reported as presented fairly, in all material respects, under GAAP by independent auditor.

13. I can rely on asset figures for decisions about share investment because:

ท่านเห็นว่าโครงสร้างของสินทรัพย์มีผลต่อการลงทุน.
<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly</th>
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<th>Neutral</th>
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<th>Strongly</th>
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</thead>
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<td>ปานกลาง</td>
<td>เห็นด้วย</td>
<td>อย่างยิ่ง</td>
</tr>
</tbody>
</table>

เนื่องจาก

13.1 They have been reported by an independent auditor as presented fairly in all material respects 1 2 3 4 5

ข้อมูลได้รับการรายงานว่าถูกต้องตามที่ควรในสาระสำคัญโดยผู้สอบบัญชีรับอนุญาต

13.2 They have been reported by the directors who is responsible for the correctness and completeness of financial report 1 2 3 4 5

ข้อมูลได้รับการตรวจสอบความถูกต้องและครบถ้วนโดยผู้บริหารของบริษัท

13.3 They have been prepared under GAAP 1 2 3 4 5

ข้อมูลถูกจัดทำภายใต้หลักการบัญชีที่รับรองทั่วไป
Section D: This section deals with your views about your use of information for investment decision making (buying, selling or holding shares).

14. Please circle the importance of the following statements that affect your decision in buying shares.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Not Important</th>
<th>Low Importance</th>
<th>Some Importance</th>
<th>Moderate Importance</th>
<th>High Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.1 Earning Per Share (EPS)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14.2 Profit or rate of return</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14.3 Dividend yield</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14.4 Share price</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14.5 Price earnings ratio</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14.6 Asset ratio</td>
<td>1</td>
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<td>3</td>
<td>4</td>
<td>5</td>
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<td>----------------</td>
</tr>
<tr>
<td>อัตราการหมุนของสินทรัพย์</td>
<td>ไม่สําคัญ</td>
<td>สําคัญเล็กน้อย</td>
<td>สําคัญบางส่วน</td>
<td>สําคัญ</td>
<td>สําคัญมาก</td>
</tr>
</tbody>
</table>

14.7 Gearing ratio (Debt to equity ratio)

1 2 3 4 5

อัตราส่วนหนี้สินต่อทุน

14.8 Reputation of managing director

1 2 3 4 5

ชื่อเสียงของกรรมการผู้จัดการ

14.9 Reputation of audit firm

1 2 3 4 5

ชื่อเสียงของบริษัทตรวจสอบบัญชี

14.10 Auditors report

1 2 3 4 5

รายงานของผู้สอบบัญชีรับอนุญาต

14.11 Financial opinions from media

1 2 3 4 5

ความเห็นทางการเงินจากสื่อ

14.12 Financial opinions from financial advisor/stockbroker

1 2 3 4 5

ความเห็นทางการเงินจากที่ปรึกษาทางการเงินหรือเจ้าหน้าที่การตลาด

14.13 Others

(please specify)........
15. Please circle the importance of the following statements that affect your decision in selling shares.

กรุณาให้ความเห็นในข้อความดังต่อไปนี้ที่มีอิทธิพลต่อการตัดสินใจขายหุ้นของท่าน

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<tr>
<td>15.1 Decrease in Earning Per Share</td>
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<td>2</td>
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</tr>
<tr>
<td>15.2 Decrease in Profit or rate of return</td>
<td>1</td>
<td>2</td>
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<td>15.3 Decrease in dividend yield</td>
<td>1</td>
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<tr>
<td>15.4 Decrease in dividend payout ratio</td>
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<td>การลดลงของอัตราการจ่ายเงินปันผล</td>
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<td>15.5 Decrease in price earnings ratio</td>
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<td>15.6 Unexpected change in share price</td>
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<td>การลดลงอย่างมีนัยสําคัญของสินทรัพย์</td>
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<td>15.7 Significant write down in assets</td>
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<td>15.8 Sudden departure of managing director</td>
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<td>การเปลี่ยนแปลงจากไปอย่างรวดเร็วของกรรมการ</td>
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<td>15.9 Change of audit firm</td>
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<td>15.10 An adverse audit report</td>
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<td>การเเก้ไขรายงานการสอบบัญชีของผู้สอบบัญชี</td>
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<td>15.11 Adverse opinions from financial media</td>
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<td>15.12 Press release from</td>
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<td>company of downturn in profit forecasts</td>
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<td>รายงานคาดการณ์การลดลงของกําไรของบริษัท</td>
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<td>งดสิ้น</td>
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<td>15.13 Sell advice from</td>
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<td>adviser/stockbroker</td>
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<td>คำแนะนําให้ขายหุ้นของบริษัทจากที่ปรึกษา</td>
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<td>15.4 Others</td>
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<td>อื่นๆ (โปรดระบุ)...................</td>
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16. Please circle the importance of the following statements that affect your decision in holding the existing share portfolio.

กรุณาให้ความเห็นในข้อความดังต่อไปนี้ที่มีอิทธิพลต่อการตัดสินใจถือหุ้นของท่าน

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<td>กำไรต่อหุ้น</td>
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<tr>
<td>16.2 Profit or rate of return</td>
<td>1 2 3 4 5</td>
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<td>16.3 Dividend yield</td>
<td>1 2 3 4 5</td>
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<td>16.4 Share price</td>
<td>1 2 3 4 5</td>
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<td>16.5 Price earnings ratio</td>
<td>1 2 3 4 5</td>
<td>อัตราส่วนราคาปิดกับกำไรต่อหุ้น</td>
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<tr>
<td>16.6 Asset ratio</td>
<td>1 2 3 4 5</td>
<td>อัตราการหมุนของเงินทุน</td>
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| 16.7 Gearing ratio (Debt to equity ratio) | 1 2 3 4 5 | อัตราหนี้สินต่อบทญ.
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<td>16.8 Reputation of</td>
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<td>managing director</td>
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<td>16.9 Reputation of audit</td>
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<td>firm</td>
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<td>16.10 Auditors report</td>
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<td>16.11 Financial opinions</td>
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<td>from media</td>
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<td>16.12 Financial opinions</td>
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<td>16.13 Others</td>
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Section E: This section contains questions about your personal information (Demography)

Please tick in the appropriate answer.

17. Which gender are you?

_gender?

☐ Male  ☐ Female

18. Which of the following groups represents you?

_อายุ?

☐ Less than 30 years  ☐ 30 – 40 years  ☐ 41 - 50 years

☐ น้อยกว่า30  ☐ 30 – 40 ปี  ☐ 41 – 50 ปี

☐ 51 – 60 years  ☐ More than 60 years
51 – 60 ปี มากกว่า 60 ปี

19. What level of education have you completed?
ระดับการศึกษา?
 Below Bachelor   Bachelor Degree   Master Degree
ต่ำกว่าระดับปริญญาตรี ระดับปริญญาตรี ระดับปริญญาโท
 DBA or PhD   Others (please specify) ..................
ระดับปริญญาเอก อื่นๆ (โปรดระบุ) ........................................

20. Please answer the following questions.

20.1 Do you have formal training in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?
ท่านเคยได้ผ่านการอบรมเกี่ยวกับการบัญชี, การเงิน, การตรวจสอบบัญชี, การวิเคราะห์การลงทุน, การวิเคราะห์ทางการเงินหรือการลงทุนในตลาดหลักทรัพย์หรือไม่?
 Yes   No
ใช่  ไม่ใช่

20.2 Have you been employed in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?
ท่านเคยทำงานเกี่ยวกับการบัญชี, การเงิน, การตรวจสอบบัญชี, การวิเคราะห์การลงทุน, การวิเคราะห์ทางการเงินหรือการลงทุนในตลาดหลักทรัพย์หรือไม่?
 Yes   No
ใช่  ไม่ใช่
If there is anything else that you would like to inform us about the factors that influence your investment decision in shares, please do so as space provided below:

หากท่านมีข้อเสนอแนะหรือข้อแนะนำเกี่ยวกับปัจจัยอื่นๆที่มีอิทธิพลต่อการตัดสินใจลงทุนโปรดเขียนลงในช่องว่างที่เตรียมไว้ด้านล่างนี้

END OF SURVEY AND THANK YOU FOR YOUR TIME

AS CO-OPERATION IN COMPLETING THIS SURVEY

ขอขอบคุณในความร่วมมือของท่าน
Appendix C

Interview Questions

Question 1

Who assists you with your investment decision, when you want to buy, sell or hold your shares?

คำถามในการสัมภาษณ์

Question 2

How do you think financial reports provide useful information? (After the adopted IAS 36)

Question 3

How does the adopted IAS 36 increase the reliability of financial reports when you make your investment decision?
รายงานทางการเงินของบริษัทที่จัดเตรียมโดยอ้างอิงจากมาตรฐานการบัญชีระหว่างประเทศเรื่องการตัดสินของ

สินทรัพย์มีความน่าเชื่อถือต่อการตัดสินใจลงทุนของท่านอย่างไร?

Question 4

How has your choice of investment decision being affected by the name of the audit firm, which signs the financial reports?

บริษัทตรวจสอบบัญชีกลุ่มหรือบริษัทใดที่ท่านเห็นว่ามีความสําคัญต่อการตัดสินใจลงทุนของท่าน?

Question 5

When you make your investment decision: Do you rely on profitability announcements by the companies? such as:

การตัดสินใจลงทุนของท่านขึ้นอยู่กับการประกาศกําไรหรือผลตอบแทนของบริษัทหรือไม่?เช่น:

Rate of return/อัตราผลตอบแทน

Earnings per share (EPS)/กำไรต่อหุ้น

Dividend yield/อัตราเงินปันผล

Share price/ราคาหุ้น

Gearing ratios/อัตราหนี้สินต่อทุน
Asset figures/ระดับของสินทรัพย์

Others/อื่นๆ

In addition, when you make your investment decision do you rely on other items?

การตัดสินใจลงทุนของท่านขึ้นอยู่กับปัจจัยอื่นๆหรือไม่?

Reputation of audit firm/managing director of the company/ชื่อเสียงของบริษัทตรวจสอบบัญชีหรือ

ชื่อเสียงของกรรมการผู้จัดการบริษัท

Financial opinions from media/ความเห็นทางการเงินจากสื่อต่างๆ

Others/อื่นๆ

Question 6

When you make your investment decision what other factors do you take into consideration?

For example: Manager Reputation, financial reviews, company announcements environmental issues

or any other issues that you consider as affecting your investment decisions.

ปัจจัยอื่นๆอะไรบ้างที่ท่านใช้พิจารณาในการตัดสินใจลงทุน?

ตัวอย่างเช่นชื่อเสียงของกรรมการบริหาร,การเสนอข้อมูลทางการเงิน,การรายงานผลการทําสิ่งแวดล้อมของ

บริษัทหรือปัจจัยอื่นๆที่มีผลต่อการตัดสินใจลงทุนของท่าน.
Question 7

Finally, ask about your personal information (Demography)

คำถามสุดท้ายเกี่ยวกับข้อมูลส่วนตัวของผู้เข้ารับการสัมภาษณ์

7a. which gender are you?

เพศ?

7b. What is age represent you?

อายุ?

7c. what level of education have you completed?

ระดับการศึกษาสูงสุด?

7d. Do you have formal training in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?

ท่านเคยได้รับการอบรมเกี่ยวกับการบัญชี, การเงิน, การตรวจสอบบัญชี, การวิเคราะห์การลงทุน, การวิเคราะห์ทางการเงินหรือการลงทุนในตลาดหลักทรัพย์หรือไม่?

7e. Have you been employed in a job in which you became familiar with accounting, finance, auditing, investment analysis, financial analysis or stock market investing?

ท่านเคยทำงานในงานที่รับรู้เกี่ยวกับการบัญชี, การเงิน, การตรวจสอบบัญชี, การวิเคราะห์การลงทุน, การวิเคราะห์ทางการเงินหรือการลงทุนในตลาดหลักทรัพย์หรือไม่?
ท่านเคยทำงานเกี่ยวกับการบัญชี, การเงิน, การตรวจสอบบัญชี, การวิเคราะห์การลงทุน, การวิเคราะห์ทางการเงินหรือการลงทุนในตลาดหลักทรัพย์หรือไม่?
## MEMO

**TO**

**DATE** 02/06/2009

**FROM**
Chair  
Faculty of Business and Law  
Human Research Ethics Committee

**SUBJECT** Ethics Application – HRETH 09/31

Dear

Thank you for resubmitting this application for ethical approval of the project:

HRETH 09/31 Adoption of international accounting standards in Thailand: influence on decision making of shareholders in large asset-based industries

The proposed research project has been accepted and deemed to meet the requirements of the National Health and Medical Research Council (NHMRC) ‘National Statement on Ethical Conduct in Human Research (2007)’, by the Chair, Faculty of Business & Law Human Research Ethics Committee. Approval has been granted from 02/06/2009 to 01/03/2010.

Continued approval of this research project by the University Human Research Ethics Committee is conditional upon the provision of a report within 12 months of the above approval date (by 01/03/2010) or upon the completion of the project (if earlier).

Please note that the Human Research Ethics Committee must be informed of the following: any changes to the approved research protocol, project timelines, any serious events or adverse and/or unforeseen events that may affect continued ethical acceptability of the project. In these unlikely events, researchers must immediately cease all data collection until the Committee has
approved the changes. Researchers are also reminded of the need to notify the approving HREC of changes to personnel in research projects via a request for a minor amendment.

If you have any queries, please do not hesitate to contact me.

On behalf of the Committee, I wish you all the best for the conduct of the project.

Chair

Faculty of Business & Law Human Research Ethics Committee
Appendix E

INFORMATION TO PARTICIPANTS INVOLVED IN RESEARCH

You are invited to participate in a research project entitled “Adoption of International Accounting Standards in Thailand: Influence on Decision Making of Shareholders in Large Asset-Based Industries”.

This project is being conducted by a student researcher Ms Chutiya Kanthapanit as part of a PhD study at Victoria University under the supervision of Dr Stella Sofocleous, and Professor Colin Clark from the Faculty of Business and Law, Victoria University, Australia.

Project explanation

The purpose of this study is to contribute to provide insights into the effect on shareholders’ decision-making in industries that have a large asset base after these companies adopted International Accounting Standards (IASs) especially the impairment of assets (IAS 36) in Thailand.

What will I be asked to do?

You are invited to participate in this project. While your cooperation in interview and completing the questionnaire survey is values, your participation is voluntary. The interview will
consume about 30-35 minutes and the questionnaire survey will take up 15-20 minutes of your time.

What will I gain from participating?

The success of the project depends on your participation, which will provide an important contribution to knowledge through providing insights into the effect on shareholders' decision-making in industries that have a large asset-based in South East Asia.

How will the information I give be used?

Your information provided in the survey will be treated confidentially. You will remain anonymous. Data will be aggregated in only publication and participation in this survey is completely voluntary.

What are the potential risks of participating in this project?

The data will be kept confidential and the survey does not ask the participants to divulge specific instance of problem. The research is non-intrusive and the researchers believe there would be no potential risk. Only aggregated results will be used in the thesis.

How will this project be conducted?

This project is conducted by two stages, the first stage involves structural interviews with the shareholders; nine interviewees will be randomly selected from 194 listed companies in three industries that are large asset base in the Stock Exchange of Thailand (SET).

The second stage uses the survey instrument is based on the insights gained from interviews and relevant literature. A mailing survey will be employed to collect data for this study.
Who is conducting the study?

The study is being conducted under the supervision of the PhD supervisors and the PhD student involved in this study is Ms Chutiya Kanthapanit.

Any queries about your participation in this project may be directed to the Principal Researcher listed above. If you have any queries or complaints about the way you have been treated, you may contact the Secretary, University Human Research Ethics Committee.
Appendix F

CONSENT FORM

FOR PARTICIPANTS

INVOLVED IN RESEARCH

INFORMATION TO PARTICIPANTS:

We would like to invite you to be a part of a study “Adoption of International Accounting Standards in Thailand: Influence on Decision Making of Shareholders in Large Asset-Based Industries.” by Chutiya Kanthapanit for her PhD study to:

Investigate the influence on the adoption of the revised standard on measurement of asset affected by the Impairment of Assets standard (IAS 36) on the investment decision making of shareholders. The goals of this study are:

To identify the association between the adoption of IAS 36 and investment decision making of shareholders;

To investigate the relationship between the asset size and the type of decision making by shareholders;

To investigate the effect on decision making by shareholders of audit firm reputation and the quality of accounting information in terms of the qualitative characteristics of relevance and reliability;

To identify the association between the rate of return and earnings per share of decision making of shareholders; and
To analyse any other factors in financial reports that influence the decision making of shareholders.

The information gathered will improve the quality of accounting information and auditing standards, which will influence the decision making of shareholders. In addition, this study will be useful in assisting shareholders in large asset-based industries to make their investment decisions after the company adopted IAS 36.

CERTIFICATION BY SUBJECT

I, 

of 

I certify that I am at least 18 years old and that I am voluntarily giving my consent to participate in the study: “Adoption of International Accounting Standards in Thailand: Influence on Decision Making of Shareholders in Large Asset-Based Industries”, being conducted at the University.

I certify that the objectives of the study, together with any risks and safeguards associated with the procedures listed hereunder to be carried out in the research, have been fully explained to me by:

Ms Chutiya Kanthapanit

and

that I freely consent to be interviewed by telephone or in person.

I consent to the interview being recorded on audio tape.

☐ Yes       ☐ No (please tick)
I certify that I have had the opportunity to have any questions answered and that I understand that I can withdraw from this study at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential.

Signed:

Date:

Any queries about your participation in this project may be directed to the researcher. If you have any queries or complaints about the way you have been treated, you may contact the Secretary, University Human Research Ethics Committee.
Appendix G

The IFRS Framework addresses (IASB 2010):

- the objective of financial reporting
- the qualitative characteristics of useful financial information
- the reporting entity
- the definition, recognition and measurement of the elements from which financial statements are constructed
- concepts of capital and capital maintenance

The Objective of general purpose financial reporting

The primary users of general purpose financial reporting are present and potential investors, lenders and other creditors, who use that information to make decisions about buying, selling or holding equity or debt instruments and providing or settling loans or other forms of credit. [F OB2]

The primary users need information about the resources of the entity not only to assess an entity’s prospects for future net cash inflows but also how effectively and efficiently management has discharged their responsibilities to use the entity's existing resources (i.e., stewardship). [F OB4]

The IFRS Framework notes that general purpose financial reports cannot provide all the information that users may need to make economic decisions. They will need to consider pertinent information from other sources as well. [F OB6]
The IFRS Framework notes that other parties, including prudential and market regulators, may find general purpose financial reports useful. However, the Board considered that the objectives of general purpose financial reporting and the objectives of financial regulation may not be consistent. Hence, regulators are not considered a primary user and general purpose financial reports are not primarily directed to regulators or other parties. [F OB10 and F BC1.20-BC 1.23]

Information about a reporting entity's economic resources, claims, and changes in resources and claims

Economic resources and claims

Information about the nature and amounts of a reporting entity's economic resources and claims assists users to assess that entity's financial strengths and weaknesses; to assess liquidity and solvency, and its need and ability to obtain financing. Information about the claims and payment requirements assists users to predict how future cash flows will be distributed among those with a claim on the reporting entity. [F OB13]

A reporting entity's economic resources and claims are reported in the statement of financial position. [See IAS 1.54-80A]

Changes in economic resources and claims

Changes in a reporting entity's economic resources and claims result from that entity's performance and from other events or transactions such as issuing debt or equity instruments. Users need to be able to distinguish between both of these changes. [F OB15]
Financial performance reflected by accrual accounting

Information about a reporting entity's financial performance during a period, representing changes in economic resources and claims other than those obtained directly from investors and creditors, is useful in assessing the entity's past and future ability to generate net cash inflows. Such information may also indicate the extent to which general economic events have changed the entity's ability to generate future cash inflows. [F OB18-OB19]

The changes in an entity's economic resources and claims are presented in the statement of comprehensive income. [See IAS 1.81-105]

Financial performance reflected by past cash flows

Information about a reporting entity's cash flows during the reporting period also assists users to assess the entity's ability to generate future net cash inflows. This information indicates how the entity obtains and spends cash, including information about its borrowing and repayment of debt, cash dividends to shareholders, etc. [F OB20]

The changes in the entity's cash flows are presented in the statement of cash flows. [See IAS 7]

Changes in economic resources and claims not resulting from financial performance

Information about changes in an entity's economic resources and claims resulting from events and transactions other than financial performance, such as the issue of equity instruments or distributions of cash or other assets to shareholders is necessary to complete the picture of the total change in the entity's economic resources and claims. [F OB21]
The changes in an entity's economic resources and claims not resulting from financial performance is presented in the statement of changes in equity.

Qualitative characteristics of useful financial information

The qualitative characteristics of useful financial reporting identify the types of information are likely to be most useful to users in making decisions about the reporting entity on the basis of information in its financial report. The qualitative characteristics apply equally to financial information in general purpose financial reports as well as to financial information provided in other ways. [F QC1, QC3]

Financial information is useful when it is relevant and represents faithfully what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable. [F QC4]

Fundamental qualitative characteristics

Relevance and faithful representation are the fundamental qualitative characteristics of useful financial information. [F QC5]

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. The predictive value and confirmatory value of financial information are interrelated. [F QC6-QC10]
Materiality is an entity-specific aspect of relevance based on the nature or magnitude (or both) of the items to which the information relates in the context of an individual entity's financial report. [F QC11]

Faithful representation

General purpose financial reports represent economic phenomena in words and numbers, to be useful, financial information must not only be relevant, it must also represent faithfully the phenomena it purports to represent. This fundamental characteristic seeks to maximise the underlying characteristics of completeness, neutrality and freedom from error. [F QC12]

Information must be both relevant and faithfully represented if it is to be useful. [F QC17]

Enhancing qualitative characteristics

Comparability, verifiability, timeliness and understandability are qualitative characteristics that enhance the usefulness of information that is relevant and faithfully represented. [F QC19]

Comparability

Information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date. Comparability enables users to identify and understand similarities in, and differences among, items. [F QC20-QC21]

Verifiability

Verifiability helps to assure users that information represents faithfully the economic phenomena it purports to represent. Verifiability means that different knowledgeable and
independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. [F QC26]

Timeliness

Timeliness means that information is available to decision-makers in time to be capable of influencing their decisions. [F QC29]

Understandability

Classifying, characterising and presenting information clearly and concisely make it understandable. While some phenomena are inherently complex and cannot be made easy to understand, to exclude such information would make financial reports incomplete and potentially misleading. Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information with diligence. [F QC30-QC32]

Applying the enhancing qualitative characteristics

Enhancing qualitative characteristics should be maximised to the extent necessary. However, enhancing qualitative characteristics (either individually or collectively) render information useful if that information is irrelevant or not represented faithfully. [F QC33]

The cost constraint on useful financial reporting

Cost is a pervasive constraint on the information that can be provided by general purpose financial reporting. Reporting such information imposes costs and those costs should be justified by the benefits of reporting that information. The IASB assesses costs and benefits in relation to financial reporting generally, and not solely in relation to individual reporting entities. The IASB
will consider whether different sizes of entities and other factors justify different reporting requirements in certain situations. [F QC35-QC39]

Underlying Assumption

The IFRS Framework states that the going concern assumption is an underlying assumption. Thus, the financial statements presume that an entity will continue in operation indefinitely or, if that presumption is not valid, disclosure and a different basis of reporting are required. [F 4.1]

The Elements of Financial Statements

Financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics. These broad classes are termed the elements of financial statements.

The elements directly related to financial position (balance sheet) are: [F 4.4]

Assets, Liabilities and Equity The elements directly related to performance (income statement) are: [F 4.25]

Income and Expenses

The cash flow statement reflects both income statement elements and some changes in balance sheet elements.

Definitions of the elements relating to financial position

An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. [F 4.4(a)]
A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. [F 4.4(b)]

Equity is the residual interest in the assets of the entity after deducting all its liabilities. [F 4.4(c)]

Definitions of the elements relating to performance

Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. [F 4.25(a)]

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. [F 4.25(b)]

The definition of income encompasses both revenue and gains. Revenue arises in the course of the ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends, royalties and rent. Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity. Gains represent increases in economic benefits and as such are no different in nature from revenue. Hence, they are not regarded as constituting a separate element in the IFRS Framework. [F 4.29 and F 4.30]

The definition of expenses encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity. Expenses that arise in the course of the ordinary activities of the entity include, for example, cost of sales, wages and depreciation. They usually
take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment. Losses represent other items that meet the definition of expenses and may, or may not, arise in the course of the ordinary activities of the entity. Losses represent decreases in economic benefits and as such they are no different in nature from other expenses. Hence, they are not regarded as a separate element in this Framework. [F 4.33 and F 4.34]

Recognition of the Elements of Financial Statements

Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition: [F 4.37 and F 4.38]

It is probable that any future economic benefit associated with the item will flow to or from the entity; and

The item's cost or value can be measured with reliability.

Based on these general criteria:

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. [F 4.44]

A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. [F 4.46]
Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. This means, in effect, that recognition of income occurs simultaneously with the recognition of increases in assets or decreases in liabilities (for example, the net increase in assets arising on a sale of goods or services or the decrease in liabilities arising from the waiver of a debt payable). [F 4.47]

Expenses are recognised when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment). [F 4.49]

Measurement of the Elements of Financial Statements

Measurement involves assigning monetary amounts at which the elements of the financial statements are to be recognised and reported. [F 4.54]

The IFRS Framework acknowledges that a variety of measurement bases are used today to different degrees and in varying combinations in financial statements, including: [F 4.55]

Historical cost, Current cost, Net realisable (settlement) value and Present value (discounted)

Historical cost is the measurement basis most commonly used today, but it is usually combined with other measurement bases. [F. 4.56] The IFRS Framework does not include concepts or principles for selecting which measurement basis should be used for particular
elements of financial statements or in particular circumstances. Individual standards and interpretations do provide this guidance, however.

**The framework of Thai Accounting Standards**

For stakeholders to understand the importance of financial reporting, the SET published the book *Abridged Thai Accounting Standards* (Priebjrivat 2003). This publication effectively summarises all of the Thai Accounting Standards (TAS), their interpretations and guidelines. It also explains the main differences between TAS and International Accounting Standards (IAS) for better understanding and reference (Priebjrivat 2003). ICAAT (TAS)’s Frameworks are based on IASB’s Framework for the preparation and presentation of financial statements with no major differences.

**Scope of the Framework**

The framework does not define standards for any particular measurement or disclosure issue. Its main aim is to ensure that new and existing standards are compliant with agreed conceptual fundamentals (IASC 2000). It deals with: (i) The objective of financial statements; (ii) The qualitative characteristics that make information in financial statements useful; (iii) The definition, recognition and measurement of the basic elements of financial statements; and (ix) Concepts of capital and capital maintenance (IASC 2000).

The Framework addresses the general purpose financial statements that a business entity prepares and presents at least annually to meet the common information needs of a wide range of users external to the entity. Therefore, the Framework does not necessarily apply to special purpose financial reports, such as reports to tax authorities, reports to governmental regulatory authorities, prospectuses prepared in connection with securities offerings, and reports prepared in connection with business combinations (IASC 2000).
**Information Needs of Investors**

The following outlines the information needs of shareholders (IASC 2007): (i) The principal classes of users of financial statements are present and potential investors, employees, lenders, suppliers and other trade creditors, customers, government and their agencies and the general public. All of these categories of users rely on financial statements to help them in decision-making; (ii) The Framework concludes that because investors are providers of risk capital to the entity, financial statements that meet their needs will also meet most of the general financial information needs of other users. Common to all of these user groups is their interest in the ability of an entity to generate cash and cash equivalents and of the timing and certainty of those future cash flows; (iii) The Framework notes that financial statements cannot provide all the information that users may need to make economic decisions. Financial statements show the financial effects of part events and transactions, whereas the decisions that most users of financial statements have to make relate to the future. Further, financial statements provide only a limited amount of the non-financial information need by users of financial statements; (ix) While all of the information needs of these user groups cannot be met by financial statements, there are information needs that are common to all users, and general purpose financial statements focus on meeting these needs; (x) The management of an entity has the primary responsibility for preparing and presenting the entity’s financial statements (IASC 2007).

**The objective of financial statements**

The objective of financial statements is to provide information about the financial position, performance, and changes in financial position of an entity that is useful to a wide range of users in making economic decisions (IASC 2000).
Financial position

The financial position of an entity is affected by the economic resources it controls, its financial structure, its liquidity and solvency, and its capacity to adapt to changes in the environment in which it operates. Information about financial position is primarily provided in the balance sheet (IASC 2000).

Performance

Performance is the ability of an entity to earn a profit on the resources that have been invested in it as a listed entity. Information about the amounts and variability of profits assists in forecasting future cash flows from the entity’s exiting resources and in forecasting potential additional cash flows from additional resources that may be invested in the entity. Information about performance is primarily provided in an income statement (IASC 2000).

Changes in financial position

Users of financial statements seek information about the investing, financing and operating activities that an entity has undertaken during the reporting period. This information helps in assessing how well the entity is able to generate cash and cash equivalents and how it uses those cash flows (IASC 2000).

In constructing a statement of changes in financial positions, funds are defined in various ways, such as working capital, liquid assets or cash. The framework does not specify a definition of funds. Information about changes in financial position is provided in separate financial statements (IASC 2000).
Notes and supplementary schedules

The financial statements also contain notes and supplementary schedules and other information that (a) explains items in the balance sheet and income statement, (b) discloses the risks and uncertainties affecting the entity, and (c) explains any resources and obligations not recognised in the balance sheet (IASC 2007).

Underlying assumptions of Financial Statements

The Framework sets out the underlying assumptions of financial statements:

i. Accrual Basis. The effects of transactions and other events are recognized when they occur, rather than when cash or its equivalent is received or paid, and they are reported in the financial statements of the periods to which they relate (IASC 2000).

ii. Going concern. The financial statements presume that an entity will continue in operation indefinitely or, if that presumption is not valid, disclosure and a different basis of reporting are required (IASC 2000).

Qualitative characteristics of financial statements (in the Framework of Thai Accounting Standards)

These characteristics are the attributes that make the information in financial statements useful for investors, creditors, and others (IASC 2000). Consistent with study by Srijunpetch (2004), with the adoption of IAS standards, TAS appear to be relevant to a capitalistic developing country such as Thailand, which has established capital markets dominated by private investors (shareholders) and equity capital. Compliance with IAS in Thailand prior to harmonisation indicated that Thai companies were complying with IAS in their financial statements but that the levels of disclosure were significantly lower (Tower, Hancock and Kaplin 1999). While this level
of compliance supported the push for harmonisation it also indicated that some companies were not revealing all the relevant information that was expected from IAS (Tower, Hancock and Kaplin 1999).

The Framework identifies four principle qualitative characteristics: (i) Understandability, (ii) Relevance, (iii) Reliability, and (iv) Comparability.

Understandability

Information should be presented in a way that is readily understandable by users who have a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently (IASC 2000).

Relevance

Information in financial statements is relevant when it influences the economic decisions of users by helping them to evaluate the past, present, or the future relating to an entity and confirming past evaluations they have made. Materiality is a component of relevance. Information is material if its omission or misstatement could influence the economic decisions of users. Timeliness is another component of relevance. To be useful, information must be provided to users within the time period in which it is most likely to bear on their decisions (IASC 2000).

Reliability

Information in financial statements is reliable if it is free from material error and bias and can be depended upon by users to represent events and transactions faithfully (IASC 2000). Information is not reliable when it is purposely designed to influence users’ decisions in a particular direction (IASC 2000). There is sometimes a trade-off between relevance and
reliability. Judgment is required to provide the appropriate balance (IASC 2000). To be reliable, information must represent faithfully the transactions and other events it either purports to represent or could reasonably expected to represent (IASC 2000). To represent the information faithfully, it is necessary that the transactions and other events are accounted for and presented in accordance with their substance and economic reality and not merely their legal forms (IASC 2000).

Reliability is affected by the use of estimates and by uncertainties associated with items recognised and measured in financial statements. These uncertainties are dealt with, in part, by disclosure and, in part, by exercising prudence in preparing financial statements (IASC 2000).

Prudence is the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated. However, prudence should only be exercised within the context of the other qualitative characteristics in the Framework, particularly relevance and the faithful representation of transactions in financial statements (IASC 2000). Prudence does not justify deliberate overstatement of liabilities or expenses or deliberate understatement of assets or income, because the financial statements would not be neutral and, therefore, not have the quality of reliability (IASC 2000).

Comparability

Users must be able to compare the financial statements of an entity over time so that they can identify trends in its financial position and performance (IASC 2000). Users must also be able to compare the financial statements of different entities (IASC 2000). Disclosure of accounting policies is essential for comparability (IASC 2000).

The elements of financial statements
Financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics (IASC 2000). The framework defines and describes these elements in detail. To ensure consistency in standard-setting it is necessary to define the relationship between assets, liabilities, equity, income and expenses (IASC 2000). The aim is that accounting standards will clearly identify and explain how an acceptable accounting treatment affects the individual elements in the financial statements (IASC 2000).

The elements directly related to financial positions (balance sheet) are: assets, liabilities, and equity (IASC 2000). The elements directly related to performance (income statement) are: Income and Expenses (IASC 2000). The cash flow statement reflects both income statement elements and changes in balance sheet elements (IASC 2000).

Definitions of the elements relating to financial position

An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity (FAP 2009). A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits (FAP 2009). Equity is the residual interest in the assets of the entity after deducting all its liabilities (FAP 2009).

Definitions of the elements relating to performance

The notion of “income” is represented by increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants (FAP 2009). Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in
decreases in equity, other than those relating to distributions to equity participants (FAP 2009). Since the adoption of IAS 36 (TAS 36 in Thailand) in 1999 the importance of impairment of assets has increased. This standard requires that the accounting number including earnings, dividends and cash flows, are important for business valuation as they are used for companies’ equity valuation (Ullah et al., 2010).

The definition of income encompasses both revenue and gains. Revenue arises in the course of the ordinary activities of an entity (IASC 2000). However, if an asset is deemed to be impaired the expense is raised, which decreases profits and therefore equity, and reduces assets (IASC 2000).

Gains represent other items that meet the definition of income and may (or may not) arise in the course of the ordinary activities of an entity. Gains represent increases in economic benefits and as such are no different in nature from revenue (IASC 2000). The definition of expenses encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity. Losses represent other items that meet the definition of expenses and may (or may not) arise in the course of the ordinary activities of the entity. Losses represent decreases in economic benefits and as such they are not different in nature from other expenses (Priebjrivat 2003; IASC 2000).

Recognition of the elements of financial statements

Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition (Priebjrivat 2003; IASC 2000): (i) it is probable that any future economic benefit associated with the item will flow to or from the entity; and (ii) the item’s cost or value can be measured with reliability. Based on these general criteria (Priebjrivat 2003; IASC 2000):
An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably (IASC 2000). The fair values of assets are reliable when focusing on asset revaluation under GAAP or IAS. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably (IASC 2000).

Income is recognised in the income statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably (IASC 2000). Expenses are recognised when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably (IASC 2000).

Measurement of the elements of financial statements

Measurement involves assigning monetary amounts at which the elements of the financial statements are to be recognised and reported (IASC 2000).

The Framework acknowledges that a variety of measurement bases are used today to different degrees and in varying combinations in financial statements, including: Historical Cost, Current Cost, Realisable (settlement) Value, and Present Value (discounted) (IASC 2000). The existence of a wide variety of acceptable measurements enables inconsistency and therefore ambiguity in financial reports (IASC 2000). The Framework acknowledges this and will select appropriate measurements for certain accounting issues when developing an accounting standard such as impairment of assets (IASC 2000).

Historical cost is the measurement basis most commonly used, but it is usually combined with other measurement bases (IASC 2000). The Framework does not include concepts or
principles for selecting which measurement basis should be used for particular elements of financial statements or in particular circumstances (IASC 2000). This means that it does not prescribe these in the framework but it does adopt an appropriate measurement when developing a standard (IASC 2000).

Impairment of Assets Standard (IAS 36)

According to IASC (2000), the objective of IAS 36 is to prescribe the procedures that an enterprise should apply to ensure that its assets are stated at no more than the recoverable amount. If the asset’s carrying amount exceeds the amount to be recovered through use or sale of the asset, the asset is described as impaired (IASC 2000). Thus, an enterprise should recognise an impairment loss. Furthermore, this standard also specifies when an enterprise should reverse an impairment loss and it prescribes a mechanism which allows certain disclosure for impaired assets (IASC 2000).

According to this standard, the amount of impairment losses recognised (or reversed) in the income statement or directly in equity during the period should be disclosed (IASC 2000, para.113). In addition, if an impairment loss for an individual asset is recognised (or reversed) during the period, an enterprise should disclose the following (IASC 2000):

“The events and circumstances that led to the recognition or reversal of the impairment loss; (i) The amount of the impairment loss recognised or reversed; (ii) Whether the recoverable amount of the asset is its net selling price or is value in use; (iii) If the recoverable amount is net selling price, the basis used to determine net selling price (such as whether selling price was determined by reference to an active market or in some other way); (ix) If recoverable amount is value in use, the discount rate used in the current estimate and previous estimate (if any) of value in use (IACS 2000, para.117).”
The enterprise should assess at each balance date whether there is any indication that an asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the asset (IASC 2000). This means that the enterprise must apply the IAS 36 procedures to ensure that their assets are carried at no more than the amounts expected to be recovered through the use or sale of the assets. Whenever the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount (IASC 2000). Reduction is defined then as an impairment loss (IASC 2000).

The IASC explained that in assessing whether there is any indication that an asset may be impaired, an enterprise should consider (as a minimum) both external and internal sources of information (IASC 2000). The acceptable explanations of these sources are given below.

External sources of information

During the period, if an asset’s market value has declined significantly and more than would be expected as a result of the passage of time or normal use (IASC 2000); (i) significant changes with an adverse effect on the enterprise have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the enterprise operates or in the market to which an asset is dedicated; (ii) The improved technology enabled a particular industry to change significantly which impacted on existing companies; (iii) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset’s value in use and decrease the asset’s recoverable amount materially; (ix) the carrying amount of the net assets of the reporting enterprise is more than its market capitalisation (IAS 2000, para. 36.12).
External sources of information include circumstances where: (i) The market value of an asset has declined significantly; (ii) Negative change in technological, market, economic or legal environment; (iii) Increase in market interest rates which are likely to adversely affect the asset’s value in use; (ix) Entity’s stock price is lower than the carrying amount of the net assets; (IASC 2000, para. 36.12).

Internal sources of information

Evidence is available of obsolescence or physical damage of an asset: (i) significant changes with an adverse effect on the enterprise have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include plans to discontinue or restructure the operation to which an asset belongs or to dispose of an asset before the previously-expected date; and (ii) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected (IASC 2000 para. 96).

With regard to the external and internal sources of information which identify an asset that may be impaired, it is recognised that when assets are impaired the resources of a company will have changed in value, thus it is considered important to inform the users, such as creditors, investors and shareholders, of this change in financial information and to provide them with relevant information (Giannini 2007). In this regard market capitalisation is an impairment indicator, and some enterprises have a market capitalisation that is lower than their net assets, requiring an enterprise to write-down its assets to the extent of this loss, which is a trigger to perform an impairment test (Ernst & Young 2011). As a result, financial statement asset write-downs may provide useful information as to an asset’s value, decline in value, and the significance of the decline, in regard to how it may affect users of the financial information (Giannini 2007). The recognised impairment losses disclosed in any income statement include
net profit and earnings per share on which shareholders rely to make investment decisions (IASC 2000).

Apart from IAS 36 above, Thai Accounting Standard no. 36 Impairment of assets states that to identify an asset that may be impaired the following actions should be taken (Priebjrivat 2003). At each balance date, an entity should assess whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. In assessing whether there is any indication that an asset may be impaired, an entity should consider at a minimum, the following indications (Priebjrivat 2003):

Internal sources of information include circumstances where: (i) Obsolescence of physical damage of an asset; (ii) An asset is part of restructuring or held for disposal before the previously expected date; and (iii) Economic performance of an asset is or will be, worse than expected (IASC 2000, para. 36.13).

An indication that an asset may be impaired may indicate that the asset’s useful life, depreciation method or residual value, may need to be reviewed and adjusted. Further, the standard defines “recoverable amount” as the higher of an asset’s net selling price and value in use (IASC 2000).

Brief Definitions of Terms Used in Relation to IAS 36

According to the IASC (2000), the objective of IAS 36 is to prescribe the procedures that an enterprise needs to apply in order to ensure that its assets are carried at no more than their recoverable amount. IAS 36 also uses the following terms to describe matters covered the standard (IASC 2000, para. 36.6):
“Recoverable amount is the higher of an asset’s net selling price and its value in use. Value in use is the present value of future cash flows expected to be derived from the continuing use of an asset or cash-generating unit (CGU) and from its disposal at the end of its useful life.

Net selling price is the amount obtainable from the sale of an asset or CGU in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Costs of disposal are incremental costs directly attributable to the disposal of an asset but excluding finance costs and income tax expense.

An impairment loss is the amount by which the carrying amount of an asset or CGU exceeds its recoverable amount.

Carrying amount is the amount at which an asset is recognised in the balance sheet after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

Useful life is either:

1. the period of time over which an asset is expected to be used by the enterprise; or

2. the number of production or similar units expected to be obtained from the asset by the enterprise.
A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash flows from continuing use that are largely independent of cash inflows from other assets or groups of assets.

Corporate assets are assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash generating units.

An active market is the market where all the following conditions exist:

1. the items traded within the market are homogeneous;

2. willing buyers and sellers can normally be found at any time; and

3. prices are available to the public (IASC 2000, para. 36.6).”