

TABLE OF CONTENTS

Chapter 1: Introduction	1
Chapter 2: Theoretical Background and Hypothesis Development.....	6
2.1. Summary of Recent Development of Authoritative Guidance on Financial Statement Presentation: Global Trend towards Convergence of Accounting Standards	6
2.1.1. Performance Reporting Statement and Earnings Concepts.....	6
2.1.2. Financial Statement Presentation Project	8
2.1.3. Tentative Preliminary Views on Financial Statement Presentation	12
2.1.3.1. Statement of Comprehensive Income.....	16
2.1.3.2. Statement of Financial Position.....	20
2.1.3.3. Statement of Changes in Owners' Equity.....	21
2.1.3.4. Statement of Cash Flows	21
2.2. Financial Reporting and Investors' Judgments and Decisions	22
2.2.1. Financial Statement Analysis and Performance Assessment Judgments (PAJ).....	22
2.2.2. Incomplete Revelation Hypothesis and Financial Reporting	24
2.2.2.1. Discussion on Incomplete Revelation Hypothesis	24
2.2.2.2. Incomplete Revelation Hypothesis and Presentation Format and Presentation Location	27
2.2.2.3. Cognitive Limitations and Costs in Processing Financial Information...	28
2.2.2.4. Incomplete Revelation Hypothesis and the Development of Hypothesis 1:	31
2.2.3. Human Information Processing and Financial Reporting	33
2.2.3.1. Discussion on Human Information Processing	33
2.2.3.2. Data Aggregation Level in Financial Reporting.....	35
2.2.4. Sophistication and knowledge of Investors and Financial Reporting	40

Chapter 3: Research Methodology.....	43
3.1. Experimental Design.....	43
3.1.1. Research Framework.....	43
3.1.2. Variables Defined.....	45
3.1.2.1. Independent Variables/Manipulated Variables	45
3.1.2.2. Measured Variables	47
3.1.2.3. Dependent Variables.....	47
3.1.3. Experiments.....	47
3.1.3.1. Experiment 1.....	47
3.1.3.2. Experiment 2.....	49
3.2. Experimental Procedures and Case Materials.....	50
3.2.1. Experimental Procedures.....	50
3.2.2. Case Background and Company Financial Information	53
3.2.3. Experimental Questionnaire	58
3.2.3.1. Pre-experimental Questionnaire	58
3.2.3.2. Experimental Questionnaire	58
3.2.3.3. Post-Experimental Questionnaire/Debriefing Questionnaire	58
3.3. Research Participants	59
chapter 4: experimental results	61
4.1. Research Participants	61
4.1.1. General Information about Research Participants.....	61
4.1.2. Characteristics of Research Participants by Subject Groups.....	61
4.1.3. Characteristics of Research Participants by Experimental Conditions	65
4.2. Analysis of Pre-Experimental Questionnaire.....	68
4.2.1. Self-Rated Knowledge	68
4.2.2. Knowledge Test.....	69

4.3. Experiment 1	70
4.3.1. Performance Evaluation in Experiment 1	70
4.3.1.1. Analysis of Judgments Related to Performance Evaluation in Experiment 1	70
4.3.1.2. Analysis of Judgments Related to Operating Performance Evaluation, Future Trend, and Growth Prospects in Experiment 1 and Test of Hypothesis 1	72
4.3.1.3. Analysis of Judgments Related to Performance Evaluation, Future Trend, and Growth Prospects Performing for the Two Subsamples Partitioned using Knowledge Variables, in Experiment 1	76
4.3.2. Information Extraction and Ratio Analysis in Experiment 1	82
4.3.3. EPS Forecasts in Experiment 1	85
4.3.4. Additional Issues in Experiment 1	88
4.3.5. Understandability and Usefulness of Financial Statements in Experiment 1	89
4.4. Experiment 2	91
4.4.1. Performance Evaluation in Experiment 2	91
4.4.1.1. Analysis of Performance Evaluation Judgments in Experiment 2	91
4.4.1.2. Analysis of Operating Performance Evaluation Judgments, Future Trend, and Growth Prospects in Experiment 2 and Test of Hypothesis 2	93
4.4.1.3. Analysis of Judgments Related to Performance Evaluation, Future Trend, and Growth Prospects Performing for the Two Subsamples Partitioned using Knowledge Variables, in Experiment 2	96
4.4.2. Information Extraction and Ratio Analysis in Experiment 2	101
4.4.3. EPS Forecasts in Experiment 2	104
4.4.4. Additional Issues in Experiment 2	106
4.4.5. Understandability of Financial Statements in Experiment 2	108

4.5. Post-Experimental Analysis.....	109
4.5.1. Manipulation Checks.....	109
4.5.1.1. Familiarity with Financial Statement Presentation Formats.....	109
4.5.1.2. Totals and Subtotals Recall Test and By-Nature Information Presentation	112
Chapter 5: Conclusion.....	116
Appendix A: Details of Recent Development of Authoritative Guidance on Financial Statement Presentation.....	A-1
A-1. Statement of Comprehensive Income (Statement of Profit and Other Recognized Income and Expenses).....	A-5
A-2. Statement of Financial Position	A-19
A-3. Statement of Changes in Equity	A-28
A-4. Statement of Cash Flows.....	A-29
Appendix B: Experimental Case Materials.....	B-1