Assessing the Perceived Usefulness of Accounting Information in Albania

*Rezart Demiraj[3], Aranit Shkurti[2], Enida Demiraj[1]
[1]Finance Department, American College of the Middle East, Kuwait.
[2]Statistics Department, American University of the Middle East, Kuwait.
[3]Accounting Department, American University of the Middle East, Kuwait.

*Correspondence: rezart.demiraj@aum.edu.kw

ABSTRACT
This study attempts to provide a general overview on the use of accounting information in Albania. An extensive use of accounting information by different stakeholders would be a testimony of the quality and reliability of accounting information, but the opposite would indicate otherwise calling for improvement in the area of financial reporting. Data are collected by means of a questionnaire. All respondents are certified accountants, members of the biggest and most prominent-certified accountants association in Albania. The questionnaire reveals that in general accounting, information is not heavily used neither by entities' management nor by other users. Surprisingly, users of accounting information that are closest to the entity use it very little or not at all, raising big questions on the quality and trustworthiness of accounting information. The study is just an initial assessment of the perceived usefulness of accounting information in Albania. The questionnaire is addressed to certified accountants who answer on behalf of their client companies. The study investigates the usefulness of accounting information as perceived by various stakeholders in Albania. Even though this is a well-researched topic worldwide, to the knowledge of the authors there are no such studies in Albania.

1. INTRODUCTION

According to the Conceptual Framework for Financial Reporting, issued by International Accounting Standards Board, the purpose of preparing and publishing financial statements is to provide information on the financial performance and status of an entity that is useful to various users in their capacity as decision-makers (Conceptual Framework for Financial Reporting 2018, 2018). Even though it is meant to imply primarily capital providers, such as investors and creditors, information that is useful to those users is generally considered useful to other users as well, such as customers, suppliers, shareholders, government agencies, and entity's management itself.

Recognizing the importance of information coming from accounting information systems in general and financial statements as a primary product of such systems in particular, in this study, we try to explore to what degree is accounting information useful as perceived by the various stakeholders in Albania. IASB states that financial information is useful to decision-makers when it displays the characteristics of relevance and faithful representation. Information quality can be further enhanced by the qualities of comparability, verifiability, timeliness, and understandability (Conceptual Framework for Financial Reporting 2018, 2018). But how do we determine if such characteristics are embodied by the accounting information provided by entities in Albania? One metric would be, as Rutherford (1992) maintains, its impact on decision-making. Nicoleta-Cornelia *et al*. (2012) concur by stating that the primary objective of financial statements is to portray a picture of the entity's economic reality that can be used in a decision-making process. Larcker and Lessig (1980) developed a model aimed at estimating the adequacy of information based on the perceptions of its users. They argue that ultimately the usefulness of information is determined by the users of information whenever they use it for various decisions. According to the model, there are two aspects of perceived usefulness. The first one is the information importance, which is mostly related to information relevant to the decision-maker. The second one is the perceived usability, which refers to the qualities that make the user want to utilize that information.

An extensive body of literature highlights the importance of accounting information to decision-making. However, what is the reality in Albania? How do the various stakeholders in Albania perceive the usefulness of information obtained by the published financial statements? Taking inspiration from previous studies such as the ones mentioned above, we decided to assess the usefulness of financial information in Albania by investigating its impact on decision-making. For this purpose, we designed a questionnaire aimed at measuring the use of such information by different categories of users. Ideally, such use would be assessed in relation to investment decisions, but in the absence of an organized financial market in Albania, we look at other types of users and/or decisions.

Since Albania is a particularly difficult environment for data collection through questionnaires, we decided to address our questionnaire to Certified Accountants with the conviction that such an approach would significantly increase the response rate. In addition to this, to further increase the response rate, we tried to keep the questionnaire simple and short. Data collected by the questionnaire give us a general view of the extent of use of financial information not only by the entities' management but also by other users. We are well aware that more in-depth studies are needed on this topic.

The questionnaire reveals that in general accounting, information is not used heavily by entities' management, but other users too, rely very little on official information coming from the entities' accounting systems. Interestingly, even the government being the primary user of accounting information in Albania is not stringent enough in its requirements on the application of accounting principles and standards, thus leaving room for practices that compromise the quality and usefulness of accounting information.

2. LITERATURE REVIEW

The importance of accounting information cannot be overemphasized. However, accounting is not the only source of information available to decision-makers. There are opposing views on which information system is more relevant depending on the use of such information. Particularly, when it comes to investment decisions, market information is preferred over accounting information. In a study involving 171 U.S. manufacturing companies, Apergis and Eleftheriou (2012) compared the importance of accounting information against market information in relation to credit decisions. They found that information obtained from accounting is less important than information collected from the market, implying that accounting information might be viewed by the users as less future oriented, making it not useful as a measure of credit risk. However, Das *et al*. (2009) studied the relationship between accounting information, market fundamentals, and CDS spreads. They conclude that CDS spreads are explained better by information obtained from accounting sources rather than information obtained from the market.

Other studies address the quality of accounting information with particular emphasis on financial statements. A great number of studies focus on topics such as the impact of financial reporting on stock prices behavior (Cox and Weirich, 2002; Fé Jr *et al*., 2015; Patro and Gupta, 2016); earnings management (Hunton *et al*., 2015; Rathke *et al*., 2016; Hastuti *et al*., 2016; Šušak, 2020; Cug and Cugova, 2021; Nadhir and Wardhani, 2021); financial reporting quality and IFRS adoption (Vysotskaya and Mikhalkina, 2018; Musa, 2019; Mensah, 2020; Habib *et al*., 2021); financial reporting, audit, and internal control (Mojtaba *et al*., 2020; Qu, 2020; Safari *et al*., 2021; Din *et al*., 2021); or corporate governance (Huiying and Patel, 2015; Jacek, 2020; Almaqtari *et al*., 2020; Martins and Júnior, 2021).

Other studies have focused on specific traits of accounting information quality, such as transparency. Francis *et al*. (2009) have studied the impact that information transparency has on the efficiency of resource allocation. Their findings show that higher information transparency is strongly correlated with growth rate of industries and countries, meaning that information transparency facilitates resources allocation between industries favoring those performing better. Bhattacharya *et al*. (2003) have come to a similar conclusion in a study of 34 countries. They conclude that low transparency of accounting information leads to higher cost of capital and in turn to smaller trading volumes, thus affecting adversely capital allocation. Zhai and Wang (2016) has examined the effect of accounting information quality on optimization of capital investment choices of listed firms. Their findings show that higher quality accounting information leads to better capital investment choices especially when the corporate governance environment is poor.

We found a few other studies focusing more specifically on the topic of accounting information usefulness with regard to decision-making processes. In a study on the relationship of accounting information and managerial decision-making, Socea (2012), while acknowledging the importance of such information, concludes that developing the right economic and financial decisions depends not only on the quantity but also on the quality of information obtained by the accounting information system. Alijarde (1997) in an effort to measure the perception of local government finance directors on the usefulness of financial statements concluded that even though information derived from financial reporting in local governments is valued and considered useful for various stakeholders including managers, it is still not being used to the full. Hope *et al*. (2017) in a study on the need for improving financial reporting in private U.S. firms concluded that accounting information of private firms is useful, and its quality may be improved with increased demand for monitoring by various stakeholders, such as investors, creditors, and suppliers. Gaidienė and Skyrius (2006) attempted to assess the perception of usefulness of management accounting information by managers and accounting specialists. They found that managers view management accounting information as useful, more so than accounting specialists, favoring future and nonfinancial information over historical one. In a study based on a large sample including all listed companies in the Chinese stock market over a period of 8 years, Chen *et al*. (2001) examined whether accounting information is considered useful and relevant by Chinese investors, and found that investors value accounting information notwithstanding the perception of inadequate accounting and financial reporting practices in China.

Considering all the aforementioned studies on the usefulness of accounting information, the view of the authors of this paper is that, generally speaking, accounting information still has the edge over other sources of information due to its qualities and the extra care and attention given to its preparation and presentation to the interested users. Recognizing its importance, the accounting profession as a whole and a number of other important stakeholders make continuous efforts to ensure that information published on the financial statements is a true and fair representation of the financial position and performance of an entity. However, the intrinsic value or usefulness of accounting information does not always translate to perceived usefulness.

Perceived usefulness even though does not always correspond to the real value, is important nonetheless since it determines to what extent accounting information is used in decision-making. This is why in this study we try to investigate what is the perceived usefulness of accounting information in Albania.

3. RESEARCH QUESTIONS AND METHODOLOGY

As mentioned above, the focus of our study is the assessment of the perceived usefulness of accounting information in Albania as opposed to its intrinsic or inner value. We attempt to do this by assessing the influence of accounting information on decision-making of different users of such information. It should be noted that Albania does not have a functional active stock market, and the majority of business entities are small and medium privately owned enterprises. Nevertheless, capital quotas or shares are still traded although not in an organized market.

The main research questions of this study are the following:

RQ1. To what extent is accounting information used in decision-making?

RQ2. What is the perception of the reliability or trustworthiness of accounting information in Albania?

RQ3. How is accounting information integrity ensured?

To answer these questions, we decided to collect data by means of a questionnaire Table 1. All respondents are certified accountants, members of the biggest and most prominent-certified accountants association in Albania, Certified Accountants Institute of Albania. There are various reasons why the questionnaire was directed to certified accountants. First, because in Albania, there is a general reluctance of the general public, including business entities, to respond to questionnaires. Second, because the opinion of certified accountants on the matter can be trusted. Third, because each certified accountant could provide insight on a number of business entities since they were asked to answer not based on just their own opinion, but on their experiences with their clients. And last, certified accountants were easily reachable through the Certified Accountants Institute membership database. Still, the questionnaire is kept short and simple (15 questions only) in order to increase the response rate.

The questionnaire is designed in such a way that it reveals the extent of use of accounting information for decision-making purposes by the entities' management and other external users, such as investors, creditors, employees, customers and suppliers, government agencies, business owners, and judicial authorities in courts of law. By revealing the extent of use, the questions intend to reveal what is the perception of all the aforementioned users on the usefulness and trustworthiness of accounting information when it comes to decision-making. The questionnaire addresses also traditional ways of ensuring accounting information integrity, such as internal control systems and independent audits, statutory, or contractual.

4. RESULTS

Table 1. Questionnaire details.

Number of questions	15
Type of questions	Likert Scale (1–5)
Respondents	Certified Accountants
Number of responses	59
Average number of business entities represented by each respondent	10
Estimated number of business entities represented	590

The questionnaire questions and summarized scores are shown in Table 2:

Table 2. Descriptive statistics.

Question	N	Mean	Std. Deviation
Q1_ Is official accounting information used for decision-making purposes by the managers of the entity?	59	3.051	1.1207
Q2_ Is official accounting information used by creditors (primarily banks) when providing loans, or do they require alternative statements/reports?	59	3.695	1.2492
Q3_ Is official accounting information used by potential investors for decisions regarding business acquisitions or buying shares of capital, or do they rely on alternative information?	59	3.271	1.3875
Q4_ Is official accounting information used by vendors and customers for decisions related to their business relationship, such as the terms of credit, prices, volumes of trade, mutual obligations, etc.?	59	2.695	1.2492
Q5_ Does official accounting information presented to government agencies give a true and fair presentation of the financial situation and performance of the entity?	59	3.576	1.2485

Q6_ Is official accounting information used by employees to negotiate their remuneration or their working conditions?	59	1.644	1.0131
Q7_ Is official accounting information used by entity's owners to assess management's performance?	59	2.966	1.2452
Q8_ Is official accounting information used by the owners to assess their capital interests and share profit between them?	59	3.305	1.3032
Q9_ Is official accounting information used by the courts of law in cases involving business financial, or do they rely on alternative sources of information?	59	3.678	1.3057
Q10_ Do entities have internal control mechanisms to ensure the integrity of the official accounting information or alternative information they use?	59	2.475	1.0061
Q11_ How would you rate the role of professional accounting organizations to ensure the quality and integrity of accounting information compiled by their members?	59	3.966	1.1442
Q12_ Is statutory audit sufficient to provide assurance regarding the integrity of accounting information?	59	3.169	1.1165
Q13_ If criteria for statutory audit are not met, do entities turn to contractual audit to verify the integrity of accounting information?	59	1.864	1.1057
Q14_ If one or more of the above stakeholders rely on "alternative" information, bypassing the official accounting information, is this alternative information prepared in accordance with generally accepted accounting principles?	59	2.475	1.3816
Q15_ How would you rate the integrity of this alternative information and its usefulness for decision-making purposes?	59	2.966	1.4852
Valid N (listwise)	59		

To denote underlying factors in the interview structure, we initially tried to detect related questions using the Spearman's rho Correlation Coefficient (Glasser and Winter, 1961). From Table 2, we note that question 1 is significantly and positively correlated with question Q7. Q5 also is related to Q7 and Q8. And finally, Q7 and Q8 are related. These variables are all connected to the trust that the users, both internal and external, have in the accounting information. The Cronbach's alpha coefficient (Table 3) for the 15 variables is 0.879, suggesting that the items have relatively high internal consistency (Cronbach, 1951).

Table 3. Reliability statistics.

Cronbach's Alpha	N of Items
0.879	15

The next step was to obtain a set of latent variables and represent each latent variable as a linear combination of the original variables through an exploratory dimension reduction factor analysis in SPPS using a principal component extraction with varimax rotation with Kaiser Normalization (Kaiser, 1958). The number of components was fixed in three after several simulations. The trust in the accounting information following the survey results and the data elaboration can be synthesized in the following factors:
- I.   Trustfulness in the official information
- II. Trustfulness in external reviewers
- III. Trustfulness in "alternative information"
    The results are shown in Table 4.

Table 4. Rotated component matrix[a].

	Component		
	Trustfulness in the official information	Trustfulness in external reviewers	Trustfulness in "alternative information"
Q1_Managers	**0.693**	0.299	0.299
Q2_Creditors	0.526	0.426	0.059
Q3_Investors	0.419	0.467	0.104
Q4_Customers	0.570	0.450	0.011

Q5_Government	**0.857**	0.226	0.025
Q6_Employees	0.431	0.234	−0.015
Q7_Owners_Managers	**0.732**	0.391	0.214
Q8_Owners_Capital	**0.594**	0.523	0.084
Q9_Courts	0.103	**0.772**	−0.158
Q10_Control_Integrity	0.262	0.534	0.473
Q11_Acc_Organiz	**0.750**	0.045	0.109
Q12_Statutory_Audit	**0.710**	−0.186	0.322
Q13_Contract_Audit	0.106	**0.608**	0.444
Q14_Alternative_Info	0.171	0.068	**0.796**
Q15_Integrity_14	0.043	-0.029	**0.842**

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Source: Own calculation. Bold values represent the coefficients that are greater than 0.6, showing the variables that have a higher contribution on each component.

The results of the standardized factor scores are shown in Table 5.

Table 5. Factor scores.

Respondent	Perceived trust in the use of official information	Perceived trust in external evaluation	Perceived trust in "alternative information"	Group					
1	−0.93722	−1.1091	−0.46483	1	31	−1.21096	0.47882	−0.78714	7
2	−0.75613	−0.70865	0.8584	8	32	−0.46891	0.40537	−1.49315	7
3	−1.22108	0.22688	0.29755	6	33	−2.50345	1.38614	−0.81647	7
4	−0.18153	0.83615	1.33091	6	34	0.01493	2.79292	−0.57045	5
5	0.92253	−1.7562	0.03603	4	35	1.05524	−1.6131	−0.67749	3
6	−0.09626	−0.58541	−1.1608	1	36	0.7411	0.19566	−1.43374	5
7	−0.01748	−1.0241	0.22295	8	37	0.50372	−0.04792	0.88201	4
8	0.80768	0.98399	−0.15466	5	38	1.03883	0.81145	0.67551	2
9	−0.24923	−0.79627	0.55136	8	39	1.46283	0.07481	−1.84026	5
10	−0.35083	1.20328	1.76404	6	40	1.166	0.12412	−0.8367	5
11	−1.95682	1.23398	−0.47528	7	41	−0.27266	0.34676	−0.9357	7
12	−0.20245	0.42283	0.30245	6	42	−0.81973	−0.31735	0.43115	8
13	1.85904	0.68556	−1.41783	5	43	0.23914	−0.72848	−0.63766	3
14	−0.72981	−0.30261	−1.37482	1	44	0.81537	−0.38336	0.79847	4
15	0.4291	1.04612	−2.33469	5	45	1.56979	−0.22535	1.05815	4
16	−1.39234	−1.2241	0.77728	8	46	0.53204	−2.2811	−1.04658	3
17	−1.51602	−2.1731	1.36187	8	47	0.7048	0.82991	−1.73724	5
18	0.23165	−0.0788	0.51345	4	48	0.01269	0.50714	1.06237	2
19	0.92568	−0.27918	0.73894	4	49	−0.24017	−0.74274	−0.3076	1
20	0.42264	−0.51221	−0.30197	3	50	−0.90588	1.9871	0.66864	6
21	0.15969	0.12394	0.88364	2	51	0.9442	0.10456	−0.39959	5
22	0.04985	0.44045	2.03914	2	52	−0.23083	0.13082	0.66128	6
23	1.16968	0.65546	1.17719	2	53	0.4421	2.21153	0.58726	2

24	−0.27542	−0.11514	0.32221	8
25	−0.18896	−1.3916	0.13842	8
26	0.32559	0.66267	0.44482	2
27	0.22469	0.2841	0.98321	2
28	−0.51207	−0.71758	0.05792	8
29	1.59756	−0.08068	1.53419	4
30	−1.54104	0.92033	1.05268	6

54	0.71281	−0.04293	0.01611	4
55	0.93727	−0.70096	0.53732	4
56	−2.27538	−0.75815	−0.95989	1
57	−2.09187	−1.0185	−0.89495	1
58	0.98221	−1.0498	−0.09642	3
59	0.14405	0.65208	−1.61102	5

Source: Own calculation

The respondents' standardized scores can be categorized further into the following groups (Table 6):

Table 6. Frequencies of the respondents by group of trust.

			Factor I	Factor II	Factor III
Group	**Freq**	**%**	**Mean**	**Mean**	**Mean**
Completely distrustful of the accounting information (obs - - -)	6	10.2	−1.06178	−0.752752	−0.860482
2. Fully trustful of all the accounting information (obs + + +)	8	13.6	0.427890	0.712093	0.981643
3. Trustful of the official accounting information, but distrustful of any external reviewers and of any alternative information (obs + - -)	5	8.5	0.646254	−1.23693	−0.552024
4. Trustful of the official accounting information and alternative information, but distrustful of external reviewers (obs + - +)	9	15.3	0.912931	−0.399487	0.679408
5. Trustful of the official accounting information and external reviewers, but distrustful of alternative information (obs + + -)	10	16.9	0.827373	0.748973	−1.23361
6. Distrustful of the official accounting information, but trustful of external reviewers and alternative information (obs - + +)	7	11.9	−0.661949	0.818199	0.868221
7. Distrustful of the official accounting and alternative information, but trustful of external reviewers (obs - + -)	5	8.5	−1.28256	0.770214	−0.901548
8. Distrustful of the official accounting and external reviewers, but trustful of alternative information (obs - - +).	9	15.3	−0.636376	−0.940877	0.524618
Total	**59**	**100.0**			

Source: Own elaboration from Table 5.

The results obtained from Table 6 confirm the general positive perception of the operators about the alternative sources of information, compared to the moderate trust in the official accounting information and lower trust in external evaluation. These results are further evidence of the informal communication systems, typical of developing countries. To be noted that this is not a quantitative evaluation of the trust to be used for inferential purpose, but an overview of the perceived trust.

5. DISCUSSION

Some of the highlights of the data gathered from our questionnaire are the following:The use of accounting information by managers got an average score of 3.051 which does not suggest a particularly high trust on their part. Sixty-four percent of the respondents think that managers rely on accounting information averagely or less. Although, accounting information is not the only source of information for managers, it was still expected that they would demonstrate a higher trust in accounting information. After all it is the managers who are responsible for preparing the financial statements in accordance with the applicable financial reporting frameworks and for setting up adequate internal controls to ensure that information contained therein is free from error. Although not a conclusive proof, this surprising result could be interpreted as a confirmation of a pervasive practice among Albanian companies of keeping double accounting books, one for internal use and one for external "official" use.

The situation is somehow reversed in the case of creditors. The use of accounting information by creditors got an average score of 3.695. Eighty percent of the respondents think that they rely on accounting information averagely or more. This could well be an indication of a higher trust on accounting information on their part, but could also be explained by the fact that in most cases, creditors, specifically banks, do not have any better option. The alternative of not relying on official information provided by business companies, their clients, would be to accept unverified and uncertified information, usually provided by the very same clients, thus increasing significantly the credit risk and leaving them exposed in eventual litigation cases.

The use of accounting information by investors got an average score of 3.271. Investors seem to have a fairly average use of accounting information. It is worth mentioning that there is no formalized stock market in Albania. Capital shares or quotas are privately traded. Usually the existence of a stock market exerts a positive influence on business entities to report reliable and accurate financial data, since it has a direct bearing on market valuation. In general, Albanian companies have a tendency toward avoiding or minimizing tax payment, in particular income tax and VAT. That requires an understatement of income tax and sales. However, this would be counterproductive in the presence of a stock market, since it would be detrimental to the company's market value. In the absence of a stock market, such positive pressure is nonexistent. As in managers' case, a seemingly average trust on the part of the investors, although not conclusive, could be an indication of unreliable accounting information.

Interestingly, vendors and customers rely less on accounting information. Their question got an average score of 2.695. Roughly, 75% of the respondents think that they use accounting information of their business partners averagely or less. In Albania, cash sales and purchases are widespread, and in many cases, especially in transactions involving large amounts, advance payments are required. In support of our findings, this indicates a low creditworthiness of Albanian companies, suggesting that accounting information might not be reliable enough.

To the question whether the official accounting information presented to government agencies gives a true and fair presentation of the financial situation and performance of the entity, 81% of the respondents gave a score of 3 or above. This question got an average score of 3.576. This result seems to contradict earlier responses; however, since the respondents are all certified accountants, hence preparers of the financial statements, we have reason to believe that their responses on this question might be biased.

Employees are the ones that trust accounting information least of all; they use it averagely or less according to 93% of the respondents. This surprising result could well have a cultural explanation. Employees in Albania are not accustomed at using their employers' accounting information while negotiating their contracts. Actually, few of them would be able to find such information since it is not easily obtainable. But at the same time, the result could reinforce the doubts on accounting information usefulness and trustworthiness.

When it comes to business owners, 68% of the respondents think that they use accounting information averagely or less to assess management's performance, while 50% of them think that they use it averagely or less to evaluate their capital interests and share profits among them. The case of owners is similar to that of investors, with the difference that in most Albanian companies, owners are also managers, since small and medium business entities are predominant in Albania. In light of this fact, it is understandable why they use accounting information slightly less to assess managers' performance as opposed to evaluating capital interests and profit sharing. However, the average score is low for both questions compared to expectations, 2.966 and 3.305, respectively. Because of the typology of Albanian companies, owners are those who have the most access to business information, and such a disappointing score on these two questions is a strong indication of low accounting information trustworthiness. It could also be viewed as a confirmation of the existence of the double record keeping practice mentioned earlier.

The question whether accounting information is used by the courts of law got an average score of 3.678, a fairly higher average score compared to other questions. Eighty percent of the respondents think that accounting information is used averagely or more by the courts of law. This is a comparable result to the average score we got for the use from creditors. The result could be explained using more or less the same rationale. Courts of law are obliged to use official information produced by the companies in compliance with the country's laws and regulations. This in itself does not necessarily indicate a higher degree of trust by the courts.

The first nine questions aim at assessing the degree of trust of the primary accounting users on accounting information. It is easily noticeable that there is general lack of trust on accounting information which is an indicator of the low perceived usefulness from their viewpoint. Of the nine questions, only those on the use of accounting information by creditors and by the courts of law got a slightly higher score, however still well under 4.

The remaining six questions aim at assessing the perceived usefulness from a different angle. They try to evaluate whether the quality and integrity of accounting information is adequately ensured by different mechanisms and measures.

The question on internal controls got an average score of 2.475. Roughly, 85% of the respondents think that companies do not have the adequate internal controls to ensure the integrity of accounting information.

The question on the role of professional accounting organizations to ensure the quality and integrity of accounting information got the highest average score of all questions, 3.966. Is this score a confirmation of the quality and integrity of accounting information? Not necessarily. All respondents are members of the same professional organization of certified accountants in Albania. No doubt their responses reflect, at least to a certain degree, their loyalty to their organization.

The question on the assurance provided by the statutory audit got a fairly average score, 3.169. Sixty percent of the respondents think that statutory audits are averagely or less sufficient to ensure the quality and integrity of information.

Even if the statutory audit did a better job, the number of Albanian companies required by law to be audited is relatively small. An alternative for the other companies would be to turn to voluntary contractual audits; however, more than 91% of the respondents say that companies use voluntary contractual audits averagely or less. This could be explained to a degree by the costs involved, still the fact remains that accounting information of most companies is rarely subjected to independent verification.

The last two questions address the quality of "alternative" information as opposed to official information. How reliable is alternative information in those few instances when stakeholders require "other" information that bypasses official information? On this topic, 73% of the respondents answer that alternative information is generally not prepared in accordance with generally accepted accounting principles, and 56% of them rate the integrity of such information averagely or less.

6. CONCLUSION

About our research questions set out at the beginning of this research paper, it is evident from the foregoing discussion that accounting information is not used to the full by managers and other stakeholders. Surprisingly, users of accounting information that are closest to the entity use it very little or not at all, raising big questions on the quality and trustworthiness of accounting information. Managers, who are responsible for the preparation of accounting information, rely on such information only partially, while business owners, who for most small and medium companies are managers as well, also use accounting information only partially or not at all. Other users while making a better use of accounting information still do not use it to the fullest extent. Other mechanisms aimed at ensuring the quality of accounting information, such as internal controls and independent audits are less than adequate. Overall, the general picture is one of distrust and low perceived usefulness of accounting information.

This study is just an initial assessment of the perceived usefulness of accounting information in Albania. Even though we suggest reasons behind some of the answers obtained from the questionnaire, further research is needed to ascertain the reasons for such a poor use of accounting information in Albanian reality.

CONFLICT OF INTEREST

None.

REFERENCES

Alijarde MIB. 1997. The usefulness of financial reporting in Spanish local governments. Financial Accountability and Management, 13(1), 17. https://doi.org/10.1111/1468-0408.00024

Almaqtari FA, Hashed AA, Shamim M, Al-ahdal WM. 2021. Impact of corporate governance mechanisms on financial reporting quality: a study of Indian GAAP and Indian Accounting Standards. Problems and Perspectives in Management, 18(4), 1. https://doi.org/10.21511/ppm.18(4).2020.01

Apergis N, Eleftheriou S. 2012. Credit risk: the role of market and accounting information-evidence from US firms and a FAVAR model. Procedia Economics and Finance, 2, 53-62. https://doi.org/10.1016/S2212-5671(12)00064-0.

Bhattacharya U, Daouk H, Welker M. 2003. The world price of earnings opacity. Accounting Review, 78(3), 641-678. https://doi.org/10.2308/accr.2003.78.3.641.

Chen CJ, Chen S, Su X. 2001. Is accounting information value-relevant in the emerging Chinese stock market? Journal of International Accounting, Auditing and Taxation, 10(1), 1-22.

Cox RAK, Weirich TR. 2002. The stock market reaction to fraudulent financial reporting. Managerial Auditing Journal, 17(7), 374-382. https://doi.org/10.1108/02686900210437471

Cronbach LJ. 1951. Coefficient alpha and the internal structure of tests. Psychometrika, 16(3), 297-334.

Cug J, Cugova A. 2021. Relationship between earnings management and earnings quality in the globalized business environment. SHS Web of Conferences, 92, 02011. https://doi.org/10.1051/shsconf/20219202011

Das SR, Hanouna P, Sarin A. 2009. Accounting-based versus market-based cross-sectional models of CDS spreads. Journal of Banking and Finance, 33(4), 719-730.

Din NU, Cheng X, Ahmad B, Sheikh MF, Adedigba OG, Zhao Y, et al. 2021. Gender diversity in the audit committee and the efficiency of internal control and financial reporting quality. Ekonomska Istraživanja, 34(1), 1170-1189. https://doi.org/10.1080/1331677X.2020.1820357

Fé Jr ALD, Nakao SH, Ribeiro MDS. 2015. Stock market reactions to the first financial reporting in IFRS of Brazilian banking sector: an event study. Contextus, 13(3), 81-110. https://doi.org/10.19094/contextus.v13i3.663

IFRS. 2018. Conceptual Framework for Financial Reporting 2018. [Online] Available at: https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/conceptual-framework-for-financial-reporting.pdf

Francis JR, Huang S, Khurana IK, Pereira R. 2009. Does corporate transparency contribute to efficient resource allocation? Journal of Accounting Research, 47(4), 943-989.

Gaidienė Z, Skyrius R. 2006. The usefulness of management accounting information: user's attitudes. Ekonomika, 74, 21-37.

Glasser GJ, Winter RF. 1961. Critical values of the coefficient of rank correlation for testing the hypothesis of independence. Biometrika, 48(3/4), 444-448.

Habib A, Bhuiyan MBU, Hasan MM. 2019. IFRS adoption, financial reporting quality and cost of capital: a life cycle perspective. Pacific Accounting Review, 31(3), 497-522. https://doi.org/10.1108/PAR-08-2016-0073

Hastuti TD, Ghozali I, Yuyetta ENA. 2016. The effect of international financial reporting standards on the real earnings management and internal control structure as a moderating variable. International Journal of Economics and Financial Issues, 6(4), 1807-1814.

Hope OK, Thomas WB, Vyas D. 2017. Stakeholder demand for accounting quality and economic usefulness of accounting in US private firms. Journal of Accounting and Public Policy, 36(1), 1-13.

Huiying W, Patel C. 2015. Adoption of Anglo-American models of corporate governance and financial reporting in China. Volume 29, Publisher: Emerald Group Publishing Limited. DOI: 10.1108/S1479-3512201529

Hunton JE, Robert L, Mazza CL. 2015. Retraction: financial reporting transparency and earnings management. The Accounting Review, 90(4), 1711.

Jacek G. 2020. The association between disclosures on control system over financial reporting and mechanisms of corporate governance: empirical evidence from Germany and Poland. International Journal of Management and Economics, 56(4), 351-369. https://doi.org/10.2478/ijme-2020-0028

Kaiser HF. 1958. The varimax criterion for analytic rotation in factor analysis. Psychometrika, 23(3), 187-200.

Larcker DF, Lessig VP. 1980. Perceived usefulness of information: a psychometric examination. Decision Sciences, 11(1), 121-134.

Martins OS, Júnior RV. 2020. The influence of corporate governance on the mitigation of fraudulent financial reporting. Revista Brasileira de Gestao de Negocios, 22(1), 65-84. https://doi.org/10.7819/rbgn.v22i1.4039

Mensah E. 2020. The effect of IFRS adoption on financial reporting quality: evidence from listed manufacturing firms in Ghana. Economic Research-Ekonomska Istraživanja, 1-16. https://doi.org/10.1080/1331677X.2020.1860109

Mojtaba GS, Omid P, Masoud A. 2020. Accounting comparability, financial reporting quality and audit opinions: evidence from Iran. Asian Review of Accounting, 29(1), 42-60. https://doi.org/10.1108/ARA-06-2020-0087

Musa A. 2019. The role of IFRS on financial reporting quality and global convergence: a conceptual review. International Business and Accounting Research Journal, 3(1), 67-76. https://doi.org/10.15294/ibarj.v3i1.65

Nadhir Z, Wardhani R. 2021. The effect of audit quality and degree of international financial reporting standards (IFRS) convergence on the accrual earnings management in ASEAN countries. Entrepreneurship and Sustainability Issues, 7(1), 105-120. https://doi.org/10.9770/jesi.2019.7.1(9)

Nicoleta-Cornelia BS, Sorina-Geanina MS, Mihaela CD, Rodica DG. 2012. Accounting and extra-accounting information-valences in meeting the financial analysis. Procedia-Social and Behavioral Sciences, 62, 531-535. https://doi.org/10.1016/j.sbspro.2012.09.087

Patro A, Gupta VK. 2016. Impact of international financial reporting standards on stock price synchronicity for Asian markets. Contemporary Management Research, 12(1), 61-88. DOI: 10.7903/cmr.14160

Qu CT. 2020. Board members with style: the effect of audit committee members and their personal styles on financial reporting choices. Journal of Accounting, Auditing and Finance, 35(3), 530-557. https://doi.org/10.1177/0148558X17752804

Rathke AAT, Santana VdF, Lourenço IMEC, Dalmácio FZ. 2016. International financial reporting standards and earnings management in Latin America. Revista de Administração Contemporânea, 20(3), 368-388. https://doi.org/10.1590/1982-7849rac2016140035

Rutherford B. 1992. Developing a conceptual framework for central government financial reporting. Financial Accountability and Management, 8(4), 265-280.

Safari GM, Rezaei PY, Abdollahi A. 2021. Do audit committee characteristics improve financial reporting quality in emerging markets? Evidence from Iran. Asian Review of Accounting, 2, 251.

Socea AD. 2012. Managerial decision-making and financial accounting information. Procedia-Social and Behavioral Sciences, 58, 47-55. https://doi.org/10.1016/j.sbspro.2012.09.977.

Šušak T. 2020. The effect of regulatory changes on relationship between earnings management and financial reporting timeliness: the case of COVID-19 pandemic. Zbornik Radova Ekonomskog Fakulteta u Rijeci : Časopis Za Ekonomsku Teoriju i Praksu, 38(2), 453-473. https://doi.org/10.18045/zbefri.2020.2.453

Vysotskaya A, Mikhalkina E. 2018. Does IFRS adoption affect the quality of financial reporting in Russia—the historical aspect. Economic and Social Development, International Scientific Conference on Economic and Social Development: The Legal Challenges of Modern World, 31, 567-579.

Zhai J, Wang Y. 2016. Accounting information quality, governance efficiency and capital investment choice. China Journal of Accounting Research, 9(4), 251-266. https://doi.org/10.1016/j.cjar.2016.08.001.

APPENDIX

QUESTIONNAIRE DATA SUMMARY

Is official accounting information used for decision-making purposes by the MANAGERS of the entity?

■ Number of responses (1–Not at all >>>> 5-Very much)

Is official accounting information used by CREDITORS (primarily banks) when providing loans, or do they require alternative statements/reports?

■ Number of responses (1–Not at all >>>> 5-Very much)

Is official accounting information used by potential INVESTORS for decisions regarding business acquisitions or buying shares of capital, or do they rely on alternative information

■ Number of responses (1–Not at all >>>> 5-Very much)

Is official accounting information used by VENDORS and CUSTOMERS for decisions related to their business relationship, such as the terms of credit, prices, volumes of trade, mutual obligations, etc.?

Number of responses (1–Not at all >>>> 5-Very much)

Does official accounting information presented to government agencies give a true and fair presentation of the financial situation and performance of the entity?

Number of responses (1–Not at all >>>> 5-Very much)

Is official accounting information used by EMPLOYEES to negotiate their remuneration or their working conditions?

Number of responses (1–Not at all >>>> 5-Very much)

Is official accounting information used by entity's OWNERS to assess management's performance?

Number of responses (1–Not at all >>>> 5–Very much)

Is official accounting information used by the OWNERS to assess their capital interests and share profit between them?

Number of responses (1–Not at all >>>> 5–Very much)

Is official accounting information used by the COURTS OF LAW in cases involving business financial, or do they rely on alternative sources of information?

Number of responses (1–Not at all >>>> 5–Very much)

Do entities have internal control mechanisms to ensure the integrity of the official accounting information or alternative information they use?

Number of responses (1-Not at all >>>> 5-Very much)

Values: 1: 11, 2: 19, 3: 20, 4: 8, 5: 1

How would you rate the role of PROFESSIONAL ACCOUNTING ORGANIZATIONS to ensure the quality and integrity of accounting information compiled by their members?

Number of responses (1-Not adequate >>>> 5-Very adequate

Values: 1: 3, 2: 4, 3: 9, 4: 19, 5: 24

Is STATUTORY AUDIT sufficient to provide assurance regarding the integrity of accounting information?

Number of responses (1-Not at all >>>> 5-Very much)

Values: 1: 6, 2: 8, 3: 21, 4: 18, 5: 6

If criteria for statutory audit is not met, do entities turn to CONTRACTUAL AUDIT to verify the integrity of accounting information?

Number of responses (1–Not at all >>>> 5-Very much)

If one or more of the above stakeholders relies on "alternative" information, bypassing the official accounting information, is this alternative information prepared in accordance with generally accepted accounting principles?

Number of responses (1–Not at all >>>> 5-Very much)

How would you rate the integrity of this alternative information and its usefulness for decision-making purposes?

Number of responses (1-Very low >>>> 5-Very high)