Users’ Perceptions of Financial Statement Note Disclosure and the Theory of Information Overload

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Approval Page

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Abstract

The purpose of financial statement note disclosures is to provide additional, relevant information useful for decision-making. There has been a significant increase in financial statement note disclosure over time, which has resulted in concerns there is now information overload in these note disclosures and there are questions about the relevance of some financial statement note disclosures. The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (i.e., relevance and use in decision-making; readability and comprehension; and differences across user classes) in order to inform standard setters and extend the theory of information overload to financial statement note disclosure. Participants in this study were 15 users of financial statements in Eastern Canada and included 4 creditors, 3 financial analysts, 5 investors, and 3 accountants. Interviews were conducted to gather data on users' perceptions of financial statement note disclosures. Data was analyzed with MAXQDA 12 software to identify themes and answer the study research questions. Current findings were users perceive financial statement note disclosures are an integral part of financial statements; however, many notes are not read by users, indicating these notes are not relevant and useful for users' decision making. Further users perceive the readability and comprehension of financial statement note disclosures is low. As a result there are few financial statement note disclosures that are read in detail by users. However, some users prefer transparency and perceive more disclosure means more transparency. Based on current findings it was recommended standard setters and preparers place more emphasis on succinct writing, continue education on the application

of materiality, and emphasize more disclosure does not mean more transparency. Recommendations for future research included performing the current study with a larger sample.

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Chapter 1: Introduction

The financial statements of an organization are prepared, among other things, to let readers know the financial position of the firm at a specific point in time and the results of operations for the last period. A key component of financial statements is the notes, which are required to provide additional information on items being reported to aid users in understanding the statements and making informed decisions (Kieso et al., 2013). Public company financial statements in Canada are now prepared in accordance with International Financial Reporting Standards (IFRS). IFRS is a comprehensive body of accounting standards and not all standards within IFRS apply to all businesses. What is common amongst public companies using IFRS are the users of the financial statements: creditors, financial analysts, investors, and accountants.

As the markets for buying and selling equity and debt instruments increased in complexity, accounting standard setters who are responsible for developing accounting standards needed to establish how users would be informed of the added complexity. The globalization of economies, the development of financial instruments to aid in risk management, and the increase of fraudulent financial reporting, has resulted in accounting standard setters requiring more financial statement note disclosure (Kieso et al., 2013). More note disclosure does not come without consequences. There are now concerns financial statements, including financial statement note disclosures, have become too long resulting in users being overloaded (Morunga & Bradbury, 2012). There is anecdotal evidence financial statements are only read by the staff at the Securities Exchange Commission, accountants, company's lawyers, and by preparers (Cascino, Clatworthy, Osama, Imam, & Jeanjean, 2013; Radin, 2007). Additional note disclosure may result in negative financial and practical consequences (Morris, Gray, Pickering & Aisbit, 2014; Morunga & Bradbury, 2012). Researchers found preparers expect the costs of preparing financial statements under IFRS will continue to increase (Morris et al., 2014).

What was unknown is whether the increased financial statement note disclosure has added value to the decision-making of users (Brown & Tarca, 2012; Morunga & Bradbury, 2012). Examples of added value include providing information high in quality, relevant, understandable, material, read, and not too long or overly complex. Research was needed to inform standard setters of users' perspectives related to these factors as attention is being focused on the disclosure framework in countries such as the United States and Europe (Holzmann & Ramnath, 2013). Without this research, users' perceptions of financial statement note disclosures needed to assist standard setters in developing the framework for note disclosure may remain unknown (Brown & Tara, 2012, Morunga & Bradbury, 2012).

Research was also needed to expand the theory of information overload to financial statement note disclosure. Researchers disagree about whether there is information overload in financial statement note disclosure (Barker et al., 2013). Some researchers suggested overload is a concern and there should be less disclosure (Morunga & Bradbury, 2012; Radin, 2007), while other researchers indicate because markets reacted positively to increased disclosure there was no information overload (Barker et al., 2013). Empirical evidence was needed to extend the theory of information overload to financial statement note disclosure (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

Background

Financial statement note disclosures are a significant component of financial statements prepared to provide additional information useful for decision-making (Kieso et al., 2013).

Preparers of financial statements are required to provide disclosure of all material information that would affect users' decisions (IFRS, 2015; Kieso et al., 2013). The quantity of financial statement note disclosures has continued to increase over time to the point the usefulness of the information is under question (Bloomfield, 2012; Lawrence, 2013; Morunga & Bradbury, 2012). There are questions about the usefulness of financial statement note disclosures (Barker et al., 2013) and concerns about information overload (Morunga & Bradbury, 2012; Radin, 2007). Full disclosure has been an important concept in financial statement note disclosures.

Full disclosure. The efficient market hypothesis is based on the premise that all relevant information be disclosed to ensure information symmetry in the exchange of securities (Cascino et al., 2014). Accounting standards are affected by legislated requirements of the security regulators and have been developed requiring disclosure of all relevant information (Kieso et al., 2013). Markets and financial reporting increased in complexity leading to increases in financial disclosures and notes to financial statements. Radin (2007) indicated some financial statements (10-K reports in US) could be as long as 200 pages. Although the focus of the securities commissions and accounting standard setters is on full disclosure, readers may miss or not process information as a result of information overload (Morunga & Bradbury, 2012; Radin 2007).

Information overload. A common theme in definitions of information overload is additional information is not useful because users reached capacity and therefore, cannot process added information (Jackson & Farzaneh, 2012). Information overload can occur when information is too long, of poor quality, not relevant, or too complex (Jackson & Farzaneh, 2012). Not processing may be the result of not understanding, or not reading the information because of the presence of either of those factors. Researchers examined information overload in industries such as communications, news, marketing, accounting, and information systems (Holton & Chyi, 2012; Hargittai, Neuman & Curry, 2012). Concerns about information overload in financial statement note disclosures are now being addressed by accounting standard setters (Barker et al., 2013; IFRS, 2015).

Because of disclosure concerns, professional organizations, such as the European Financial Reporting Advisory Group (EFRAG) and the UK Financial Reporting Council, initiated discussions on a disclosure framework for the financial statement note disclosures. The International Accounting Standards Board (IASB) performed research related to financial reporting as a whole and not financial statement note disclosures specifically (IFRS, 2013). There was an assumption or a general consensus there was information overload in the financial statement note disclosures; however, there was no empirical evidence of information overload in financial statement note disclosures (Barker et al., 2013).

There are also mixed views on whether the increase in financial statement note disclosures is a result of accounting standard requirements, or whether the increase is a result of how preparers apply the standards (Barker et al., 2013). The accounting standards require disclosure of material information which is information that would affect a user's decision (Kieso et al., 2013). Preparers have been criticized for disclosing information that is not material, or with little selection process that results in inefficient disclosures (Bloomfield, 2012). IFRS requires disclosure of relevant information (IFRS, 2015; Kieso et al., 2013).

There was a need to understand how users use financial statement note disclosures, whether they are read and understood, and whether users' perceive the financial note disclosures are relevant to decision-making. Without this information, changes to existing standards may not meet users' needs. Before standard setters change current disclosure requirements, information was needed about whether the current disclosures improved decision-making of users (Morunga & Bradbury, 2012), how users use current disclosures (Lawrence, 2013); and users' requirements for financial statement note disclosures (IFRS, 2013). There was a need for qualitative research which incorporates interviews of financial statement users to add to the discussion of disclosure requirements (Brown & Tarca, 2012). Standard setters needed information on users' perceptions of current financial statement note disclosures.

Statement of the Problem

The general problem is there has been a significant increase in financial statement note disclosure over time (Bloomfield, 2012; Iannaconi, 2012; Radin, 2007), which has resulted in concerns there is now information overload in these note disclosures (Morunga & Bradbury, 2012; Radin, 2007). A study based on the conversion to International Financial Reporting Standards (IFRS) in New Zealand showed a 29% increase in the length of financial statements, primarily in the financial statement note disclosures (Morunga & Bradbury, 2012). Radin (2007) demonstrated financial statements (10-K reports) in the U.S. could be as large as 200 pages. The ramifications of the increase in note disclosure is a state of information overload may now be present in financial statement note disclosures which may result in readers losing sight of important information (Brown & Tarca, 2012; Jackson & Farzaneh, 2012; Morunga & Bradbury, 2012; Radin 2007), not understanding the information, perceiving the information is irrelevant or too complex and as a consequence the information would not be useful for decision-making (Lawrence, 2013), and preparers may incur increased costs as a result of the additional disclosure (Morris et al., 2014; Morunga & Bradbury, 2012).

As a result of the current state of financial statement note disclosure, standard setters are currently developing a disclosure framework (Barker et al., 2013). Information is needed to inform standard setters about users' perceptions concerning whether the disclosures are meeting the objective of financial statement note disclosure of providing information relevant and useful (i.e., amount, quality, readability, complexity, and materiality) to decision-making (Brown & Tarca, 2012; Morunga & Bradbury, 2012), whether the notes are read and understood by the user, and whether there are differences in different users' understanding of the note disclosures (Cascino et al., 2013; Lawrence, 2013). The specific problem addressed was standard setters were not informed about users' perceptions of whether financial statement note disclosures were relevant and useful for decision-making, whether the notes were read and understood by users, and whether there were differences across user classes. Research was also needed to extend the theory of information overload to financial statement note disclosure by determining whether or not there was information overload in financial statement notes (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

Purpose of the Study

The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (relevance and use in decision-making; readability and comprehension; and differences across user classes) in order to inform standard setters and extend the theory of information overload to financial statement note disclosure. The single-case with embedded unit design was appropriate for this study as it will allow for a comparison of perceptions across various user groups of financial statement note disclosures (Yin, 2014). The main unit of analysis was users of financial statement note disclosures; and the subunits of analysis were individual groups of users, including, creditors, financial analysts, investors, and accountants. The general population for this study was the users of financial statements and the geographical location of the study was Eastern Canada. The sample included four creditors, three financial analysts, five investors, and three accountants who were selected through public directories providing contact information within organizations such as financial institutions, brokers, accountants, and public companies, and from the researcher's network. Data collection consisted of qualitative, one-on-one, face-to- face interviews with the participants, facilitated by a 12 question interview guide to obtain information on users' perceptions of whether financial statement note disclosures are providing information relevant and useful to decision-making; whether the notes are read and understood by users; and whether there are differences in different users understanding of note disclosures. Data was analyzed with MAXQDA 12 software in order to identify themes and answer the study research questions.

Theoretical Framework

This research extended the theory of information overload to financial statement note disclosures. The theory of information overload was identified in 1755 by Diderot, a French philosopher (Jackson & Farzaneh, 2012). The theory indicated as information increased, the performance of the user receiving the information would decrease (Jackson & Farzaneh, 2012). Researchers supported this theory and demonstrated the human brain has limited processing capacity and therefore an increase of information leads to overload (Eppler & Mengis, 2004; Jackson & Farzaneh, 2012). Based on the theory of information overload, an increase in information interferes with effective use of information and slows the process of interpreting information (Blummer & Kenton, 2014; Jackson & Farzaneh, 2012; Radin, 2007). The limited processing ability is a key characteristic of the theory of information overload which focused on the limited capacity of the human brain (Eppler & Mengis, 2004; Jackson & Farzaneh, 2012).

The amount of available information has increased exponentially with the internet and digitalized information, which has led to periods from the 1970s being referred to as the information age (Büyükbaykal, 2014). The increase in information may have both positive and negative consequences. The internet makes available an extensive amount of information that may have been difficult to obtain previously; however, because there is so much information, determining relevance may be difficult (Edmunds & Morris, 2000). There are many aspects of information that can lead to overload.

Quantity of information has long been the leading concept that leads to information overload (Jackson & Farzaneh, 2012). The sheer quantity of information makes it near impossible to process the information within the time constraints (Eppler & Mengis, 2004; Radin, 2007). This results in information overload. Another aspect of information overload is the quality and complexity of information. If readers cannot gain an understanding of the information within the time constraints because the information is overly complex, than once again the user feels perplexed or confused and is in a state of information overload (Jackson & Farzaneh, 2012). In order for information to be useful it must be understandable. In addition, information needs to be relevant which means it adds value to the user through aiding in decision-making (Kieso et al., 2013; KPMG, 2013). Therefore, along with quantity in information overload, quality of information is also a key consideration. In the case of financial reporting there has been criticism much of the information is known or redundant and therefore does not add value to the user, but does result in making it more difficult to siphon out more relevant information (Bloomfield, 2012; Heffer, 2013; KPMG, 2013; Radin, 2007).

Also related to financial reporting is the concept of materiality. This is similar to relevance and speaks to disclosing only important information that would impact the users' decisions (Bloomfield, 2012). The application of materiality requires professional judgment and therefore includes subjectivity. Financial statement preparers are encouraged to disclose more information and are criticized for relying on quantitative measures such as a percentage of total assets when considering materiality (Barker et al., 2013; Bloomfield, 2012; KPMG, 2013). Further, preparers in using professional judgment may choose to disclose rather than not disclose because the consequences of not disclosing might be as extensive as litigation whereas disclosure might protect against litigation.

Information overload in accounting research began in 1969 in order to improve financial reporting for external users related to credit risk or risk of bankruptcy (Schick, 1990). Kaylor (2014) reported the theory of information overload was discussed in relation to education in pharmacology, and Jackson and Farzaneh (2012) indicated the theory of information overload was discussed in relation to management information systems, case law, literature, psychology, marketing, management, and accounting. As financial statement note disclosures in accounting increased significantly in the last decade, there is now concern there is information overload related to note disclosure (Iannaconi, 2012; Morunga & Bradbury, 2012; Radin, 2007).

Researchers disagree about whether there is overload related to note disclosure (Barker et al., 2013) and how to determine whether disclosure is necessary in the financial statement notes (Bloomfield, 2012). Some researchers indicated overload is a concern and there should be less disclosure (Morunga & Bradbury, 2012; Radin, 2007) while other researchers indicate because markets react positively to increased disclosure there is no information overload

(Barker et al., 2013). Research was needed to determine whether or not there is information overload in financial statement notes in order to extend the theory of information overload to financial statement note disclosure (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

Research Questions

The significant increase in financial statement note disclosures has led to concerns there is now information overload in these note disclosures (Iannaconi, 2012; Morunga & Bradbury, 2012). Information was needed to inform standard setters of users' perceptions of whether financial statement note disclosures are relevant and useful for decision-making, whether the notes are read and understood by users, and whether there are differences across user classes. The following research questions were addressed.

Q1. What are financial statement note disclosure users' perceptions of the relevance and usefulness of the notes in decision-making?

Q2. What are financial statement note disclosure users' perceptions of readability and comprehension of the notes?

Q3. How do financial statement note disclosure user groups (creditors, financial analysts, investors, and accountants) differ in their perceptions of relevance and usefulness of the notes in decision-making, readability, and comprehension of the notes?

Nature of the Study

A qualitative approach with an embedded, single-case study design was used to explore users' perceptions of current financial statement note disclosures. The main unit of analysis was users' perceptions of financial statement note disclosures, and the subunits of the embedded design were the different user groups' perceptions of financial statement note disclosures. The different user groups consisted of creditors, financial analysts, investors, and accountants. A case study approach facilitated in-depth exploration, examination and heightened understanding through interviews and the identification of themes in the resulting interview data (Yin, 2014) of users' perceptions of financial statement note disclosures. The study took place in Eastern Canada. Four creditors, five investors, three financial analysts and three accountants were interviewed about their perceptions of financial statement note disclosures. A single-case with embedded unit design was appropriate because it facilitated a thorough analysis across the various user groups, between the user groups, and within the user groups (Yin, 2014) of users' perceptions of financial statement note disclosures.

Open-ended interview questions were used to elicit meaningful data on users' perceptions of financial statement note disclosures. The interview questions were designed to prompt information related to users' perceptions of usefulness, readability, and understandability of financial statement note disclosures. Interviewees were then asked to provide their perceptions on a list of mandatory disclosures required by IFRS in the context of usefulness, readability, and understandability. Data from the interviews was analyzed and coded using a qualitative data analysis program, MAXQDA 12, to identify common themes. Reliability of the data was established through a minimum of three interviews within each of the four groups.

Significance of the Study

There are concerns about the increased length of financial statement note disclosures and whether disclosures are relevant for decision-making (Morunga & Bradbury, 2012). As financial markets increase in complexity with the addition of financial investment options, so too have requirements to disclose information related to these products in financial statement note disclosures. Increased disclosure requirements led to some financial statements (10-K reports in US) being as long as 200 pages (Radin, 2007) with the primary increase in the financial statement note disclosures (Morunga & Bradbury, 2012). While the objective of financial statement note disclosures is to provide additional relevant information to users for decision-making (Kieso et al., 2013), there are concerns not all disclosures are relevant and led to excessive information in financial statement note disclosures (Brown & Tarca, 2012; Morunga & Bradbury, 2012). A case study on users' perceptions of the relevance and usefulness of financial statement note disclosures informs standard setters on whether the objective of financial statement note disclosures is being met.

There are concerns about information overload in financial statement note disclosures; however, there is just anecdotal evidence of information overload in financial statement note disclosures (Morunga & Bradbury, 2012; Radin, 2007). Not all researchers believe there is information overload in financial statement note disclosures because markets react positively to increased disclosure (Barker et al., 2013). Information was needed about how users use current financial statement note disclosures (IFRS, 2013; Lawrence, 2013) and whether users perceive current disclosures are relevant and useful for decision-making or whether there is a perception of information overload related to financial statement note disclosures (Morunga & Bradbury, 2012). A case study on users' perceptions of financial statement note disclosures expanded the theory of information overload to financial statement note disclosures.

Definition of Key Terms

Information overload. Information overload is the point at which an individual cannot process any further information related to an item because the human brain has limited capacity (Jackson & Farzaneh, 2012).

Financial analysts. A financial analyst is an expert in analyzing financial statement information and providing recommendations on investments (The Free Dictionary, 2015).

Financial statements. Financial statements are the documents produced in accordance with a country's financial reporting standards to provide information to external parties about the company's financial performance for the last period such as the quarter or year (Kieso et al., 2013).

Financial statement note disclosure. Financial statement note disclosures are the notes to financial statements which provide "information linked to the financial statements to generally amplify or explain the items presented in the main body of the statements in order to complete the picture of the enterprise's performance and position" (Kieso et al., 2013, p. G-10).

Standard setters. Standard setters are individuals on the International Accounting Standards Board (IASB) responsible for setting International Financial Reporting Standards (IFRS) used in the preparation of financial statements (Kieso et al., 2013).

Readability. Readability is the quality of being easy to read (Oxford Dictionaries, 2016) and is affected by the number of syllables per word and the length of sentences (Lehavy, Li, & Merkley, 2011).

Material. An item is considered material if it would impact a user's decision (Bloomfield, 2012).

Materiality. Preparers use professional judgment to assess whether an item is material and would affect a users' decision when determining whether an item requires disclosure (Kieso et al., 2013).

Annual reports. The annual report is a report to shareholders which includes a letter to shareholders, narrative text, graphics, photos, management discussion and analysis as well as the company financial statements (The Free Dictionary, 2015).

Summary

The objective of financial statement note disclosures is to provide additional, relevant information useful for decision-making (Kieso et al., 2013). Financial statement note disclosures have become so long, there is now concern there is information overload in financial statement note disclosures (Morunga & Bradbury, 2012). As standard setters are currently developing a disclosure framework for the notes to the financial statements, information was needed about how users use financial statement note disclosures (IFRS, 2013; Lawrence, 2013), whether users perceive existing financial statement note disclosures are relevant and resulted in better decision-making (Morunga & Bradbury, 2013), and perceptions about disclosure requirements (Brown & Tarca, 2012).

The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (relevance and use in decision-making; readability and comprehension; and differences across user classes) to inform standard setters and extend the theory of information overload to financial statement note disclosure. The single-case with embedded unit design was appropriate for this study as it allowed for a comparison of perceptions across various user groups of financial statement note disclosures (Yin, 2014). Data was gathered from users' of financial statement note disclosures in Eastern Canada (creditors, financial analysts, investors, and accountants). Open-ended interview questions were used to elicit meaningful data on users' perceptions of financial statement note disclosures. The data was analyzed and coded into common themes (Yin, 2014). The study further informed standard setters of users' perceptions of financial statement note disclosures.

Chapter 2: Literature Review

The general problem is there has been an increase in financial statement note disclosure over time (Bloomfield, 2012; Iannaconi, 2012; Radin, 2007), which has resulted in concerns there is now information overload in note disclosure (Morunga & Bradbury, 2012; Radin, 2007). Researchers disagree about whether there is overload (Barker et al., 2013) and how to determine whether disclosure is necessary in the financial statement notes (Bloomfield, 2012; Heffer, 2013). Some researchers indicated overload is a concern and there should be less disclosure (Morunga & Bradbury, 2012; Radin, 2007), while other researchers indicate because markets react positively to increased disclosure there is no information overload (Barker et al., 2013). Before changes are made to disclosure requirements, there needs to be an understanding of users' perceptions of the disclosures and whether they add value to the user through improved decision-making (Brown & Tarca, 2012; Morunga & Bradbury, 2012). Specifically, information was needed on current disclosures from the perspective of the users. The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (relevance and use in decision-making; readability and comprehension; and differences across user classes) in order to inform standard setters and extend the theory of information overload to financial statement note disclosure.

Documentation

An in-depth literature review was undertaken to locate current literature used to examine the current state of financial statement note disclosures. Northcentral University (NCU) library was used to access several databases to obtain scholarly articles, peer-reviewed journals and dissertations related to the research topic. EBSCOhost, ERIC, and Proquest were used to conduct the review. The use of several databases resulted in a broader examination of the research topic. Key search terms used to gather data about the research topic were used: financial statements, financial statement note disclosure, theory of information overload, efficient market hypothesis theory, IFRS, quality of financial reporting, readability and understandability of financial statements, materiality in financial statement disclosure, mandatory reporting, discretionary reporting, and ethical reporting.

The search was narrowed to locate studies within the last five years. However, the literature review included information about peer-reviewed articles since 2009 to the present, as well as older articles, and other sources to provide historical or other professional context to the review. The following sections provide information about the information environment, financial statements, financial statement note disclosures, efforts to establish appropriate financial statement note disclosure length, International Financial Reporting Standards, characteristics of useful accounting information, theory of information overload, information overload or efficient market hypothesis, contributors of information overload in financial statement note disclosures, disclosure considerations affecting information overload, and what do users want.

Information Environment

The information environment is important to current and potential company equity investors and creditors when making decisions about resource allocations. The information environment includes information disclosures, accounting standards, and financial transparency of the entity (Lau, Ng, & Zhang, 2012). A company's website, media news, and annual reports which include financial statements, are information sources within the information environment (Lau et al., 2012). Financial statements are a key source of financial information included in the information environment.

Financial Statements

Financial statements are used to communicate relevant or useful financial information to users or interested parties (Barker et al., 2013; Kieso et al., 2013). Financial statements include statements of financial position, income, cash flows, changes in equity, and financial statement note disclosures (Kieso et al., 2013). In general, a statement of financial position provides information on the assets, liabilities, and ownership of the company at a particular point in time (Kieso et al., 2013). An income statement presents the performance of a company over specific periods (Kieso et al., 2013). Additional information the preparer deemed useful to the user for decision-making is provided in financial statement note disclosures in accordance with accounting standards (Kieso et al., 2013). There is a broad scope of financial statements users.

Financial statement users include creditors, financial analysts, investors, and accountants. Investors make an investment in a company's shares, and creditors advance funds to organizations based on information available in annual reports including financial statements (Kieso et al., 2013). Financial analysts provide a report based on an analysis of financial information including financial statements (Berk, DeMarzo, Harford & Stangeland, 2013). Accountants are responsible for the presentation of financial statements to interested users such as investors, creditors, and financial analysts (Kieso et al., 2013). Users are placing reliance on financial statements for decision-making, such as whether to invest in a company or whether to advance funds to a business. Therefore, the process for the preparation of financial statements is significant.

Accounting standards, such as IFRS, govern financial statement preparation. The objective of preparing financial statements using accounting standards is to provide useful information for decision-making (Kieso et al., 2013). In the context of financial statements, information for decision-making must be useful, high in quality, relevant, reliable, understandable, not overly complex, comparable, material, read, and concise while providing some feedback of past performance and predictability of future cash flows (Kieso et al., 2013). Preparers must have professional expertise and understand accounting standards necessary to ensure the appropriate presentation of useful information in the financial statements which include the financial statement note disclosures (Kieso et al., 2013).

Financial statement note disclosures. Financial statement note disclosures are an integral part of financial statements that provide additional, relevant information about a company's performance and financial position (Kieso et al., 2013). The purpose of this additional information is to increase understandability and transparency of financial statements by providing information considered useful for decision-making (Kieso et al., 2013). However, excessive information may result in information overload, a condition whereby information is not processed and therefore is not understandable or useful to the user (Holton & Chiyi, 2013; Jackson & Farzaneh, 2012). Although, researchers expressed concerns financial statement note disclosures have become excessive, and there is now information overload in financial statement note disclosures, evidence of information overload in financial statement note disclosures is anecdotal (Morunga & Bradbury, 2012; Radin, 2007).

A country's body responsible for its securities legislation, such as the Securities Exchange Commission (SEC) in the United States or the Ontario Securities Commission in Ontario, Canada, does influence accounting requirements (Kieso et al., 2013). As a result, current financial disclosure requirements are significantly influenced by the securities commission that regulates capital markets (Carbone & Seem, 2014). The securities commission has required full disclosure, although, criticism of extensive disclosure requirements has led to consideration of reducing disclosure (Carbone & Seem, 2014). Full disclosure relates to material items that would impact users' decisions but in many circumstances there is duplication and adding to rules without any removal of the old (Carbone & Seem, 2014). Accounting standards also require full disclosure of relevant information (Kieso et al., 2013). The objective of financial statement note disclosures is also to provide full disclosure of all relevant information useful for decision-making (Kieso et al., 2013). The Securities Commissions of countries have a large impact on this objective since public companies must file their financial information with the related commission, for critical review by financial analysts.

Financial statement note disclosures have significantly increased the length of financial statements. Morunga and Bradbury (2012) compared the length of annual reports (which include financial statements and financial statement note disclosures) of 170 firms on the New Zealand stock exchange pre and post IFRS. The researchers determined the length of annual reports under IFRS increased by 29%. The increase in the length of the annual report was primarily in the notes to financial statements (Morunga & Bradbury, 2012). Other researchers expressed concerns of increased length in annual reports, which include financial statement note disclosures, in terms of information overload (Iannaconi, 2012; KPMG, 2011) or disclosure of immaterial information (Barker et al., 2013; Bloomfield, 2012). With concern of increased length, consideration of the cause of the increased length is necessary.

There are several explanations for the increase in financial statement note disclosures under IFRS, which are intended to provide useful information for decision- making. One explanation suggests additional financial statement note disclosure requirements increased without removing any existing financial statement note disclosure requirements and without considering the impact on overall disclosure length and usefulness of increased disclosures by standard setters (ICAS, NZICA, 2011). Not all researchers agree IFRS has caused an increase in financial statement note disclosure length. Researchers indicated the problem of increased length might not be with the current financial statement note disclosure requirements but rather in application of these requirements (Barker et al., 2013).

Other factors added to the increase in financial statement note disclosures include risks resulting from changes in capital markets. Equity and debt securities on capital markets, as well as traditional operations, increased in complexity with globalization and risk associated with these instruments must be disclosed in a company's financial statement note disclosures (IFRS, 2015). As investment, financing, and risk management options for corporations were introduced in capital markets and purchased by companies, users needed to be informed of the risks (Hilton & Herauf, 2013; IFRS, 2015). For example, exposure to volatility in the global marketplace led to increased risks, such as foreign currency and pricing risks, for companies operating in foreign markets and must be disclosed in the financial statement notes (Bogicevic, 2013; Hilton & Herauf, 2013). In accordance with accounting standards, preparers of financial statements must disclose information about company risk because it is useful information for decision-making (Kieso et al., 2013; IFRS, 2015).

From a different perspective, preparers of financial statements have been criticized for adding disclosure increasing financial statement note disclosures length but adding little value to the user (Bloomfield, 2012; Heffer, 2013; IFRS, 2013). IFRS accounting standards do have mandatory disclosure requirements; however, preparers use discretion to determine whether the information is relevant and useful for decision-making (Kieso et al., 2013; KPMG, 2014).

Excessive disclosure and increased length are caused by disclosing items not useful for decision-making (Bloomfield, 2012; Heffer, 2013). The increase in financial statement note disclosures of unhelpful or unnecessary information has created concerns of information overload (Morunga & Bradbury 2012; Radin 2007).

Some expressed financial statement note disclosures may have become so long users may not process or may miss pertinent information (Morunga & Bradbury, 2012; Radin, 2007), a situation indicative of information overload (Jackson & Farzaneh, 2012). Although there are concerns of information overload, researchers stated evidence of information overload is anecdotal (Barker et al., 2013; Morunga & Bradbury, 2012; Radin, 2007). Nevertheless, concerns of information overload caused accounting organizations and standard setters to consider overall disclosure requirements including financial statement note disclosures (Barker et al., 2013).

Efforts to establish appropriate financial statement note disclosure length.

Accounting organizations and standard setters are reviewing financial statement and financial statement note disclosures required by IFRS in order to address criticisms of increased length (Barker et al., 2013). In 2011, a joint working group from the Institute of Chartered Accountants in Scotland and The Institute of Chartered Accountants of New Zealand examined the then current disclosure requirements standard by standard and prepared a document with suggestions for reducing financial statement disclosures (ICAS & NZICA, 2011). In July 2012, the European Financial Reporting Advisory Group (EFRAG), the French Autorite des Normes Comptables (ANC), and the UK Financial Reporting Council (FRC) issued a discussion paper on a disclosure framework for financial statement note disclosures (Barker et al., 2013). The EFRAG believed there was financial community consensus financial statement note disclosures were excessive (Barker et al., 2013). In late 2012, as part of a disclosure initiative, IASB performed a survey of users of annual reports which include financial statement note disclosures and received 233 responses indicating there was a disclosure problem in annual reports (IFRS, 2013). As a result IASB is proposing to release a discussion paper in early 2016 on financial reporting disclosure (IFRS, 2013). Financial reporting disclosure has a broader context than financial statement note disclosures but includes financial statement note disclosures. The IASB study did not address financial statement note disclosures but included a category for financial statements as a whole. Further, there was just one Central Canada response to this survey (IASB, 2013). Others also considered financial reporting disclosure.

Researchers also identified a need to understand the usefulness of the current disclosures in meeting users' needs (Barker et al., 2013; Brown & Tarca, 2012; IFRS, 2013; Morunga & Bradbury, 2012). Information meeting users' needs is relevant and useful for decision-making (Kieso et al., 2013). Brown and Tarca (2012) examined research on benefits of adoption of IFRS in the EU over 10 years and combined this research with practitioner comments on these benefits. Ultimately, the researchers indicated standard setters and preparers need to understand the information environment before changes are made to current financial statement note disclosure requirements to better align disclosure with users' needs (Brown & Tarca, 2012). The information environment would include financial statements including financial statement note disclosures (Lau et al., 2012). Specifically, Brown and Tarca (2012) indicated there was a need for good qualitative research which incorporated interviews of financial statement users to add to the discussion on disclosure requirements.

Morunga and Bradbury (2012) also considered the change in financial reporting under IFRS in considering user needs. The researchers examined the increase in the length of the annual reports pre and post IFRS and found an average increase of 29% primarily in the notes to the financial statements. While expressing concern about the increased length and possibility of information overload, Morunga and Bradbury (2012) identified a need to understand whether the increased length of financial statement note disclosures improved decision-making through providing information useful for decision-making.

Further, Barker et al. (2013) performed a literature review of existing research in response to the EFRAG, ANC and FRC discussion paper for a disclosure framework for the financial statement notes. The researchers found there was little discussion in the literature of the argument irrelevant information is being included in financial statements adding to the load of users who must sort through the information for information useful for decision-making. Information not perceived as useful would contribute to information overload by adding to the time needed to process the information (Jackson & Farzaneh, 2012). An understanding of users' perceptions of existing financial statement note disclosures would inform standard setters of information users perceive as relevant and useful for decision-making.

International Financial Reporting Standards

International Financial Reporting Standards were based on a conceptual framework to develop accounting standards meeting the rigor necessary to provide useful information to users. International Financial Reporting Standards are developed by standard setters to aid preparers (accountants) in preparing financial statements to give a fair presentation of the financial information of a company (Kieso et al., 2013). The fair presentation of financial information incorporates relevance, reliability, understandability, and comparability of information (IFRS, 2015; Kieso et al., 2013). The framework for international financial reporting accounting standards is designed to ensure information meets specific characteristics of useful accounting information.

International Financial Reporting Standards (IFRS) have become the predominant accounting standards around the globe (Kieso et al., 2015). Currently 140 jurisdictions worldwide adopted IFRS (IFRS, 2015). Standard setters anticipate IFRS will be the adopted standards for all public companies worldwide in the near future (IFRS, 2015). Because of IFRS global significance, an understanding of IFRS is necessary.

The global transition to IFRS has been evolving for some time. The adoption of IFRS for accounting has been taking place since as early as 1973 (Aghimien & Bashnini, 2013). In 2005, the European Union adopted IFRS followed by Australia and New Zealand shortly thereafter (Aghimien & Bashnini, 2013). In North America, Canada adopted IFRS in January of 2011. Although IFRS is becoming the primary set of standards, not all major countries adopted IFRS.

The United States has not yet adopted these standards, but accounting standard-setters, Financial Accounting Standards Board (FASB) in the United States and International Accounting Standards Board (IASB), continue to work toward the United States adoption of IFRS (Lin & Fink, 2013). Because the United States is a key economic player in the global economy, the adoption of IFRS in the United States is necessary to achieve the IFRS objective of a global set of internationally recognized standards (Lin & Fink, 2013). The adoption of IFRS by all countries will result in the comparability of financial statements globally (IFRS, 2015; Lin & Fink, 2013). However, standard setters for the United States want to increase positive consequences and reduce any negative consequences of adopting IFRS.

A positive consequence of IFRS accounting standards is an increase in the quality of information provided (Epstein, 2009; Latridis, 2010; Roudaki, 2012). Higher quality information is clearer and more concise resulting in reduced complexity and greater user understanding of information making the information more useful (Lawrence, 2013). Researchers indicated quality of information has improved with adoption of IFRS (Epstein, 2009; Latridis, 2010; Roudaki, 2012). Latridis (2010) performed an empirical study of UK listed companies pre and post IFRS and determined quality of information had improved under IFRS. Roudaki (2012) used a coding system to identify disclosure in financial statements prepared post IFRS in Iran and found more information was disclosed under IFRS. More disclosure under IFRS was an indication of increased quality in this study. Another positive consequence of IFRS is increased comparability. Comparability allows users to compare financial information of various companies for decision-making. Financial statement preparers in countries adopting IFRS are applying standards consistent with other countries resulting in increased quality and comparability of financial statements between countries (Aghimien & Bashnini, 2013). Comparability is a characteristic of useful information within the conceptual framework.

There have also been negative consequences for those countries that did adopt IFRS. One negative consequence has been the increased length of the financial statements under IFRS. The increased length of financial statements under IFRS has led to concerns of reduced understandability through providing information with little consideration of the relevance of the information by preparers of financial statements (Bloomfield, 2012; Brown & Tarca, 2012). Morunga and Bradbury (2012) showed the length of financial statements increased by as much as 29% with the adoption of IFRS. The increase in financial statements occurred primarily in financial statement note disclosures and not in the statement of financial position, statement of operations, statement of cash flows, or the statement of changes in equity (Morunga & Bradbury, 2012). The increased information may result in information overload resulting from increased length and added complexity of the information making it more difficult for users to find and understand relevant information (Blummer & Kenton, 2014; Jackson & Farzaneh, 2012).

Characteristics of Useful Accounting Information

There are specific characteristics of useful accounting information prepared in accordance with generally accepted accounting principles. Researchers indicated creditors (users of financial statements) wanted financial statements prepared under generally accepted accounting principles (Kieso et al., 2013; Sinnett & Laing, 2009). Financial statements prepared using IFRS are comparable, understandable, reliable, and relevant (Kieso et al., 2013; Sinnett & Laing, 2009). Kieso et al. (2013) indicated the characteristics of relevance, understandability, comparability, and reliability are critical in accounting since it allows users of accounting information to make decisions about how to allocate scarce resources. Relevance is a fundamental characteristic of accounting principles (Kieso et al., 2013).

Relevance. Information must be relevant to be useful (Kieso et al., 2013). According to Kieso et al. (2013) relevant information is information useful for decision-making. Specifically, relevant information has predictive value, feedback value and is timely (Kieso et al., 2013; Mensah, Nguyen & Prattipati, 2006). Relevance is a required characteristic of the accounting standards conceptual framework (Kieso et al., 2013). However, researchers expressed concern about the relevance of the information being included in financial statement note disclosures (Bloomfield, 2012; Lawrence, 2013). If financial statement note disclosures include non-relevant information users, such as investors, may perceive financial statement note disclosures are not useful to decision-making (Lawrence, 2013). Inclusion of information not relevant or useful for decision-making may cause users to lose sight of critical information resulting in a state of information overload (Jackson & Farzaneh, 2012; Morunga & Bradbury, 2012). To prevent this, more focus is needed on relevant information. The disclosure framework being considered for financial statement note disclosures is intended to provide more guidance on relevant disclosure or information (Barker et al., 2013). However, before this is completed, standard setters need to be informed about what information users perceive as relevant or useful and whether there is perceived overload in financial statement note disclosures (Brown & Tarca, 2012; IFRS, 2013; Morunga & Bradbury, 2012). Currently there is little information on how users use information in financial statement note disclosures for decision-making and thus what is relevant information for decision-making (Barker et al., 2013). Standard setters need to understand what users' preferences are and how they use information (Lawrence, 2013).

Material. The concept of material or materiality (a material amount) is closely related to relevance when considering inclusion in financial statement note disclosures. An item is considered material if it would impact a user's decision (Kieso et al., 2013). Items greater than materiality are considered useful and hence must be understandable, relevant, and reliable (Mensah et al., 2006). Preparers are required to disclose all material items; however, the application of the concept of materiality (a material amount) will vary by preparer (Bloomfield, 2012).

All material items require disclosure under IFRS (IFRS, 2015); however, in cases where disclosure is not mandatory, the accountant has some discretion in the decision as to disclose or not disclose. Because preparers assessment of materiality may differ, the decision to disclose or not may be different. Thus, it may not be the case that IFRS has resulted in more disclosures but rather how preparers assess materiality and thus implement IFRS that has led to this concern (Barker et al., 2013). Ljutic, Jankovic and Vlasic (2012) indicated there is a tendency for excessive disclosure that includes reporting information not significant (material). Moreover, Bloomfield (2012) noted firms are encouraged to disclose more information rather than less information, thus, increasing the likelihood of disclosing information that may not be material or relevant and the likelihood of excessive financial statement note disclosures.

Although accounting standards are developed from the concept of full disclosure it is important to recognize full disclosure encompasses disclosure of material information (Kieso et al., 2013). It may be the concept of materiality is inadequately applied (Barker et al., 2013). There are concerns items that are immaterial are being included in note disclosures making processing disclosures difficult (Miller, 2010; Radin, 2007) leading to a condition of information overload (Jackson & Farzaneh, 2012). As standard setters develop a disclosure framework, information is needed to inform standard setters of how users use the information in financial statement note disclosures and whether users perceive certain information is not useful for decision-making because it is immaterial or irrelevant information (Barker et al., 2013; Lawrence, 2013).

Understandability. Understandability is a necessary characteristic of useful information within the accounting framework. Information must be understood if it is to be considered useful. Lawrence (2013) indicated clear and concise disclosures result in higher quality information that is more understandable. The researcher used regression analysis on investment data to determine investors chose to invest more in those organizations with more understandable information. Lawrence (2013) used the linguistics (FOG) index as developed by Robert Cunning as the tool to assess understandability. The Fog index incorporates number of words in a sentence and number of syllables per word to assess understandability of information (Lawrence, 2013). Lawrence (2013) provided evidence users place higher reliance on clear and concise disclosures or more understandable or readable disclosures.

Lawrence (2013) used annual reports to assess the understandability of financial disclosures. Although financial statement note disclosures are a component of financial statements, which are included in annual reports, such information does not specifically address the understandability concerns of financial statement and financial statement note disclosures identified by Brown and Tarca (2012) and Barker et al. (2013). The objective of financial reporting is to provide information useful for decision-making and information useful for decision-making is understandable (Kieso et al., 2013). In the case of the global financial crisis, information had been disclosed in financial reports; however, the information was not understood and therefore not processed (Avgouleas, 2009); a condition of information overload (Jackson & Farzaneh, 2012). As standard setters develop a disclosure framework, information is needed on users' perceptions of usefulness of current financial statement note disclosures including the understandability of financial statement note disclosures (Brown & Tarca, 2012; Barker et al., 2013).

Readability. Readability is a characteristic of information overload because lower readability prevents readers from retrieving information (Rennekamp, 2012). Low readability is viewed as being less transparent and thus of lower quality (Lawrence, 2013). Researchers indicated lower readability has a negative effect on financial analysts when analyzing financial statement note disclosures (Barker et al., 2013) and a negative effect on investors when making investment decisions (Miller, 2010).

Rennekamp (2012) demonstrated the effect of low readability on investors using a sample of individuals from the online labor market Amazon's Mechanical Turk (AMT). AMT provides access to a pool of participants who are representative of the population. Participants in Rennekamp's study were first given one piece of information and then provided the same disclosure at a different level of readability. Rennekamp (2012) concluded users responded more positively to good news and more negatively to bad news when information was higher in readability. However, low readability prevented readers from retrieving information, regardless of amount of information (Rennekamp, 2012).

In other research, the Gunning Fog Index has been used to measure the overall readability of annual reports (Lehavy et al., 2011). The Index to assess readability was determined as a function of the number of words in a sentence and the percentage of complex words (more than three syllables) times a predetermined constant. What is important to note is Lehavy et al. (2011) determined users required the use of financial analysts for reports with lower readability for users to assist users in understanding the information. Low readability results from not being able to understand or interpret information and may be indicative of information overload (Jackson & Farzaneh, 2012).

A lower readability would increase information overload for readers (Jackson & Farzaneh, 2012). Researchers indicated there are concerns with readability of the disclosures in annual reports, which includes financial statement note disclosures, meaning users did not understand the information (Lehavy et al., 2011). Information overload results when users cannot process information for various reasons such as not being able to understand the information because of low readability (Jackson & Farzaneh, 2012). What is clear is low readability has a negative impact on users of financial information. What is unclear is users' perceptions of current financial statement note disclosures, specifically (Lawrence, 2013). As standard setters work to develop a disclosure framework, there is a need to understand how users use the financial statement note disclosures (IFRS, 2013). Researchers indicated there is a need to understand users' perceptions of financial statement note disclosures before changes are made to the current disclosure framework (Bloomfield, 2012; Morunga & Bradbury, 2012).

If information is to be useful, understandability and readability of information must be assessed as high Researchers demonstrated information that is more understandable and higher in readability had a positive effect on readers because the information was more useful (Lehavy et al., 2011; Rennekamp, 2012). However, these researchers used information from documents or annual reports (Lawrence, 2013; Lehavy et al., 2011; Li, 2008; Rennekamp, 2012). Annual reports include financial statements, and financial statements include financial statement note disclosures. Thus the research has some relevance to financial statement note disclosures.

More information is needed about users' perceptions of current financial statement note disclosures (Lawrence, 2013). As standard setters develop a framework for financial statement note disclosures, there is a need to understand users perceptions of current financial statement note disclosures, whether disclosures are useful for decision-making (understandable and readable), and resulted in improved decision-making (IFRS, 2013; Lawrence, 2013; Morunga & Bradbury, 2012). In addition to understandability, comparability is important for useful accounting information.

Comparability. Comparability is also a characteristic of useful accounting information (Kieso et al., 2013). Investors and creditors require comparable information when evaluating opportunities (Franco, Kothari & Verdi, 2011). Comparability of information is necessary to assess information year over year in companies or between various companies (Kieso et al., 2013). The information in financial statement note disclosures facilitates comparability because accounting policies, for example, are disclosed, which indicate the accounting choices companies used in preparing financial statements thus allowing users to consider differences when making decisions (Kieso et al, 2013). Researchers indicated comparability was higher in companies operating within the same industries (Franco et al., 2011). Further, researchers found financial statement comparability improved under IFRS (Brochet, Jagolinzer, & Reidi, 2013; Wang, 2014). Using U.K. based companies, where the pre-IFRS standards were very similar to IFRS, the researchers examined abnormal returns subsequent to the purchase of the company's shares by persons within the company. The researchers found evidence to support abnormal returns were lower after IFRS implementation because of improved information to the public and reduced private information (Brochet et al., 2014).

There are mixed views about whether comparability under IFRS can be achieved. According to Prescott and Vann (2015), cultural differences affect accountants' judgments in implementing accounting standards. Although one of the characteristics of useful accounting information is comparability (Dholakia, 2013; IFRS, 2015), globalization of standards across borders and cultures may make it difficult to achieve comparability (Prescott & Vann, 2015). Tsakumis (2007) investigated differences using accountants from Greece and United States and found there were, in fact, cultural differences affecting the judgments of these accountants. Other researchers indicated mandatory adoption of IFRS can increase comparability (Horton, Serafeim, & Serafeim, 2013). The use of IFRS within one country should produce comparable information within the same industry (DeFranco et al., 2011).

Comparable information is necessary to evaluate alternative investment opportunities in decision-making (DeFranco et al., 2011). If the characteristic of comparability is not present than decision-making is more complex, which can lead to information overload (Jackson & Farzaneh, 2012). Researchers called for information about users' perceptions of current disclosure requirements as it relates to the characteristics of useful information, including comparability, to inform standard setters as the new disclosure framework is developed (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

Reliability. In order for information to be useful for decision-making the information must be reliable (Kieso et al., 2013). Another term replacing reliability is representational faithfulness (Kieso et al. 2013). Reliability is significant because without reliability the information might be misleading whether by intention or not. Reliable information is free from bias and error and is considered to represent what is real (Maines & Wahlen, 2006). The presence of all characteristics of useful accounting information (relevance, understandability, comparability, and reliability) is necessary in order for the information to be useful for decision-making.

The characteristics of useful accounting information should be present in financial statement note disclosures. However, research is needed about financial statement note disclosures, specifically, whether users perceive the information in the financial statement note disclosures is useful for decision-making (Brown & Tarca, 2012; IFRS, 2013). Users' perceptions of current financial statement note disclosures will provide information to standard setters on the current relevance, understandability, comparability and reliability of the financial statement note disclosures and thus the usefulness of the information in decision-making.

The EFRAG, ANC and FRC (using information related to IFRS and an advisory panel comprised of 20 users, academics, and preparers in the UK and EU) prepared a discussion paper on financial statement note disclosures (EFRAG, ANC, FRC, 2012). Other researchers responded to the EFRAG, ANC and FRC discussion paper on the proposed disclosure framework for financial statement note disclosures. These researchers indicated there was limited knowledge of users' needs and decision-making processes (Barker et al., 2013).

The focus of many researchers has been on financial reporting, which includes reporting to the Securities Commission of the country (Carbone & Seem, 2014) or annual reports (Bloomfield, 2012; Lehavy et al., 2011; Morunga & Bradbury, 2013). While some researchers studied the effect of financial statement note disclosures on investor activity; investor activity is an indirect reflection of users' perceptions of financial statement note disclosures because users invest more in companies with clear and concise information (Lawrence, 2013). More research is needed on financial statement note disclosures specifically (Brown & Tarca, 2012).

As standard setters develop the proposed disclosure framework research is needed on user needs to ensure the financial statement note disclosures only includes information relevant, understandable, comparable and reliable and to provide empirical research on the concerns of information overload in financial statement note disclosures (Morunga & Bradbury, 2012; Radin, 2007). IASB indicated there was a need for information on user needs and decision-making process (IFRS, 2013). Information on user needs and decision-making process would be provided from information on user perceptions of the relevance and usefulness of current financial statement note disclosures.

Information Overload

There have been mixed reviews across many disciplines on the concept of information overload. Communications' managers had concerns the vast amount of information provided to consumers through many venues had adverse outcomes (Holton & Chyi, 2012). In efforts to prevent information overload, libraries developed best practices to help patrons reduce the effects of information overload (Blummer & Kenton, 2014). However, in the news industry, researchers indicated most individuals with multiple sources for news felt empowered to be able to access information (Hargittai et al., 2012). Information overload is also relevant to businesses such as marketing, accounting, and information systems. Morunga and Bradbury (2012) indicated there is now concern there is information overload in financial statement note disclosures.

Although standard setters assumed information overload, there is no empirical evidence of information overload in financial statement note disclosures (Barker et al., 2013). Using 170 firms listed on the New Zealand stock exchange, Morunga and Bradbury (2012) found annual reports had increased by 29% (primarily in financial statement note disclosures) under IFRS thus resulting in increased load for users and more likelihood of information of overload. Other researchers expressed concerns of increased length in annual reports, which include financial statement note disclosures, in terms of information overload (Iannaconi, 2012; KPMG, 2011) or disclosure of immaterial information (Barker et al., 2013; Bloomfield, 2012). In 2007, Radin shared anecdotal evidence financial statement notes are not being read, which would indicate possible information overload. Based on the lack of empirical information to support information overload in financial statement note disclosures, research is needed to expand the theory of information overload to financial statement note disclosure.

Still, there may be individual differences (processing capacity) in determining what qualifies as information overload. Researchers performed research within the media information environment and indicated age, gender, and income could be used to predict the likelihood of the individual feeling overloaded (Ji, Ha, & Sypher, 2014). Further, individuals with expertise in a particular field may take longer to become overloaded than individuals without expertise in the area (Jackson & Farzaneh, 2012). Different user groups have different needs, and preparers place a different significance on information than other users (Alzarouni, Aljifri,, Ng, & Tahir, 2011; Schneider, 1994). As information overload is being explored in financial statement note disclosures, information should be obtained from different user groups in order to inform standard setters (Alzarouni et al., 2011).

Information Overload or Efficient Market Hypothesis

Regulators for capital markets and standard setters for financial statements have long purported full disclosure of all relevant information to all users to ensure all relevant information is available for decision-making (Cascino et al., 2014). Capital markets evolved through the concept of requiring transparency and disclosure of all relevant information under the efficient market hypothesis (Kieso et al., 2013; Kitson, 2012). The efficient market hypothesis stands in contrast to information overload and is based on the premise all parties have access to all information, so there is information symmetry in capital markets (Kieso et al., 2013; Kitson, 2012). Indeed, Barker et al. (2013) indicated markets do react positively to increased disclosure. Although regulators and standard setters required disclosure of all relevant information, there are now concerns there are excessive financial statement note disclosures under IFRS, which may result in information overload for users of the information (Morunga & Bradbury, 2012).

Information overload and the efficient market hypothesis may have conflicting perspectives if information becomes excessive. The efficient market hypothesis promotes the use of full disclosure (Cascino et al., 2014), whereas the theory of information overload suggests users may not be able to process information if it is overly excessive (Blummer & Kenton, 2014; Jackson & Farzaneh, 2012). Under current disclosure practices used in financial statements, there is concern there is information overload in financial statement note disclosures under IFRS (Morunga & Bradbury, 2012; Radin, 2007). However, there is a requirement for full disclosure of all relevant information under both the efficient market hypothesis and under IFRS (Kieso, 2013; Kitson 2012). Regulators and standard setters are ultimately responsible for disclosure requirements and information is needed about the current state of financial statement note disclosures.

Contributors to Information Overload in Financial Statement Note Disclosures

There are concerns there is information overload in financial statement note disclosures (Morunga & Bradbury, 2012; Radin, 2007) with the usefulness of information being lost for users. Common factors associated with information overload include poor quality including lack of relevance and validity, complexity, and ambiguity of information (Jackson & Farzaneh, 2012). Each of these factors makes it more difficult for users to process information in the allotted time resulting in the individual experiencing information overload (Jackson & Farzaneh, 2012). The presence of any of those factors (poor quality, complexity, or ambiguity,) in financial statement note disclosures would also reduce usefulness of information for users in decision-making.

Quality of financial statement note disclosures. Quality of financial statement note disclosures affects the likelihood of whether users will experience information overload.

According to Jackson and Farzaneh (2012), quality of information is an extrinsic factor of information overload. Poor quality information takes longer to process or may not be the information needed (Jackson & Farzaneh, 2012). For example, poor quality information may include information not informing decisions but would require users to work through information in search of useful information for decision- making. Therefore, poor quality information affects the usefulness of information in decision-making because it would be harder to process and therefore, may lead to information overload.

According to Jackson and Farzaneh (2012), validity is a characteristic of information overload because it affects the quality and relevance of the information. Clearly, if information is lacking validity than the information is unreliable and users will have difficulty processing and using the information – a condition of information overload. The accounting framework uses reliability as a criteria for accounting information (Kieso et al., 2013). Information lacking validity reduces the quality of information while using a portion of the individuals' processing capacity. As a result, the user may miss other important information.

High-quality financial statement note disclosures provide useful information for decision-making. Higher quality disclosure is viewed as clear and concise resulting in notes rated higher in readability and, as a result, have a higher rate of investing in the applicable company (Lawrence, 2013). Biddle, Hilary, and Verdi (2009) found higher quality information resulted in investment efficiency, a condition in which investments in shares of companies are not under or over-invested. The researchers applied multivariate analysis using accruals quality to assess quality and the Fog Index to assess readability and financial reporting quality. Higher quality information resulted in greater understandability of information as evidenced by users having the necessary information on which to base investment decisions (Biddle et al., 2009; Lawrence, 2013). There are techniques used to assess information quality.

A weak relationship between accruals and cash flows results in lower quality information and information asymmetry in financial markets (Bhattacharya, Desai & Venkataraman, 2013). When any party has more information than another party, a condition of information asymmetry exists (Bhattacharya et al., 2013). Whereas, if all publicly available information is disclosed than there is information symmetry (Kitson, 2012). Un-invoiced incurred expenses are referred to as accruals and are required to be recorded (Kieso et al., 2013). That is, accruals are current liabilities of the company (Kieso et al., 2013; IFRS, 2015). Accruals are estimates and, therefore, have more uncertainty and higher risk resulting in lower quality information.

Another technique used to assess quality of information is an analysis of audit fees. Audit fees in excess of expected fees or unexplained audit fees are an indication of lower quality information. Auditors increase audit risk and time on audits in situations where there is low-quality information because poor quality information requires more time to audit (Hribar, Kravet & Wilson, 2013). Therefore, higher audit fees than expected can be indicative of low-quality information; a condition contributing to information overload resulting from the required time to process (Jackson & Farzaneh, 2012). Further, the assessment of quality resulting from unexplained audit fees can be used to predict earnings management or fraud (Hribar et al., 2013). Earnings management or fraud results in misreporting of information, low quality information, and information not useful for decision-making (Choi & Pae, 2011). Poor quality information adds to processing time and the likelihood of information overload (Jackson & Farzaneh, 2012).

Quality, earnings management, and fraudulent financial reporting. Earnings management and fraudulent financial reporting affected the quality (Soltani, 2014) and thus the usefulness of information for decision-making while increasing the amount of financial statement note disclosures and the probability of information overload. Although adoption of IFRS has increased the quality of information (Latridis, 2010), quality of information is still a concern. The use of earnings management or fraudulent financial reporting to present more positive earnings will deteriorate quality of information. Earnings management is the manipulation of information through selection of the most beneficial options to achieve a favorable outcome (Beaudoin, Cianci & Tsakumis, 2015) whereas fraudulent financial reporting is intentional misrepresentation of information resulting in deception to the user (Lui, Wright, & Wu, 2014).

Earnings management reduces quality as well as creditability of information while increasing processing time and the probability of information overload. Managers are under pressure to achieve earnings targets and choose a specific accounting method or action resulting in achieving the target (Shuli, 2011). For example, management might choose to delay specific operating expenses in order to meet targets (Shuli, 2011). Although this is not an illegal activity, of concern is erosion of investor confidence and creditability of financial reports has resulted from earnings management, which has continued presence in financial reporting (Beaudoin et al., 2015). It is apparent earnings management reduces quality of financial reporting including financial statements and financial statement note disclosures while increasing likelihood of information overload. Quality of information and usefulness of information for decision-making is also affected by fraudulent financial reporting.

Fraudulent financial reporting of past decades has been a contributor of poor quality information, increased length of financial statement note disclosures and concerns of information overload (Soltani, 2014). Many business failures of the past decade included fraudulent financial reporting, lack of disclosure or inappropriate disclosures (Soltani, 2014) thus, reducing quality of information and increasing the probability of information overload. For example, World Com had misrepresented disclosures on the financial statements by classifying expenses as assets so there would not be a reduction in earnings related to these expenses (Scharff, 2005) thus the quality of information was low. Fraudulent financial reporting has affected the amount of disclosures and thus concerns of information overload.

The response to fraudulent financial reporting has been increased disclosure requirements, which has resulted in even more disclosure (Beaudoin et al., 2015; Prawitt, Sharp & Wood, 2012) and increased likelihood of information overload. For example, the Sarbanes-Oxley Act of 2002 was a result of the fraudulent financial reporting occurred in Enron (Maroney & McDevitt, 2008). Increased disclosure increases the potential for information overload causing users of financial statement note disclosures to lose sight of important information through not comprehending or reading the information (Jackson & Farzaneh, 2012). As a result of the new regulations, emphasis has been placed on ethics to reduce the likelihood of fraudulent financial reporting.

The ethical standards of an individual will affect the probability of an individual choosing to engage in fraudulent financial reporting. Ethics has been an area of emphasis since the many business failures involving fraudulent activities. Fraudulent financial reporting resulted in poor quality information not useful for users' decision-making and thus increased probability of information overload. Researchers indicated the ethical standards of management were an important consideration as to whether management might engage in fraudulent financial reporting (Zrel, Beaudoin & Cianci, 2012). Companies with enforced higher business ethics were less likely to use accounting choices that inflated earnings (Choi & Pae, 2011). Other researchers indicated financial reporting quality relates to a higher level of corporate moral development (Labelle, Gargouri & Francoeur, 2009). Companies have been placing emphasis on codes of conduct in efforts to increase ethical standards within the organization.

The emphasis on ethics has resulted in many professions having a code of ethics which holds the profession to a higher standard (Akenbor & Onuoha, 2013). Typical characteristics of the code are professional competence, independence, confidentiality, and integrity (Akenbor & Onuoha, 2013). Management adoption of the characteristics of the code of ethics will make it less likely fraudulent financial reporting and the resulting low-quality information will occur (Choi et al., 2011) and will reduce the potential of information overload. This emphasis on ethics also has an impact on the professional judgment of accountants and users' perceptions of financial statement note disclosures.

The past business failures of companies, such as World Com and Nortel, and poor quality of information provided by these companies, may well have had an impact on users' perceptions of financial statement note disclosures, quality of information, amount of disclosure users feel is necessary and whether users feel overloaded. Users have concerns about the creditability of disclosed information (Beaudoin et al., 2015; Cheng, Liao & Zhang, 2013). The preparation of financial statement note disclosures uses a company's valued resources that might be used more efficiently in other areas of the company particularly if note disclosures are providing low-quality information not being read or understood leading to a condition of information overload. Complexity of information is another area of concern related to quality of information.

Complexity. Complexity of information is also an issue in financial statement note disclosures closely related to quality, readability, and understandability of financial statement note disclosures and also increases information overload. One area of increased complexity requiring extensive financial statement note disclosure is financial instruments that continue to expand in financial reporting (Kieso et al., 2013). Financial instruments are defined as assets of one party and a liability or equity item of another party (Kieso et al., 2013). The addition of extensive complex information may create a condition of overload for some users of financial statement note disclosures resulting from not understanding complex information.

Information so complex it is not understood is not useful information. Avgouleas (2009) referred to the disclosure paradigm in European financial regulation related to capital markets as being a result of complexity of disclosure – information was fully disclosed but not understood. Further, Peterson (2011) studied accounting complexity through number of words and methods used in revenue recognition. Peterson (2011) found increased complexity aligned with increased likelihood of misreporting whether intentional or not and thus information being not useful. There has been some consideration given to how to resolve the issue of complexity.

Several researchers discussed complexity, a characteristic of information overload (Jackson & Farzaneh, 2012), related to financial statement disclosures including financial statement note disclosures (FRC, 1010; Iannaconi, 2013; Lehavy et al., 2011). There is a need for more emphasis on effective disclosure versus full disclosure when reducing complexity (Barker et al., 2013; Pounder, 2012). Bloomfield (2012) used pragmatic theory to consider disclosure efficiency or effective disclosure. According to Bloomfield (2012), to achieve disclosure efficiency, there must be a selective process as to what to disclose. Standard setters work to reduce complexity in accounting recognizing benefits of reduced complexity assist in market efficiency and protecting investors through assisting them in processing information (Hobson, 2011), thus reducing the likelihood of information overload (Jackson & Farzaneh, 2012). Less complexity would assist users in understanding and processing information while reducing these characteristics of information overload (Jackson & Farzaneh, 2012).

Before efficient disclosure can be achieved, resulting in reduced information overload, there is a need to understand users' perceptions of current disclosure requirements (Avgouleas, 2009; Bloomfield, 2012; Morunga & Bradbury, 2012). One explanation for the current concern of information overload in financial statement note disclosures is requirements for note disclosures increased without removing any existing requirements and thus without reducing the likelihood of information overload (ICAS, NZICA, 2011). Standard setters need to be informed of users' perceptions of current disclosures in order to ensure changes to the disclosure framework results in information in financial statement note disclosures considered useful for decision-making and not simply adding to information overload (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

Ambiguity. Ambiguous information is unclear and may be misinterpreted thus increasing information overload through making it more difficult for users to process the information (Jackson & Farzaneh, 2012). The accounting framework promotes transparency which might be viewed as the opposite of ambiguity because transparent information allows the user to easily extract the information (Mensah et al., 2006). Transparent information is unambiguous and is open and clear information intended to empower users through providing useful information for resource allocation decisions (Dholakia, 2013). Transparent information is less likely to increase information overload.

Standard setters are currently working on a disclosure framework for IFRS, which will establish principles for guidance on disclosure issues. Researchers indicated before changing the disclosure framework, empirical studies should be performed to determine users' perceptions of current disclosure requirements (Avgouleas, 2009; Bloomfield, 2012; Morunga & Bradbury, 2012). Little is known about users' perceptions of financial statement note disclosure (Lawrence, 2013). Inductive research is needed to understand users' perceptions of current financial statement note disclosure and to expand the theory of information overload to financial statement note disclosures (Brown & Tarca, 2012; IASB, 2013; Morunga & Bradbury, 2012). What is needed is an understanding of users' views in order to ensure information being provided in financial statement note disclosures is useful for decision-making (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

Disclosure Considerations Affecting Information Overload

Professional judgment, mandatory reporting, and discretionary reporting are disclosure considerations ultimately affecting whether there is a state of information overload. Professional judgment and discretionary reporting imply the preparer can choose to disclose or not to disclose information (Bloomfield, 2012; Iyer & Whitecotton, 2008) affecting whether the user exceeds processing capacity and reaches a state of information overload (Jackson & Farzaneh, 2012). However, mandatory reporting leaves no discretion and requires disclosure of the item (IFRS, 2015; Kieso et al., 2015). Researchers identified controversy in the literature about professional judgment, mandatory reporting, and discretionary reporting.

Professional judgment. Researchers discussed using professional judgment in applying the concept of materiality as a means of addressing disclosure concerns (Bloomfield, 2012) including information overload (Morunga & Bradbury, 2012). However, there are mixed views on using professional judgment to assess materiality when determining whether to disclose an item because it is useful information. Materiality is determined using professional judgment (Akenbor & Onuoha, 2013); however, professional judgment and materiality have been used to manipulate earnings (Shafer, 2002) resulting in poor investor confidence (Beaudoin et al., 2015). In other incidences, accountants have been criticized for viewing materiality as a quantitative exercise without using professional judgment to consider the qualitative aspect (Bloomfield, 2012; Iyer & Whitecotton, 2008). For example, an item omitted from financial statements may not be material; however, if such disclosure indicated low management integrity, users need this significant information (Iyer & Whitecotton, 2008).

Professional judgment would vary with each accountant which would result in differences in disclosure decisions between accountants. Accountants rely on professional integrity and ethical standards within the professional accounting body when using professional judgment and determining whether to disclose an item because it is useful information (Chen, Chen & Chenoweth, 2013; Metzger, 2011). However, it may be less risky for accountants to provide disclosure than not to disclose (Field, Lowry, & Shu, 2005) which may affect the accountants' professional judgment in deciding to disclose information or not. The accountant can reduce risk of litigation through full information disclosure (Field et al., 2005).

Ideally, the preparer could be selective about what information to disclose and reduce the likelihood of information overload while increasing disclosure efficiency (Bloomfield, 2012). However, the impediment to this is low investor confidence has resulted from past misreporting (Beaudoin et al., 2015). For the preparer, risks of litigation are reduced with increased disclosure (Field et al., 2005). However, increased disclosure results in more information and requires more users' time to process, increasing the likelihood of information overload (Jackson & Farzaneh, 2012).

Standard setter and preparers have little information on users' perceptions of existing financial statement note disclosures (Lawrence, 2013). Research should be performed to determine users' views of current financial statement note disclosures (Avgouleas, 2009; Bloomfield, 2012). Information on how users use current disclosures and their perceptions of existing disclosures would inform preparers and standard setters on information considered useful for decision-making (Bloomfield, 2012; Morunga & Bradbury, 2012).

Mandatory disclosure. Mandatory disclosures are required disclosures under IFRS (IFRS, 2015; Kieso et al., 2013); however, mandatory disclosure increases information which may cause users to lose sight of important information thus contributing to information overload (Jackson & Farzaneh, 2012). Mandatory disclosure refers to disclosure in specific financial statements (statement of financial position or statement of income, for example). However, mandatory disclosures need only be disclosed if the information is relevant or useful for decision-making (IFRS, 2015; Kieso et al., 2013). Thus, even mandatory disclosures may be subjected to professional judgment in assessing whether information is relevant. An example of a mandatory disclosure is risk disclosures required under IFRS, such as credit risk or foreign currency risk (IFRS, 2015). There are different views on mandatory disclosure and whether it enhances usefulness of information for decision-making or results in increased complexity and excessive disclosures leading to information overload.

Mandatory disclosures increase the length and may increase the complexity or reduce understandability of financial statement note disclosures, a condition of information overload. A recent qualitative study reported interviewees believe mandatory disclosure can add complexity and information reducing effectiveness of communication (Brown & Tarca, 2012). Other researchers indicated a positive aspect of mandatory disclosure is it adds creditability to the statements (Cheng et al., 2013). Therefore, consideration should be given to whether shareholders would react negatively to a reduction in mandatory disclosure (Cheng et al., 2013). However, other research has supported more disclosure.

Researchers studied the concept of mandatory disclosure using an international initial public offering (IPO). Although an IPO is a broader context than financial statement note disclosures, the study is relevant because financial statements are a significant component of an IPO. The study also focused on information asymmetry in the marketplace, the basis of the efficient market hypothesis. The researchers indicated a lack of disclosure showed a lower quality firm and resulted in underpricing in the marketplace (Shi, Pukthuanthong & Walker, 2013). The results of the study showed a one standard deviation increase in disclosure regulation led to reduction of approximately 20% in IPO underpricing (Shi, et al., 2013). Thus, there is evidence of added creditability with mandatory disclosure which is indicative of increased usefulness of information for decision-making.

From a different perspective, Barker et al. (2013) indicated the issue may not be mandatory disclosure resulting in excessive financial statement note disclosure but rather the issue might be how IFRS is being implemented. It is unclear whether information not required or not relevant is being included in financial statement notes causing users difficulty in accessing relevant and useful information (Barker et al., 2013). Even earlier research had indicated before reducing disclosure, there is a need to understand what is needed (Paredes, 2003). However, disclosure has continued to increase. What is needed is research to determine how users use financial information (Lawrence, 2013) and to understand users' requirements (IFRS, 2013) to inform standard setters as consideration is given to a disclosure framework and subsequent changes to disclosure requirements. In addition to mandatory disclosures, there are discretionary disclosures.

Discretionary disclosure. Discretionary disclosure, often referred to as voluntary disclosure, also utilizes professional judgment when determining whether information is useful for decision-making and also affects information overload. The standards require financial statement note disclosures provide disclosure of information relevant and reliable for decision-making (Kieso et al., 2013). There are factors that influence the preparer's professional judgment when determining whether to include information in financial statement note disclosures. Preparers use professional judgment to determine whether to disclose an item. If disclosures are deemed as relevant when they are not, then, financial statement notes will become excessive, overly complex, and not understandable yielding characteristics of information overload (Jackson & Farzaneh, 2012). Alternatively, relevant items may not be disclosed. Preparers are encouraged to disclose more information rather than less (Bloomfield, 2012). Further, from a preparer's perspective disclosure is less risky because it reduces the likelihood of lawsuits for non-disclosure (Field et al., 2005). However, in keeping with the standards, only relevant information should be disclosed (Kieso et al., 2013; IFRS, 2015).

There are proponents of reducing mandatory disclosure and using discretion in determining what items to disclose (Bloomfield, 2012; Heitzman, Wasley & Zimmerman, 2010); however, not all researchers share this view. Cheng et al. (2013) found a negative consequence of voluntary disclosure was shares were less liquid (Cheng, et al., 2013). Cheng et al. (2013) suggested voluntary disclosure may have less creditability than mandatory disclosure. However, discretionary or voluntary disclosure has higher significance when there is no duty to disclose (Heitzman et al., 2010). Voluntary or discretionary disclosure is considered less reliable and thus less useful for decision-making. Consistent with mandatory disclosure, voluntary disclosure of an item reduces information asymmetry (Cheng et al., 2013). However, because disclosure of material items is required, discretionary reporting only applies to immaterial items (Heitzman et al., 2010). Professional judgment is used to determine whether something is material or relevant which results in discretion being used to some degree even in mandatory disclosures where relevance is questionable.

There may be perceptions nonmaterial items in some users' views are being disclosed. Disclosure of immaterial information may lead to a condition of information overload where users lose sight of information or cannot process the information, and thus, the information would not be useful (Jackson & Farzaneh, 2012). There is a need to understand users' perceptions of current disclosures. Information is needed on how users use current financial statement note disclosures (Lawrence, 2013) and whether users perceive the increased financial statement note disclosures are relevant or useful for decision-making (Brown & Tarca, 2012; Morunga & Bradbury, 2012) or whether users are experiencing characteristics of information overload (Brown & Tarca, 2012; Morunga & Bradbury, 2012).

What do Users Want

Research related to annual reports, of which financial statements and financial statement note disclosures are a significant part, indicated there are significant differences between user groups in their reliance on the annual report for decision-making processes (Alzarouni et al., 2011). Earlier studies indicated the use of financial disclosure meeting users' needs is low (Alzarouni et al., 2011). Further, different users of annual reports have different needs (Alzarouni et al., 2011). However, studies show there is a lack of understanding of users' needs in terms of financial disclosure (which would include financial statement note disclosures) and decision-making (Alzarouni et al., 2011; Lawrence, 2013).

The debate about what users want or need has been going on for a long time. In 1947 and 1948 the then American Institute of Public Accountants' Committee on Accounting Procedures, published reports on what the public wanted to know about public corporations (Sinnett & Laing, 2009). The size of annual reports continued to increase and by the 1980's, companies were concerned readers could not absorb all the information (Sinnett & Laing, 2009).

Mayorga and Sidhu (2012) reported preparers tended to provide *boilerplate* disclosure that increased the length with limited discussion on usefulness. The researchers used a sample of the 20 largest companies listed on the Australian Stock Exchange to assess whether the companies were applying sufficiently detailed information for assumptions on estimates in accordance with IFRS. The researchers performed analysis on areas of note disclosures involving estimates and found the level of details were low (Mayorga & Sidhu, 2012). The researchers also indicated the UK's Financial Reporting Review Panel had also determined firms used *boilerplate* disclosures adding little value (Mayorga & Sidhu, 2012). Boilerplate information not adding value for users would increase information load and possibly cause users to lose sight of more useful information indicating possible information overload. Useful information such as estimate uncertainties or risk is potentially information users would want to know and yet was not being sufficiently provided (Mayorga & Sidhu, 2012).

Empirical studies have not provided detailed, inductive information and researchers called for qualitative research to determine whether current disclosure is useful for user decision-making (Brown & Tarca, 2012; Morunga & Bradbury, 2012) and how users use current information (Lawrence, 2013). As standard setters are now moving toward a disclosure framework for financial statement note disclosures it is important to gather users' views on current disclosures, whether current disclosures are read and understood, what is not needed, what is needed to be useful for decision-making, and whether there are differences in perceptions and needs across classes of users.

Summary

The amount of financial statement note disclosure has increased so much there is now concern there is information overload (Iannaconi, 2012; Radin, 2007). Information overload is a point at which the reader has reached processing capacity, can no longer take in additional information, leading to the possibility of important information being missed or lost in the details (Blummer & Kenton, 2014; Jackson & Farzaneh, 2012).

The purpose of financial statement note disclosure is to provide relevant information useful in decision-making (Kieso et al., 2013). There are many concepts of disclosure contributing to the existing concern of information overload and whether disclosures are resulting in better decision-making: materiality, quality, quantity, complexity, readability, discretion, and moral development. There was a need to determine whether the increased costs related to the increased load have led to better decisions (Brown & Tarca, 2012; Morunga & Bradbury, 2012). Research was needed to determine whether users of financial statements perceive increased disclosure adds value to statements: as Morunga and Bradbury (2012) indicated whether increased disclosure results in better decisions or as Brown and Tarca (2012) indicated whether increased disclosure has improved the information environment.

Many disciplines considered information overload. Evidence of information overload in financial statement note disclosures was only anecdotal (Barker, 2013; Radin, 2007). There was a call for empirical evidence to determine users' perceptions of whether the increased disclosure has improved decision-making (Brown & Tarca, 2012; Lawrence, 2013; Morunga & Bradbury, 2012).

Concerns over current disclosure environment have led to standard setters giving consideration to a disclosure framework (Barker et al., 2013). Recent research indicated concerns about information overload in disclosures (Morunga & Bradbury, 2012; Radin, 2007), that it was not known how users use financial statement note disclosures (Lawrence, 2013), what users requirements were (IFRS, 2013), if current note disclosures improved decision-making (Morunga & Bradbury, 2012), and whether current note disclosure improved the information environment (Brown & Tarca, 2012). Research was needed to explore users' perceptions of financial statement note disclosures in order to further inform standard setters as a new disclosure framework is being considered and to further expand the theory of information overload to financial statement note disclosures.

Chapter 3: Research Method

The general problem is there has been a significant increase in financial statement note disclosure over time (Bloomfield, 2012; Iannaconi, 2012; Radin, 2007), which has resulted in concerns there is now information overload in these note disclosures (Morunga & Bradbury, 2012; Radin, 2007). A study based on the conversion to International Financial Reporting Standards (IFRS) in New Zealand showed a 29% increase in the length of financial statements (Morunga & Bradbury, 2012). Radin (2007) demonstrated statements (10-K reports) in the U.S. could be as large as 200 pages. The ramifications of the increase in note disclosure is a state of information overload may now be present in financial statement note disclosures which may result in readers losing sight of important information (Brown & Tarca 2012; Jackson & Farzaneh, 2012; Morunga & Bradbury, 2012; Radin 2007), not understanding the information, perceiving the information is irrelevant (Lawrence, 2013), and preparers may incur increased costs as a result of the additional disclosure (Morris et al., 2014; Morunga & Bradbury, 2012). The specific problem this study addressed is standard setters are not informed about users' perceptions of whether financial statement note disclosure are relevant and useful for decision-making, whether the notes are read and understood by users, and whether there are differences across user classes.

The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (i.e., relevance and use in decision-making, readability and comprehension, and differences across user classes) in order to inform standard setters and extend the theory of information overload to financial statement note disclosure. Three financial analysts, three accountants, four creditors, and five investors were selected as participants for this study. These participants were from Eastern Canada and were selected from public directories and the researcher's network. In order to extend the theory of information overload to financial statement note disclosure and to understand users' perceptions of these note disclosures, the following research questions were addressed:

Q1. What are financial statement note disclosure users' perceptions of the relevance and usefulness of the notes in decision-making?

Q2. What are financial statement note disclosure users' perceptions of readability and comprehension of the notes?

Q3. How do financial statement note disclosure user groups (creditors, financial analysts, investors, and accountants) differ in their perceptions of relevance and usefulness of the notes in decision-making and readability and comprehension of the notes?

Following is information on the research method and design, population, sample, instrumentation, interview guide, data collection and analysis, limitations, ethical assurances, and summary.

Research Method and Design

In order to acquire an in-depth understanding of users' perceptions of financial statement note disclosures, a qualitative approach and embedded case study design was used. A qualitative approach was appropriate for this study to allow the researcher to gather detailed, semi-structured information on users' perceptions (Bloomberg & Volpe, 2012) of financial statement note disclosures. Qualitative research does not rely on quantifiable information, but instead uses techniques to facilitate in-depth analysis of the problem (Zikmund, Babin, Carr & Giffin, 2010). Qualitative research facilitates an in-depth understanding of the activity from the participants' viewpoint (Bloomberg & Volpe, 2012). The researcher must then analyze the data to derive meaning and common themes across participants (Zikmund et al., 2010). The qualitative research provided needed detailed information about perceptions of financial statement note disclosures as called for in current research (Barker et al., 2013; Brown & Tarca, 2012; Cascino et al., 2014; Morunga & Bradbury, 2012).

A case study design was used. The case study approach is preferred in research where the primary focus is on answering why and how questions in situations stemming from circumstances subjected to little control and occur in real time (Yin, 2014). A case study design was used because it facilitated the in-depth exploration and examination of evidence obtained through interviews and the identification of themes in the resulting interview data (Yin, 2014). An embedded design was used to allow for a comparison of different subunits of analysis (users of financial statement note disclosures). A single-case with embedded unit design was appropriate because it facilitated a thorough analysis across the various user groups between the user groups and within the user groups (Yin, 2014).

Population

The population for this study was Eastern Canada users of the financial statement note disclosures, including, creditors, financial analysts, investors, and accountants. These are the primary user groups of financial information (Young, 2006). Each of these user groups views company financial statements including the financial statement notes from a different perspective. Creditors issue debt to corporations and are interested in the creditworthiness of the company (Berk et al., 2013). Creditors are loan managers or other individuals who have the authority to approve loans, at lending institutions such as commercial, government, and cooperative banks. Financial analysts provide assessments of companies to interested parties such as investors or creditors (Berk et al., 2013) and work in the stock market environment analyzing quarterly earnings of public companies. Investors have resources available to invest in these companies with aspirations of investment growth (Berk et al., 2013) and purchased shares in a publicly traded company.

There are approximately 1,600 companies listed on the Toronto Stock Exchange (TSX), the principal exchange in Canada (Borzykowshi, 2015). In order to trade on the TSX, the company must issue a minimum of one million shares with a minimum market value of $4 million and these shares must be held by at least 300 shareholders (Canadian Encyclopedia, 2013). Assuming each company had the minimum number of shares issued and the minimum number of shareholders, there are a minimum of 1.6 billion shares and 480,000 shareholders. There is a high probability the number of shares issued and the number of shareholders is much greater than the minimum. Assuming one preparer per company there are 1,600 preparers. There are five primary commercial banks in Eastern Canada: Royal Bank of Canada (RBC), Canadian Imperial Bank of Commerce (CIBC), Bank of Montreal (BMO), and the Business Development Bank of Canada (BDC).

Sample

The proposed research was conducted in Eastern Canada and the sample was selected to represent a broad pool of participants from each user group. The sample included 15 participants: four creditors, three financial analysts, five investors, and three accountants. Two additional investors and one additional creditor were interviewed to ensure the breadth of each group was included. It was anticipated interviews with three participants from each group would lead to saturation; however more interviews were required for investors and creditors. Interviews for each group stopped when saturation was reached.

Purposive sampling and screening questions were used to ensure participants met the predetermined inclusion criteria (Cozby & Rawn, 2012). Participants were required to have had at least one course in accounting to ensure they had some knowledge of financial statements. Another inclusion criterion was each participant had to have reviewed at least one financial statement to ensure meaningful information was provided. Additional inclusion criteria included a professional accounting designation for accountants and financial certifications such as certified financial analyst for the financial analysts. Inclusion criteria for creditors was holding responsibility for authorizing credit. The use of these inclusion criteria resulted in some homogeneity of the sample (within each user group); however, it was important to note the overall sample was heterogeneous (across all user groups) to allow for a broad and diverse range of perceptions (Cozby & Rawn, 2013) and to ensure any common themes established from analysis of the interview data could be more widely generalized in relation to the phenomena (Robinson, 2013).

Materials / Instrumentation

Data was collected via face-to-face or Skype interviews. An interview guide was used to facilitate data collection in the interviews. The use of an interview guide established consistency in the process and enhanced analysis and comparability (Yin, 2014). The same interview guide, with minimum modifications for appropriate terminology for each group, was used for all four different groups of participants. The researcher took notes during the interview process and requested permission to also audio record each interview. All interview responses were transcribed.

Interview guide. To ensure consistency among interviews, a researcher developed 12 question interview guide was used (see Appendix A). Questions were open-ended to encourage interviewees to make open responses. The interview questions were based on the objective of financial statement note disclosures which is to provide users with additional relevant information useful for decision-making (Kieso et al., 2013) and were developed to address the study research questions. Specifically, the questions had been formulated to gather question responses related to the information usefulness of financial statement note disclosures as called for in research by Brown and Tara (2012), Lawrence (2013), and Morunga and Bradbury (2012). To establish validity, a field test was performed. The field test allowed for the identification of questions lacking clarity and needing modification.

The interview guide was divided into four sections. The first section included a question designed to gather demographic information about each participant, including education, designations, and occupation as well as the participant's reason for reviewing financial statements. The second section included questions soliciting responses on the participant's perception of the usefulness and relevance of the financial statement note disclosures (research question one). Section three had questions requiring responses on the participant's perception of the readability and comprehension of the financial statement note disclosures (research question two). Finally, the fourth section included a sample list of financial statement mandatory note disclosures and participants were asked to comment on the usefulness, relevance, readability, and comprehension of each note. In addition to providing additional information, section four added creditability to the data collected related to research questions one and two through providing some verification of responses in sections two and three.

The terminology used in the guide was revised for each subgroup. For example, the word *analyzed* was used for a financial analyst and *prepared* was used for an accountant rather than *reviewed*. Throughout the interview process, the researcher encouraged participants to expand on, provide examples or clarify responses in order to gather in-depth information on users' perceptions of financial statement note disclosures. The interview guide was field tested by an expert in the field to ensure the proposed questions resulted in sufficient and appropriate responses for a detailed analysis.

Data collection, Processing, and Analysis

Approval from Northcentral University Institutional Review Board (IRB) was obtained before any data was collected for this research. Because this study was conducted in Canada, international approval was also obtained. A field study was conducted to ensure instructions and questions were clear. Possible participants were selected from public directories and the researcher's network. Once selected, possible participants from each subgroup were contacted via telephone or email to ensure the inclusion criteria was met. To establish participants met the inclusion criteria of understanding financial statements, participants were asked whether they had taken at least one accounting course. In addition, to ensure participants met the inclusion criteria of reviewing financial statements, participants were asked whether they reviewed at least one financial statement in detail. Accountants were asked whether they had an accounting designation and financial analysts were asked whether they had certification as a financial analyst. Participants meeting the inclusion criteria were invited to participate in the study and an interview was scheduled at their convenience and took place at an agreed upon neutral location of the participant's choice or through Skype. Potential participants who did not meet the screening criteria were informed the specific criteria for the study had not been met and were thanked for their willingness to participate.

At the start of each interview, a letter of informed consent was presented to each interviewee (see Appendix B). The informed consent letter explained the purpose of the study, provided information on the researcher, contact information and ethics approval, the time commitment required for the study and informed consent for the study. Once the interviewee had signed the informed consent letter, the interview proceeded as scheduled.

Data processing and analysis. Data analysis in qualitative research begins at the interview stage. The process of data analysis requires first organizing the data, followed by developing data categories, identifying themes and then coding the data (Bloomberg & Volpe, 2012). The researcher took reflective notes during and after each interview as well as audio recorded the session with permission of the participant.

Interview responses were transcribed from the audio recording as soon after the interview as possible. A timely transcription by the researcher is important in qualitative research to optimize the inclusion of visual clues noted in the interview process (Brinkman, 2013). A transcriber, who had signed a confidentiality agreement, was hired to transcribe the interviews. The researcher compared the transcriptions to the original recordings. The transcribed data collected from the interviews were reviewed for patterns and coded line by line for grouping evolving from the patterns (Auerbach & Silverstein, 2003). The coding process was data driven which is identifying meaning from the data without using preconceived codes (Brinkman, 2013). Each participant's perception of financial statement note disclosure was coded and analyzed individually. Analysis was performed on each subunit to identify common themes and relationships emerging as well as across subunits. From this patterns were analyzed for financial statement note disclosure users as a whole, for each subunit of users, between each subunit, and across subunits. A qualitative data analysis (QDA) program, MAXQDA 12, was used to facilitate the data analysis. The program provided a tool for analyzing textual data; however, the researcher provided the analytical approach and thought process (Auerbach & Silverstein, 2003).

Assumptions

There were several assumptions applicable to this study. The researcher performed unbiased interviews and interpretation of the complete data to ensure validity and reliability of results. It was assumed participants had a clear perception of financial statement note disclosures. Further, it was assumed interviewees expressed their perceptions of financial statement note disclosures openly and honestly, even though their response may not align with current standards. It is possible users of financial statement note disclosures were guided by the accounting standards in responding to interview questions. Interview questions were designed to explore current practice of users about how they used existing disclosures in order to understand users' perceptions of financial statement note disclosure. All users were asked the all interview questions which further ensured validity and reliability of the results.

Limitations

One of the limitations of this study was researcher bias. A researcher has an obligation to present a balanced view of the data (Bloomberg & Volpe, 2012). In order to address this limitation, the researcher did not select specific data focusing on just some aspects of the information, but analyzed and presented an objective and transparent presentation of the full results. This unbiased view was maintained from the interview, through coding and data analysis and the ending report. The researcher decisions were evidenced with detailed analysis which can be supported by original data.

Another limitation was lack of generalization. The aim of qualitative research is not to provide results generalizable to the population but rather use an interpretive process to gain an in-depth understanding of phenomena (Bloomberg & Volpe, 2012). Qualitative research is used to develop a theory whereas quantitative research is conducted using an existing theory (Bloomberg & Volpe, 2012). Quantitative research can be used to quantify greater amounts of data collected from a representative sample of the population and because the sample is representative the results may be generalized to the whole population (Bloomberg & Volpe, 2012). However, qualitative research focuses on a small sample and more in-depth knowledge of the sample. In order to address limited generalization, inductive reasoning was used to gain an understanding of users perceptions of note disclosure.

Delimitations

Participation in this study was delimited to users of financial statement note disclosure located in Eastern Canada who agreed to be interviewed regarding their perceptions of financial statement note disclosures. Study design was also a delimitation. Qualitative research using a case study design with interviews was used to collect data. The case study was delimited to a small number of creditors, financial analysts, investors, and accountants in Eastern Canada selected through purposeful sampling. Focusing on a small number of creditors, financial analysts, investors, and accountants from Eastern Canada provided data to address the research questions of the study.

Ethical Assurance

Institutional Review Board (IRB) approval was required from Northcentral University before this data is collected. Northcentral University IRB guidelines for international studies was followed as well as the professional code of conduct. Participants were assured all data obtained through the interviewing process would remain anonymous. All participants had the option of receiving a copy of the final research report. The research protected interviewees from harm, made available informed consent, and preserved the right to privacy and honesty about the purpose and results of the study.

Protecting participants from harm. Procedures were implemented in this study to protect all participants from harm. All information collected from interviews were electronically stored and password protected. Any hard copy documents were scanned and stored electronically and hard copies will be shredded. Participants were able to review and clarify the interview documents to ensure they are in agreement with the information contained therein. All participants were assured no information will be able to be associated with them individually.

Informed Consent. Before conducting any interviews, a signed letter of consent was obtained from each participant. The letter of consent fully described the research project including the purpose of the study, the fact the study had received ethical consent from Northcentral University ethics board, a statement all information obtained during the study would remain anonymous, and a statement participants could withdraw from the study at any time.

Right to privacy. All participants were assured their right to privacy would be maintained. Codes were used for identification of each interviewed participant so the interviewees were not readily linked to the interviews. Data was stored electronically and secured through password protection.

Honesty with professional colleagues. The study followed the code of conduct and was conducted with the highest standards of integrity. Participants were assured the use of deception would not be used in the study. All participants were informed of the process to be used in the study and they would have access to the interview materials, and the full copy of the final report. The research process was open and honest.

Summary

This qualitative, embedded, single case study was used to explore users' perceptions of financial statement note disclosures in order to provide empirical evidence of the views of creditors, financial analysts, investors, and accountants. The qualitative approach facilitated a detailed, in-depth analysis of the phenomenon (Bloomberg & Volpe, 2012). The embedded case study was used for this study so information could be collected by user groups which could be compared for similarities and differences between user groups, across user groups, and within user groups (Yin, 2014). The population of the study was users of financial statement note disclosures in Eastern Canada, with a sample of participants from each group of financial statement note disclosure users: four creditors, three financial analysts, five investors, and three accountants. Data collection took place through face-to-face or Skype, one-on-one interviews facilitated by a 12 question field tested interview guide. Through data analysis, the researcher identified common themes through the use of coding and computer software while working to maintain an unbiased assessment of the study research questions. The researcher ensured all participants were protected and conducted the study in accordance with all ethical requirements during all phases of the study. This qualitative study expanded the research on financial statement note disclosure, increased understanding of users' perceptions of current financial statement note disclosure as standard setters work to develop a disclosure framework and extended the theory of information overload to financial statement note disclosures.

Chapter 4: Findings

The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (relevance and use in decision-making; readability and comprehension; and differences across user classes) in order to inform standard setters and extend the theory of information overload to financial statement note disclosure. There were 15 participants consisting of three accountants, five investors, three financial analysts, and four creditors. A semi-structured interview was used as the research instrument. Prior to use, the interview guide was field tested by an expert in the field and modified to include additional, relevant information. Northcentral University IRB approval was obtained prior to conducting interviews for this research. Data collection took place during April and May of 2016. The semi-structured interviews were audio recorded and transcribed into word documents. The researcher verified the validity of the audio recorded transcriptions and documented reflective notes from the transcriptions.

Participants had to meet specific criteria to be eligible to participate in the research. Although not a criterion, all participants in the sample had a minimum education of an undergraduate degree. Purposive sampling was used to identify potential participants because the interview questions only applied to individuals of predetermined user groups meeting specific criteria allowing subsequent comparisons across the user groups (Bloomberg & Volpe, 2012). The participants were selected from the researcher's network using tools such as LinkedIn, email, and telephone contacts.

Data collection consisted of one-on-one interviews with each participant from each of the four groups (creditors, investors, financial analysts, and accountants). Each interview took between 15 and 30 minutes to complete with the longer interviews being for those participants who used or were more familiar with financial statement note disclosures. The interview guide was followed for all interviews to ensure consistency in the process and to enhance analysis and comparability (Yin, 2014). Each interview was recorded with the recording beginning after informed consent documents were signed.

The research questions for this study were:

Q1. What are financial statement note disclosure users' perceptions of the relevance and usefulness of the notes in decision-making?

Q2. What are financial statement note disclosure users' perceptions of readability and comprehension of the notes?

Q3. How do financial statement note disclosure user groups (creditors, financial analysts, investors, and accountants) differ in their perceptions of relevance and usefulness of the notes in decision-making and readability and comprehension of the notes?

This chapter presents the results and evaluation of the study and is organized into three main sections. Section one includes a discussion of the participants, data, and findings for each research question. The second section presents an evaluation of the findings for each research question including the themes and codes. The third section of this chapter includes a summary of the findings and evaluations related to the three research questions.

Results

The primary unit of analysis for this study was users' perceptions of financial statement note disclosures. The unit of analysis was further broken out into subunits by each group of user: accountants, financial analysts, creditors, and investors. The sample was comprised of 15 individuals.

Participant demographic information. Participant demographic information was collected for gender, education, career position, industry, and experience (see Table 1). The sample was mostly male (80%), and most participants (86.7%) had more than 10years of experience. All participants had a higher education with 46.7% having a Bachelor's degree, 33.3% having a Master's degree, and 6.7% having a Doctoral degree. Almost half of the participants, seven or 46.7%, held a Chartered Professional Accountant (CPA) designation and three or 20.0% held a Chartered Financial Analyst (CFA) designation. The sample represented a diversity of career positions and work industries. Participants in the accounting group held a CPA designation and worked in a role including financial statement note preparation of publicly traded companies. Other designated accountants in the study were working in roles as creditors (20%), analysts (6.67%), or investors (6.67%) and were not preparing financial statements but used financial statements for decision-making. These other accountants were selected for their positions of creditors, analysts, and investors and not because of the accounting credential.

Table 1

Participant Demographic Information (n = 15)

Demographic Information	Frequency	Percentage
Gender		
Male	12	80.0
Female	3	20.0
Education		
Bachelor	8	53.3
Masters	6	40.0
PhD	1	6.7
Designation		
CPA	7	46.7
CFA	3	20.0
Career Position		
CFO, Controller	3	20.0
Credit Approver	4	27.7
Investment Analysts	2	13.3
Investment Broker	2	13.3
Professor	2	13.3
Mergers, acquisitions	2	13.3
Years of Experience		
1 to 5 years	2	13.3
5 to 10 years	0	0
Greater 10 years	13	86.7
Work Industry		
Airline	1	6.7
Education	2	13.3
Financial services	4	27.7
Investment Analyst	2	13.3
Investment broker	2	13.3
Media	1	6.7
Oil and Gas	1	6.7
Real Estate	2	13.3

Participant interview data. Semi-structured interviews were conducted to explore users' perceptions of financial statement note disclosures using questions on usefulness, relevance, readability, and comprehension. Although the intent was to perform three interviews for each group of participants, the researcher interviewed one additional creditor and two additional investors, to secure information from specific categories. The additional creditor was chosen to ensure there was sufficient information on public company debt approval that may not have been fully determined from previous interviews. Two of the investors were private investors, two were investment brokers, and one worked in acquisitions (investment in other companies) for a public company. No new codes were identified in the last interviews for each group indicating saturation had been reached.

Open-ended questions were used in the interview process to allow interviewees to make open responses. The interview questions were organized into two categories related to the research questions: (1) questions about the usefulness and relevance of financial statement note disclosures; and (2) questions about the readability and comprehensibility of financial statement note disclosures. Responses were organized by each group of participants to allow comparison of responses by group to gather data related to research question three.

A 12 question interview guide (see Appendix A) was used during the interview process to establish consistency across interviews. Three interviews were planned for each group of accountants, investors, financial analysts, and creditors. An additional interview was performed for creditors to ensure sufficient representation of publicly traded companies. The investor group ranged from private investors to investment brokers and included a participant involved in the acquisition of other companies. The researcher performed five interviews in this group to ensure sufficient information to encompass the broad range of this group. No new information resulted from the final interviews of each group and thus saturation of data was achieved.

Thirteen of the 15 interviews were conducted using in-person, face-to-face interviews and two interviews were conducted using Skype, face-to-face interviews. All participants signed an agreement to allow audio recording of the interviews. The audio recordings were transcribed by a transcriber who had signed a confidentiality agreement. Each transcription was compared to the audio recording by the researcher before importing the transcriptions into MAXQDA 12 software for coding and analysis. The researcher added reflective notes to interview data to aid in data coding and analysis.

Researcher reflective notes. After each interview and during the analysis process, the researcher added reflective notes to interview data to aid in data coding and analysis. Researcher reflective notes were used to capture researcher interpretations and thoughts of participants' responses and any considerations that might affect these responses. Some reflective notes were added to the interview audio recording as an addendum to the interview data. Other reflective notes were entered as memos in the MAXQDA 12 software. Data analysis involved interpreting interviewee responses and assigning an appropriate code to the phrase(s) in MAXQDA. Coding and analysis of responses to the interview questions were used to identify themes related to each research question.

The raw audio data and transcriptions were saved to a password-protected device and imported into MAXQDA 12 qualitative software for coding and analysis. The computer with MAXQDA 12 and imported data was also password protected. Software was used for data analysis because research indicates software facilitates efficient coding and comparison of text from which the researcher then identifies themes (Bloomberg & Volpe, 2012). Interview transcriptions were organized in MAXQDA by group. The single-case embedded unit design allowed for comparisons across user groups (Yin, 2014).

Research questions. A total of 801 text segments were coded during analysis and used to identify themes in the data. The codes included a code for each of the 12 interview questions which enabled the researcher to pull all responses to each research question and export the data to Excel for further analysis. There were 70 codes developed as a result of researcher interpretations of the data within MAXQDA12. Themes identified from coding and analysis of transcriptions for research questions one and two follow (see Table 2). Research question three asked how financial statement note disclosure user groups (creditors, financial analysts, investors, and accountants) differ in their perceptions of relevance and usefulness of the notes in decision-making and readability and comprehension of the notes. Themes and sub-themes identified in the analysis of research questions one and two were compared and further analyzed by group to answer research question three.

Table 2

Themes and Sub-themes from Research Questions

Research Question	Themes	Sub-themes
RQ1: What are financial statement note disclosure users' perceptions of the relevance and usefulness of the notes in decision-making?	• An integral part of financial statements • Amount of disclosure • Useful • Not useful	• Read specific items • Too much detail • Too much work • Not enough time • Transparency • Generic • Material • Thorough • Extensive • Not enough information • Quality • Relevance • Secondary data • More useful • Became familiar • More succinct • MDNA
RQ2: What are financial statement note disclosure users' perceptions of readability and comprehension of the notes?	• Readability is an issue for most • Too complex for non-accountants	• Lay person • Not enough detail • Too much detail • Terminology • Confusing • Readable • Familiarity • Educated • Complex business • Get back to cash • Presentation is important • Quality

Research question one. Research question one asked what are financial statement note disclosure users' perceptions of the relevance and usefulness of the notes in decision-making. Detailed analysis of the one-on-one interviews using MAXQDA 12, researcher reflective notes, and further analysis of specific research question responses using data exported to Microsoft Excel were used to answer this question. Interview guide questions 3a, 3d, 5, 6, and 7 were designed to identify whether participants' perceptions were financial statement note disclosures were relevant and useful to decision-making. There were 466 occurrences of codes included in the data analysis related to the usefulness and relevance of financial statement note disclosures. The most common codes were read, useful, decision-useful, not useful, too detailed, transparency, specific items, and thorough. Four common themes emerged from findings related to financial statement note disclosure users' perceptions of the relevance and usefulness of the notes in decision-making: (a) participants determine financial statement note disclosures are an integral part of the financial statements, (b) mixed views the amount of financial statement note disclosures reduce usefulness, (c) participants perceive some financial statement note disclosures are useful for decision-making, and (d) participants perceive some financial statement note disclosures are not useful for decision-making.

Theme 1.1: An integral part of financial statements. All participants, either through indicating financial statement note disclosures were part of their review or by explicitly stating financial statements without note disclosures would not be useful, agreed financial statement note disclosures were an integral part of financial statements. Question 3a asked whether the participant read financial statement note disclosures. Two of the five (40%) participants (P2 and P15) from the investor group (13.3% of total participants) did not read financial statement note disclosures because they accessed required information from secondary data such as analysts' reports and relied on financial analysts to review the note disclosures. Although these two participants did not read financial statements note disclosures, both participants (P2 and P15) indicated financial statements would not be useful without the financial statement note disclosures. The remaining 13 participants indicated they read some or all of the financial statement note disclosures. Just one participant (P8), a creditor, indicated he read all financial statement note disclosures. The remaining 12 participants (80.0%) indicated they read specific notes providing information related to decisions being made. Participants P1 (accountant), P8 and P14 (creditors), and P15 (investor) further indicated financial statements without note disclosures would not be useful.

Question 3d asked participants who should read financial statement note disclosures. Although most participants only read specific areas of the notes, many had views certain groups should be reading financial statement note disclosures. Four participants, P4, P5, P6, and P7, did not provide a response to this question. Eight of the 11 participants (72.7%) who responded, P2, P3, P8, P9, P10, P11, P12, P14, and P15, indicated investors (including investment brokers), should read the financial statement note disclosures. One participant, an individual investor, P2, relied on the investment broker to read financial statement note disclosures. Participants P3, P9, P13 and P15 (36%) stated analysts should read the financial statement note disclosures. Three participants, P8, P13, and P14 (27%) suggested creditors should read financial statement note disclosures and three participants, P1, P3, and P11 suggested management should read these disclosures. Auditors were identified by P2 and P12 and further P12 identified regulators as classes that should read financial statement note disclosure. Participants P2, P3, and P11 indicated the information should be considered reliable because the financial statements had been audited.

Theme 1.2: Mixed views amount of financial statement note disclosures reduces usefulness. The most cited reasons for not reading the financial statement note disclosures related to time, the amount of details, and lack of understanding. There were 46 occurrences of codes related to the amount of financial statement note disclosures. The 13 participants who read the financial statement note disclosures were asked for thoughts related to financial statement note disclosures (question 5). Participants 5, 11, and 13 (23% of the 13) expressed concern about too much detail and a lot to work through which reduced usefulness. However, P9 was reluctant to say too much detail because transparency is necessary. P9 also indicated if he were to read all note disclosures there would need to be less disclosures. P12 made reference to "overkill" in regards to the amount of disclosure, but when asked to clarify whether this meant excessive, the response was "not excessive but thorough." Further, P5 and P8 stated sometimes specific items did not have enough information. There were other participants (P1, P7, and P12) who liked the depth and volume of information or the amount of valuable information from which they could select what was needed for their purposes but would never read all the disclosures provided. Participants P3, P5, P9 and P11 (31% of the 13) indicated the need to be fairly educated or an accountant to understand some financial statement note disclosures, while P10 stated the skill to discern needed information in the financial statement note disclosures had been learned over time. Two participants, P3 and P13, stated the management discussion and analysis (MDNA) was often used because the information was perceived to be better laid out and easier to read in the MDNA.

Theme 1.3: Usefulness of financial statement note disclosures. All of the 13 participants who indicated financial statement note disclosures were part of their review identified specific notes were useful for decision-making (see Table 3). There were 288 occurrences of codes related to useful notes which included useful, decision- useful, material, and specific items. Participants, P1, P3, and P11 (accountants) all indicated materiality was used when determining whether an item was useful for decision-making and included in financial statement note disclosure. Question six asked the remaining 10 participants to describe any items in the financial statement note disclosures useful to their decision-making. Capital asset disclosures and debt disclosures were the most identified. Six participants, P5, P7, P9, P12, P13, and P14, (46%) cited the financial statement note disclosure on debt as being useful for decision-making. The financial statement note disclosure related to capital or fixed assets (property, plant, and equipment) was identified by five participants, P1, P7, P8, P 13 and P14 (38.5%) as being useful for decision-making. Segmented reporting was identified by three participants, P1, P12, and P14, (23%) as financial statement note disclosures useful for decision-making. Contingent liabilities were identified by two participants, P5 and P8, (15.4%) as financial statement note disclosure being useful for decision-making; however, closely related environmental disclosure was shared by P7 as financial statement note disclosure useful for decision-making. Tax was the next most identified item with two participants, P11 and P12, indicating financial statement note disclosure related to tax was useful for decision-making. Financial statement note disclosures on subsequent events were also identified by two participants, P5 and P14. There were several items shared once as being financial statement note disclosure useful for decision-making: participant P1 identified the risk management note disclosure and the equity note disclosure; participant P6 indicated not a great deal of attention was paid to the financial statement note disclosure; however, if there were declines, note disclosure on the declines would be useful; participant P7 indicated executive compensation, asset retirement obligation, and depreciation policy notes were each useful for decision-making; and participant P8 included receivables and payables disclosures as being useful.

Table 3

Financial statement note disclosures useful for decision-making

Note disclosure	Participants									
	4	5	6	7	8	9	10	12	13	14
Debt		x		x		x		x	x	x
Capital Assets				x	x				x	x
Segmented Reporting								x		x
Contingent Liabilities		x		x	x					
Subsequent Events		x								x
Tax								x		
Executive Compensation				x						
Asset Retirement Obligation				x						
Depreciation Policy				x						
Receivables						x				
Payables						x				

Theme 1.4: Items of financial statement note disclosures perceived as not useful. Similarly, the 13 participants who read some or all of the financial statement note disclosures were asked whether there were any note disclosures not useful for decision-making (interview question 7). There were 167 occurrences of codes including not useful, not enough detail, too

much detail, and generic. Accounting policies notes were identified most with four participants, P1, P3, P5, and P10, (31%) indicating the note was too long which resulted in reduced usefulness. Three participants, P4, P6, and P14, (23%) indicated most notes were not useful for decision-making. Financial instruments were identified by two participants, P3 and P13, (15.4%). Two participants, P8 and P9, indicated all notes were useful and did not identify any specific financial statement note disclosure not useful for decision-making. Further, P9 stated more information is better because transparency is important. There were also items mentioned once by participants as financial statement note disclosure was not useful for decision-making: P7 indicated financing notes and tax notes that go into great depth and detail are not useful; P11 indicated the details included in pension disclosures related to a defined benefit plan are not useful; P12 stated risk disclosures are generic and are not useful for decision-making; and P14 indicated related party disclosures are not useful because there is uncertainty as to what is behind them and also stated assets reported at historical cost are not useful because there is no relevance to market value.

Some financial statement note disclosures would not be considered in previous comments because the items were not relevant to current work areas and not the forefront of mind for participants. To further identify financial statement note disclosures participants perceived as being not useful, participants were provided a partial list of mandatory disclosures under IFRS and were asked to comment on any not useful (question 12). Participant P4 did not comment on this question because of very limited use of the financial statement note disclosures. Other participants, P3, P5, P7, P8, and P12 (45%) indicated although they did not use a specific financial statement note disclosure, the note might be useful and used by another user. Because some users may need a specific note, P3 chose not to go through the list of financial statement note disclosures. Participant P10 indicated the financial statement note disclosures would have to be "concise enough" to know where there is an issue or no issue.

Financial Instruments and accounting policy financial statement note disclosures were the most identified notes not useful for decision-making. Six participants, P1, P6, P9, P11, P12, and P13 (54.5%) identified financial instruments as not being useful or too complex. Six participants, P1, P5, P9, P10, P12, and P13 indicated accounting policy note disclosure was not useful. The next most cited notes were subsidiaries and controlling interest disclosures and other comprehensive income disclosures. Five participants, P1, P6, P7, P11, and P13, (45%) indicated the subsidiaries and controlling interest financial statement note disclosures were not useful or was challenging. Other comprehensive income was also identified by five participants, P1, P11, P12, P13, and P14, (45%) as a financial statement note disclosure not useful for decision-making.

Employee benefits, earnings per share, defined benefit, share-based payments, and contingent liabilities note disclosure notes were stated three times (27%) each. Participants P1, P9, and P13 indicated employee benefit financial statement note disclosure was not useful because of the challenge to derive information. Earnings per share was identified by participants P1, P5, and P6. Participants P1, P9, and P11 indicated defined benefit financial statement note disclosures were not useful because of estimates. Share-based payments were stated by participants P6, P9, and P11. Participants P6, P9, and P13 indicated contingent liabilities notes were not useful for decision-making. Participants used terms such as too broad or vague to describe the contingent liability financial statement note disclosure.

Financial statement note disclosures related to tax expense, deferred tax, and related parties were each identified by two of participants (18%) who read the financial statement note disclosures. Participants P1 and P13 indicated the tax expense financial statement note disclosure was not useful. The deferred tax disclosure was identified by participants P11 and P13. Participants P6 and P9 indicated the related party financial statement note disclosure was not useful for decision-making.

Investment property, intangible assets, and goodwill and impairment financial statement note disclosure each was identified once (9%) as not being useful for decision-making. Investment property was identified by participant P1. Both intangible assets and goodwill and impairment were put forward by participant P14. The combined results of question 7 and 12 are shown in Table 4.

Overall, the answer to research question one, what are financial statement note disclosure users' perceptions of the relevance and usefulness of the notes in decision-making, was financial statement note disclosures are perceived to be an integral part of financial statements, however, many notes are not read by users and therefore, not all notes are relevant or useful for their decision-making. Even though financial statement note disclosures are perceived as being an integral part of the financial statements, there are concerns about the amount of detail in financial statement note disclosures. Many users skim the notes for information that is relevant and useful for their decisions. The amount of information makes it difficult for users to access needed information and may cause users to miss important information.

Some users are willing to accept the amount of financial statement note disclosures, perceiving more information results in more transparency. Overall, only specific financial statement note disclosures are read by most users and there are some financial statement note disclosures viewed as not useful. The most identified useful notes were capital asset disclosures and debt disclosures followed by segmented reporting disclosures and contingent liability disclosures. In terms of not useful disclosures, several users indicated most financial statement note disclosures were not useful. The most commonly identified notes as not being useful included accounting policies disclosures, financial instrument disclosures, subsidiaries and controlling interests disclosures, and other comprehensive income disclosures.

Table 4

Financial statement note disclosures not useful for decision-making

Note disclosure	Participants													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
General														
All notes useful								x	x					
Most notes not useful				x		x								x
Specific notes														
Accounting Policies	x		x		x				x	x		x	x	
Financial Instruments	x		x			x			x		x	x	x	
Subsidiaries and Controlling Interest	x					x	x				x		x	
Other Comprehensive Income	x										x	x	x	x
Defined Benefit	x								x		x			
Contingent Liabilities						x			x				x	
Share-based plans						x			x		x			
Tax	x					x							x	
Employee Benefits	x								x				x	
Earnings per Share	x					x	x							
Deferred Tax											x		x	
Investment Property	x													
Intangible Assets														x
Goodwill and Impairment														x

Research question two. Research question two asked what are financial statement note disclosure users' perceptions of readability and comprehension of the notes. Detailed analysis of the one-on-one interviews using MAXQDA 12, researcher reflective notes, and further analysis of specific research question responses using data exported to Microsoft Excel were used to answer this question. Interview guide questions 8, 9, 10, and 11 were designed to identify participants' perceptions on the readability and comprehension of financial statement note disclosures. There were 76 occurrences of codes for readability and comprehension. Two common themes emerged from findings related to financial statement note disclosure users' perceptions of the readability and comprehension of financial statement note disclosures: (a) most participants perceive the readability of financial statement note disclosures to be an issue, and (b) financial statement note disclosures are too complex for non-accountants. A discussion of the two common themes identified follows.

Theme 2.1: Readability is an issue for most. Interview guide question eight asked participants to describe their impressions of the readability (ease of reading) of financial statement note disclosures. Responses to the question were mixed, but most participants indicated readability was an issue. Language, volume, and level of training were stated as reasons for the perception of low readability. Participants P1 and P8 indicated some financial statement note disclosures are very readable, and others have a low readability with P8 indicating the readability depended on the quality of the accountant. Qualified accountants, P3, P5, P6, and P13 (31%) indicated the financial statement note disclosures had low readability; some note disclosures were even difficult for accountants to work through. Participants P4, P6, P10, and P12 (31%) rated the readability of the financial statement note disclosures as good with P6 qualifying the comment by stating if you are an accountant and P12 indicating if you have patience. Participants P7 and P9 (15%) identified the language as the reason for a lower rating of readability. P7 indicated the language could be more straightforward while P9 commented there was too much jargon. The volume of financial statement note disclosure was identified as the reason for a low readability rating by participants P11, P12, P13 and P14 (31%).

Interview guide question 10 asked participants whether any particular areas of the financial statement note disclosures were less readable. Six participants (54.5%) did not identify any specific financial statement note disclosures as less readable. However, five participants, P3, P5, P11, P12, and P13 (38.5%) identified financial instruments as being less readable. Participants P3 and P9 stated defined benefit pension note disclosure was less readable. Participant P3, also, identified tax note disclosure and other comprehensive income disclosure as being less readable and added the level of detail provided reduces readability. According to participant P1, the debt note was less readable.

Theme 2.2: Too complex for most. Interview guide question nine asked participants how they would describe financial statement note disclosures regarding comprehension. Similar to readability the responses to this question were mixed. Four participants, P3, P4, P5, and P13, (31%) indicated there are financial statement note disclosures difficult for accountants to comprehend and would be more difficult for users with little training and participant 11 indicated it depended on who the reader was. Participants P7 and P14 stated there was a lot of material to process which makes it difficult to comprehend. Participant P1 indicated presentation is important to comprehension and provided an example: items presented in tabular form were much easier to comprehend than items presented in long detailed text write-ups. Participants P8 and 10 believed all notes were understandable even for the average person whereas participant P9 stated there was too much jargon which made the notes difficult to comprehend, and Participant 12 indicated most were understandable but not all.

Interview question 11 asked participants to identify any specific financial statement note disclosures they perceived were more difficult to comprehend. Financial Instruments were identified by five participants, P3, P7, P11, P12, and P13, (38.5%). Three participants, P4, P6, and P10, (23%) did not indicate any specific financial statement note disclosures were more difficult to comprehend. Other financial statement note disclosures difficult to understand were each identified by one participant. P1 identified fixed asset schedule notes and supplemental cash flow notes. P3 identified other comprehensive income, and P9 identified pension notes.

In response to research question two, what are financial statement note disclosure users' perceptions of readability and comprehension of the notes, the data indicated most participants perceived the readability and comprehension of financial statement note disclosures to be low with accountants sometimes having difficulty getting through and understanding the notes. Volume and language were most stated as causing low readability and comprehension. Specific notes identified as low in readability and comprehension were financial instrument note disclosures, defined benefit disclosures, and other comprehensive income.

Research question three. Research question three asked how financial statement note disclosure user groups (creditors, financial analysts, investors, and accountants) differ in their perceptions of relevance and usefulness of the notes in decision-making, readability, and comprehension of the notes. To answer this question the results of research questions one and two were analyzed and compared by user groups: creditors, financial analysts, investor, and accountants. Participant responses had been coded in MAXQDA by user group to facilitate this analysis.

Theme 3.1: Consensus financial statement note disclosures are an integral part of financial statements. All parties except two investors, who indicated they rely on secondary information or others to review financial statement note disclosures, indicated they did read financial statement note disclosures. However, the group accountants, who were responsible for preparing note disclosures, prepared and therefore read all financial statement note disclosures. One accountant did comment time constraints often resulted in a cut and paste of some more generic notes with a review at a later time to ensure nothing had changed. The analysts, creditors, and investors, who indicated they read the notes, read only specific financial statement note disclosure they perceived provided information applicable to them. It is interesting to note the accountants who worked in other roles as creditors or financial analysts also only read specific financial statement note disclosures. Just one creditor indicated he read all financial statement note disclosures.

Theme 3.2: Mixed views across user groups on amount of financial statement note disclosures reduce usefulness. There were mixed views by user group on thoughts related to financial statement note disclosures. Two of the three accountants indicated financial statement notes have too much detail and have become too complex. The third accountant indicated preparing the notes was a lot of work, but the depth and volume of notes were good. Financial analyst provided a different view. Two of the three financial analysts were reluctant to say there was too much detail with one indicating transparency was important and the other choosing the term “thorough” rather than excessive. The third analyst found some notes very useful whereas other notes required a lot of work to get to what was needed reducing usefulness and added schedules provide insight. Transparency was also mentioned by an investor in describing the financial statement note disclosures. Another investor indicated users could find a lot of information for needed items, and the remaining information might be useful to another user. Creditors had a different perspective. Two of the creditors indicated sometimes there was too much information on a topic whereas other times there was not enough information.

Theme 3.3: Group perceptions mixed on usefulness of financial statement note disclosures. Analysts, Creditors and Investors consistently identified property, plant and equipment asset notes and debt notes as useful for decision-making. Segmented reporting was identified by one analyst and an accountant. Subsequent events were put forward by two creditors and one investor identified unusual items and changes in the business. Accountants answered the question from the perspective of preparing financial statement note disclosures and indicated materiality was used (the information could impact a user's decision) in determining disclosure in the financial statement notes. One accountant indicated there was a need to provide enough information to satisfy the auditors. One investor's role was investing in companies for her company and also indicated the information disclosed in regards to the acquisition needed to be sufficient to satisfy the auditor, and the auditor tended to want more detail rather than less.

Theme 3.4: Group perceptions mixed on financial statement note disclosures not useful. All groups identified some financial statement note disclosures as not being useful for decision-making; however, the perceptions were mixed across groups. No specific note disclosure was identified as being not useful predominately by one group. The results were more consistent across groups than not. There were no accountants or financial analysts who indicated financial statement note disclosures were not useful for decision-making; however, one investor and two creditors indicated most notes were not useful for decision-making. One accountant, one financial analyst, and one investor did not identify items not useful or indicated specific notes may be useful for some users and not useful for others. Three financial analysts, two accountants, one creditor, and one investor indicated the accounting policies note was too long resulting in reduced usefulness. Financial instruments were identified by three accountants, three financial analysts, and one creditor as not being useful. Two accountants, one creditor, one investor, and one financial analysts indicated financial statement note disclosure on subsidiaries and controlling interests were not useful. One financial analyst stated generic notes added little value. Other comprehensive income also had similar perceptions with two accountants, two financial analysts, and one creditor indicating the disclosure was not useful. Contingent liabilities were identified by two financials analysts and one creditor. Two accountants commented the details included in pension disclosures were not useful while none of the other groups identified pensions. Other notes identified by one participant from two or more of the groups were share-based plans, tax, employee benefits earnings per share, and deferred tax. One investor indicated related party note disclosures left uncertainty as to what was behind the notes. Another investor indicated could understand the need for the disclosures but questioned the need for two pages and more on some disclosures. The comparison of noted disclosures not useful by group is in Table 5.

Theme 3.5: Group consensus readability is an issue for most. There was consensus across groups by most participants the readability of financial statement note disclosure was perceived as low. Two of three accountants, all (three) financial analysts, three of four creditors, and two of five investors perceived notes were difficult to read. One accountant, two analysts, and one creditor indicated the sheer volume of disclosure resulted in low readability. One analyst and one investor stated the language used created low readability. One analyst, one creditor, and one investor indicated those with an accounting designation or high degree of financial literacy would assess the financial statement note disclosure as more readable. One accountant indicated presentation affected the readability of the financial statement note disclosures.

There was some consensus across groups of items less readable. Two accountants, two analysts, and one creditor identified financial instruments as being less readable. One accountant and one analyst indicated pension disclosures were less readable. Other comprehensive income was stated as less readable by one accountant. No investors or the remaining three creditors identified items as less readable.

Table 5

Financial statement note disclosures not useful for decision-making by group

Note disclosure	Participants			
	Accountants	Financial Analysts	Creditors	Investors
General				
All notes useful		1	1	
Most Notes not useful			2	1
Specific				
Accounting Policies	3	3	1	1
Financial Instruments	3	3	1	
Subsidiaries and Controlling Interest	2	1	1	1
Other Comprehensive Income	2	2	2	

Theme 3.6: Group consensus comprehension is low for most. A common theme amongst groups was comprehension of financial statement note disclosure was perceived as low unless you were a professional. One accountant stated comprehension of financial statement note disclosures was difficult to understand even for a qualified person and another accountant indicated it depended on who the reader was. One analyst, also, indicated professionals could understand the financial statement note disclosures but others could not. An investor stated a reader would need courses to understand the financial statement note disclosures. Another analyst commented on the use of jargon reducing comprehension while a creditor indicated the use of the same terminology increased the comprehension of financial statement note disclosures. One creditor stated notes could become convoluted and go on for pages leading to difficulty in deciphering the information and an investor also commented on lengthy notes being difficult to comprehend.

There was stronger consensus across groups for items harder to comprehend. Two accountants, two financial analysts, one creditor, and one investor stated financial instruments were difficult to understand. There were other items identified by participants from different groups. One accountant considered other comprehensive income to be difficult to comprehend. One analyst identified pension notes and two creditors indicated financing notes or capital notes were difficult to understand.

In response to research question three, how do financial statement note disclosure user groups (creditors, financial analysts, investors, and accountants) differ in their perceptions of relevance and usefulness of the notes in decision-making, readability, and comprehension of the notes, overall the data indicated few differences between user groups on perceptions of usefulness, readability and complexity of financial statement note disclosures. One difference was preparers tend to read all notes whereas other groups read specific note disclosures. In terms of the amount of detail, preparers tend to have the view of too much detail in financial statement note disclosures, whereas, financial analysts and investors perceived the more information the better because more information results in increased transparency. Creditors and some financial analysts indicated sometimes there is not enough information. Group perceptions were mixed on specific financial statement note disclosures not useful with no one group predominantly identifying a specific note as not being useful.

Evaluation of Findings

The purpose of this qualitative, embedded, single-case study was to gather needed information on users' perceptions of financial statement note disclosures and extend the theory of information overload to financial statement note disclosures. Although it was assumed information overload existed in financial statement note disclosure (Barker et al., 2013), the current research extended the theory of information overload to financial statement note disclosures. The theory of information overload suggests at a given point too much information that cannot be processed and that has low readability and increased complexity results in information overload (Jackson & Farzaneh, 2012).

Overall, the findings of the study suggested users perceived financial statement note disclosures as useful; however, participants expressed concern about the amount of detail, readability and comprehension of financial statement note disclosures; but also were reluctant to suggest reducing the amount of detail in favor of transparency. Overall, several of the current participants suggested more disclosure was better because it allows users to be selective instead of not having enough information available while others suggested the information could be more succinct.

Research question one evaluation. The first research question addressed the relevance and usefulness of financial statement note disclosures for decision-making. Overall, users perceived financial statement note disclosures were an integral part of the financial statements, however, not all notes were relevant or useful to decision-making. Financial statement note disclosures useful for decision-making are relevant and are a fair representation of the item being disclosed (Barker et al., 2013; Mensah et al., 2005). Four themes emerged from the data including financial statements are an integral part of financial statements, the amount of note disclosure is an issue for many, some financials statement note disclosures are useful for decision-making, and not all note disclosures are considered useful.

The first theme, financial statement note disclosures are an integral part of financial statements, supports and extends earlier researchers' findings on financial statement note disclosures. The finding financial statement note disclosures are an integral part of financial statements corroborates older research based out of Hong Kong by Ho and Wong (2001) who indicated CFOs and Analysts ranked the notes to the accounts (financial statement note disclosures) as third and fourth respectively in extent read out of 12 sections of the annual report. The current finding also supported Alzarouni's et al. (2011) study out of the United Arab Emirates placing financial statement note disclosures as fourth in readability indicating the notes were being read.

The current findings do not support all of the previous literature on the topic. The finding is in contrast to a European study by Cole's et al. (2009) which reported the time spent reviewing a financial statement could be less than 15 minutes, not enough time to have read the notes in any detail. Cole et al. (2009) indicated the financial statement note disclosures were used far less than information in the balance sheet and income statement. However, the current study did not consider the extent to which financial statement note disclosures were read but rather whether they were read or not. Even if not read users still perceived the notes were integral to the financial statements.

The second major theme related to the amount of financial statement note disclosures. Users perceived there was too much detail increasing the amount of financial statement note disclosures while there was reluctance to reduce information because more information was perceived as better in terms of transparency. This finding of too much detail or disclosures that are too long reduce usefulness corroborates findings of Lawrence (2013) who indicated longer reports take more time and effort and impact the amount of information the reader can absorb. The current finding also supports those of Morunga and Bradbury (2012) who expressed concern there is now information overload in financial statement note disclosures. The current finding also corroborates information of Radin (2007) who stated financial reports, especially footnotes (financial statement note disclosures) are too long and questioned whether anyone could or would read all the disclosures. The finding of too long financial statement note disclosures corroborated the results of Cheney (2013) who stated note disclosures were now so long it was difficult for users to find needed information and Iannaconi (2012) who indicated more financial statement note disclosure does not necessarily result in better disclosures. The finding of too long also corroborated research by Heffler (2013) which indicated financial statement note disclosures are too long and reported most preparers see disclosure requirements as too extensive. Also, the finding of too long corroborates research by Morunga and Bradbury (2012) who indicated a 92% increase in the annual report size was primarily in the notes to the financial statements.

The current finding of too long or too much detail in financial statement note disclosures reduces usefulness is in contrast to the UK Financial Reporting Council's discussion paper (2009) related to corporate reporting in general. The discussion paper reported although preparers felt there was too much information, large institutions did not think reports were too long and wanted as much information as possible. Similarly, the current finding is in contrast to research by Alzarouni et al. (2011) who stated preparers place a different value on information than users; accountants' perceptions are there is too much detail whereas some other users' perceptions are more information is better because it creates more transparency. The current finding is also, in contrast to Barker et al. (2013) who reported amount of information is a concern yet increased disclosure has a positive effect on the capital market.

A third theme identified for research question one was financial statement note disclosures are useful for decision making. Indeed, the participants indicated financial statement note disclosures on debt and capital assets were the two most cited notes followed by segmented reporting disclosure and contingent liabilities. The finding of capital assets being useful for decision-making corroborates Alzarouni et al. (2011) who reported creditors are more concerned with long-term investments. No other research was identified that discussed specific financial statement note disclosures that were useful for decision making. Most research was related to items not useful for decision making.

The final theme that emerged related to research question one was not all note disclosures are useful for decision-making. The participants indicated accounting policies, financial instruments, subsidiaries controlling interests, other comprehensive income, and pension and share-based payments financial statement note disclosures were identified as not being useful for decision-making. This finding of not being useful corroborates findings by Brown and Tarca (2012) who reported accounting policies, financial instruments, business combinations, and share-based payments were areas of concern under IFRS. The finding also supports the study of Cascino et al. (2104) which demonstrated other comprehensive income was not useful. No contrasting studies were found related to the finding financial statement note disclosures not useful for decision-making.

Research question two evaluation. The second research question considered readability and comprehension of financial statement note disclosures. The findings indicated users perceptions were readability and comprehension of financial statement note disclosures was low. More readable disclosure applies the plain language concept and would have shorter disclosure length and fewer syllables per word (Rennekamp, 2010). Comprehension encompasses the complexity of the information and the ability of the reader to process the information (Sinnet & Laing, 2009). Data from participant interviews and researcher reflective notes were assessed to find themes and patterns associated with readability and comprehension. Two themes were revealed: (a) most participants perceive the readability of financial statement note disclosures to be an issue, and (b) financial statement note disclosures are too complex for non-accountants.

For the first theme, low readability of financial statement note disclosures, participants indicated the use of language, the volume of information, and level of training as determinants of the readability assessment. In some cases language was not straight forward or included jargon, and was even difficult for accountants to work through the information. This finding aligns with Lawrence (2013) and Li (2008) who noted users want plain language for the average investor and Rennekamp (2012) who indicated greater readability increases the users' reliance on the information. Readability was also rated as low because of the volume of information. This finding corroborates research by Bloomfield (2008), Lawrence (2013), and Miller (2010) who indicated increased volume reduces readability. Low readability is also a characteristic of information overload (Jackson & Farzaneh, 2012), thus providing further support of extending the theory of information overload to financial statement note disclosures. No contrasting studies were found related to the finding readability of financial statement note disclosures is low.

Research question two, also, considered specific notes related to readability. Specific notes participants identified as less readable were financial instruments note disclosure, defined benefit note disclosures, and other comprehensive income. This finding corroborates research by Brown and Tarca (2012) who reported financial instruments and pensions were areas of concern under IFRS and Cascino's et al. (2104) research reported other comprehensive income was not useful. There were no studies contrasting this finding.

The second theme that emerged from research question two was financial statement note disclosures are too complex (low comprehension) for non-accountants. Overall the perception was financial statement note disclosures are too complex for most and sometimes even accountants have difficulty understanding the information. Although there is limited research specifically on financial statement note disclosure, this finding about financial statement note disclosures being too complex corroborates practical research by KPMG (2011) who indicated preparers believe annual reports (which include financial statements and financial statement note disclosures) are too complex. The finding also corroborates research by Avgouleas (2009), Sinnett and Laing (2009), and Iannaconi (2012) who concurred financial reporting has become too complex.

Research question two, also, considered the comprehension of specific notes. Similar to the concept of readability the finding was financial instrument note disclosures were identified as the most difficult to comprehend. There was also mention of pension disclosures being difficult to understand. Both of these findings corroborate research by Brown and Tarca (2012) who identified there were concerns around the understanding of financial instruments and pensions. Another finding was the financial statement note on other comprehensive income was also an area not understood. This finding provides some support for research by Cascino et al. (2014) who indicated analysts find other comprehensive income to be less relevant. Again there was no research found contrary to this finding on financial statement note disclosures.

Research question three evaluation. Research question evaluated differences across user groups in regards to their perceptions of relevance and usefulness of the notes in decision-making and readability and comprehension of the notes. The results for research question three indicated there was: (a) consensus financial statement note disclosures are an integral part of financial statements, (b) mixed perceptions on amount of financial statement note disclosure reduces usefulness, (c) group perceptions mixed on usefulness of financial statement note disclosures, (d) group perceptions mixed on financial statement note disclosures not useful, (e) group consensus readability is an issue for most, and (g) group consensus comprehension is low for most.

There was consensus across groups for the first theme, financial statement note disclosures are an integral part of note disclosures. Even users who did not read financial statement note disclosures relied on others to read the notes and stated financial statements without financial statement note disclosures would not be useful. Most participants read all or specific items in the financial statement note disclosures indicating the notes are required. This finding supports research by Ho and Wong (2001) and Alzarouni et al. (2011) who ranked financial statement note disclosure fourth in importance within the annual report.

There were mixed views across user groups for the second theme, the amount of financial statement note disclosures reduces usefulness. Most accountants reported the notes were too detailed resulting in users' not reading the information, and thus reducing usefulness. This finding aligned with research by Cheney (2013) who stated preparers complain disclosure is excessive and Alzarouni et al. (2011) who indicated preparers do not place the same significance on information as users.

In contrast, in the current study financial analysts were reluctant to say there was too much detail and indicated transparency is an important consideration. This finding corroborates earlier research by Mensah et al. (2006) who indicated analysts typically judge the transparency of disclosures in analyzing the firm. An investor also highlighted the importance of transparency, indicating another user may require the information, and users could select what was needed. This finding supports Charitou et al. (2015) who stated increased disclosure increases transparency. However, creditors felt sometimes there was too much detail and other times, not enough detail. This finding was also identified in research by IASB (2013) and FRC (2010) who indicated some users indicated there was missing information.

Perceptions across groups were also mixed on the third theme regarding items considered useful in financial statement note disclosures. Although analysts, creditors, and investors identified property, plant, and equipment disclosures and debt disclosures as useful for decision-making, there was no literature found making that assertion. There was limited support for research by Alzarouni et al. (2011) who indicated creditors are more concerned with long-term investments. An analyst and an accountant identified segmented reporting, two creditors identified subsequent events, and an investor stated unusual items were considered useful. Again, no literature was found including that statement. Prior research has not focused on the usefulness of specific financial statement note disclosures as this study has done. The current finding for research question three extends the literature by adding information about specific disclosure useful for decision-making.

In the current study, accountants indicated materiality was an important concept in determining whether an item should be included in disclosures. This finding corroborates earlier research by Ho and Wong (2001) who reported accountants place emphasis on materiality for disclosures. The finding also supports Radin (2007) who indicated accountants should consider materiality in assessing whether an item needs to be disclosed.

In contrast, some literature indicates materiality is being applied inappropriately. Bloomfield (2012) when considering materiality indicated current disclosure requirements encouraged firms to disclose more information and did not place emphasis on not disclosing items adding little value. Also, IASB (2013) indicated there is an inappropriate application of materiality. Further, Barker et al. (2013) indicated the application of materiality might be resulting in excessive reporting.

A final difference across groups that emerged was the usefulness of items being disclosed, whereby auditors sometimes requested more disclosure in the financial statement note disclosures even though the preparer had chosen less. There is some corroboration for this finding in work performed by IFRS (2013) which commented it is easier to include disclosures than to remove or not include and ICANZ (2013) which reported preparers disclose rather than not as there is less risk when disclosing. Further, FRC (2010) stated it was safer to provide more information than less.

There were mixed views across user groups related to the fourth theme, financial statement note disclosures not perceived as useful for decision-making by user group. Accountants were the only group to identify pension note disclosures as not useful. This finding corroborates research by Brown and Tarca (2012) who indicated pension disclosures are a concern. No one group, but several participants across groups chose not to say a specific note was not useful because it may be useful to another user. This finding is somewhat consistent with work performed by FRC (2010) and Barker et al. (2013) who reported users could identify what disclosures were needed. Several participants across user groups identified accounting policies, financial instruments, subsidiaries and controlling interests, and other comprehensive income financial statement note disclosure as not being useful. This finding corroborates research by Brown and Tarca (2012) who identified there were concerns with disclosure of accounting policies, financial instruments, subsidiaries and controlling interests, FRC (2010) which stated disclosures in financial instruments are not as useful as could be, and Cascino et al. (2014) who indicated other comprehensive income is less relevant to analysts.

The fifth theme that emerged was financial statement note disclosure readability is a problem for most as there were some participants from all groups who indicated financial statement note disclosures had low readability and were difficult to read. Several participants across all groups indicated the amount of disclosure and the language used created a low readability and others indicated those holding an accounting designation would assess readability as higher. These findings corroborated research by Lawrence (2013) who stated readability and the excessive length was a concern.

The sixth theme revealed was comprehension of financial statement note disclosures is low for most groups. Indeed, several participants across groups using various phrases stated you needed professional qualifications to comprehend or understand financial statement note disclosures. This finding supports KPMG's 2011 work in which it was indicated preparers felt complex accounting standards and the amount of disclosure makes comprehension an issue. Further, the finding is corroboration for research by Brown and Tarca (2012) who stated investors don't use complex disclosures. This finding also corroborates research by Cascino et al. (2014) who stated there is a limit to the amount of complexity for even a knowledgeable user. The term convoluted was used when asked about comprehension and reference was made to the use of language as a reason for a lower comprehension. This finding corroborates research by Sinnett and Laing (2009) who stated investors have trouble understanding the jargon and complex disclosures.

Consistent with readability, there were participants from all groups that indicated financial instruments note disclosures were difficult to understand. Other comprehensive income was identified by an accountant and pension note disclosures were identified by a financial analysts as specific notes difficult to understand. This finding corroborated research by Brown and Tarca (2012) who stated financial instruments and pensions were areas of concern and Cascino et al. (2014) who reported other comprehensive income was less relevant.

Evaluation in context of the study problem. The findings of this study contributed to the literature by providing needed information on users' perceptions of financial statement note disclosures. Although the existing literature included consideration of financial reporting disclosures, which encompasses financial statements and financial statement note disclosures, the discussion was from a much broader context (e.g. Alzarouni et al., 2011; Morunga &

Bradbury, 2012; Sinnett & Laing, 2009) than the current study. Although users' perceptions were financial statement note disclosures are an integral part of financial statements, the current study demonstrates concerns about the length, readability, and comprehension of financial statement note disclosures with specific notes identified as more concerning than others.

Evaluation in context of the theoretical framework. There is little research on financial statement note disclosure, specifically; most research is on annual reports which include financial statements and financial statement note disclosures. The current findings extend the theory of information overload to financial statement note disclosures. Participants of this study expressed concern about the amount of financial statement note disclosures, the readability of the notes and the complexity of the notes. These characteristics, excessive information, low readability, and low comprehension, are an indication of information overload. According to Jackson and Farzaneh (2012), excessive information can result in users not reading the information because of time constraints or reading but not absorbing the information because of the amount and the readers' limited capacity. Further, information low in readability and comprehension results in readers not taking from the information what is needed (Jackson & Farzaneh, 2012). These findings support the extension of the theory of information overload to financial statement note disclosures.

Summary

The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (relevance and use in decision-making; readability and comprehension; and differences across user classes) to inform standard setters and extend the theory of information overload to financial statement note disclosure. Financial statement note disclosures increased significantly over time (Bloomfield, 2012; Iannaconi, 2012; Radin, 2007), and there were concerns there is information overload in financial statement note disclosures. The adoption of IFRS has led to further increases in financial statement note disclosures (Morunga & Bradbury, 2012). Increases in disclosures may cause users to lose sight of important information (Brown & Tarca, 2012; Morunga & Bradbury, 2012). The specific problem this study addressed was information on users' perceptions of financial statement note disclosures concerning usefulness, readability, comprehension, and whether there were differences between user groups was needed. The results of the study were developed by interviewing a purposeful sample of financial statement note disclosure users from specific groups of accountants, investors, creditors, and financial analysts. A total of 15 users were interviewed, 3 accountants, 3 financial analysts, 4 creditors, and 5 investors.

The findings of the study demonstrate financial statement note disclosures are important; however improvements in financial statement note disclosures are needed. Several themes emerged as a result of this study. The themes that emerged relating to relevance and usefulness of financial statement note disclosures were (1) an integral part of financial statements, (2) amount of financial statement note disclosure, (3) items useful for decision-making, and (4) items not useful for decision-making. The themes revealed relating to readability and comprehension were (1) readability is low and (2) comprehension is low. The themes that appeared from differences between users groups were (1) consensus financial statement note disclosures are an integral part of financial statements, (2) group perceptions mixed on amount of financial statement note disclosure reduces usefulness, (3) group perceptions mixed on specific useful financial statement note disclosures, (4) group perceptions mixed on specific financial statement note disclosures not useful, (5) group consensus readability is low, and (6) group consensus comprehension is low.

An evaluation of the study's findings was also presented in this chapter. The study's results support research and literature related to corporate disclosure which includes financial statements and financial statement note disclosures. Increased knowledge about user's perception of relevance and usefulness of financial statement note disclosures and readability and comprehension of financial statement note disclosures was obtained. The participants of this study revealed perceptions on financial statement note disclosures relevance and usefulness which supported other research related to disclosures (e.g., Alzaroni et al., 2011; Cheney, 2013; Heffler, 2013; Iannaconi, 2012; Lawrence, 2013). The results of this study also supported research on readability (Avguleas, 2013; Iannacini, 2012; Sinnett & Laing, 2009) and comprehension of disclosures (Brown & Rarca, 2013; Cascino et al., 2014).

This study has contributed to the literature by providing needed information of users' perception of financial statement note disclosures specifically. The primary focus of previous research was on financial reporting disclosures as a whole and was not specific to financial statement note disclosures (e.g. Alzarouni et al., 2011; Morunga & Bradbury, 2012; Sinnett & Laing, 2009). Users' perceptions included recognition financial statement note disclosures were an integral part of financial statements; however are too long, difficult to read and comprehend by many. These findings aligned with research on financial reporting disclosures.

Finally, the current research further extends the theory of information overload to financial statement note disclosures. Although the assumption had been there is overload in financial statement note disclosures, there was no empirical evidence to support the assumption (Barker et al., 2013). Characteristics of information overload include information is too long to be absorbed in the available time, has low readability and is too complex (Jackson and

Farzaneh, 2012). Results of the study were these characteristics were present in financial statement note disclosures. Implications of these findings are discussed in the next chapter.

Chapter 5: Implications, Recommendations, and Conclusions

The purpose of financial statement note disclosures is to provide additional, relevant information useful for decision-making (Kieso et al., 2013). The general problem addressed in this study was the significant increase in financial statement note disclosure over time (Bloomfield, 2012; Iannaconi, 2012; Radin, 2007), which has resulted in concerns about information overload in these note disclosures (Morunga & Bradbury, 2012; Radin, 2007). The specific problem addressed was standard setters need to be informed about users' perceptions of whether financial statement note disclosures are relevant and useful for decision-making, whether the notes are read and understood by users, and whether there are differences across user classes. Before standard setters change current disclosure requirements, information was needed about whether the current disclosures improved decision-making of users (Morunga & Bradbury, 2012), how users use current disclosures (Lawrence, 2013); and users' requirements for financial statement note disclosures (IFRS, 2013). There was a need for qualitative research which incorporated interviews of financial statement users to add to the discussion of disclosure requirements (Brown & Tarca, 2012). Accordingly, the purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (relevance and use in decision-making; readability and comprehension; and differences across user classes) to inform standard setters and extend the theory of information overload to financial statement note disclosure.

An embedded, single-case design was used for this study. The study sample consisted of 15 participants from four user groups. There were three accountants of public corporations, three financial analysts, four creditors, and five investors. Purposeful sampling was used to identify participants met the criteria of the study: located in Eastern Canada, completed one accounting course, reviewed one financial statement, and are an accountant with an accounting designation, a financial analyst with accreditation, a creditor with authority to approve credit, or an investor.

Most of the participants (80%) for the study were male and had more than 10 years of experience. All participants held a Bachelor's degree or higher, and as a whole encompassed a diversity of career positions. Thirteen face-to-face interviews and two Skype interviews were conducted during April and May 2016. Each in-depth interview was audio-recorded and took between 15 and 30 minutes each to complete.

There were limitations encountered when conducting this study. First, researcher bias was a limitation. To control for researcher bias, the researcher limited comments during the interview process to those which asked the interviewee to expand or clarify a response. Further, during the coding and analysis of the data, the researcher was careful to include all aspects of the data to facilitate an unbiased view. A second limitation was data collection was limited to one-on-one interviews from a sample size of 15 obtained using purposive sampling. The small sample size has resulted in limited generalizability of this study to the population. More participants from each user group would provide a broader picture of users' perceptions of financial statement note disclosures. The remainder of this chapter highlights implications, recommendations, and conclusions resulting from the study.

Implications

Several important implications resulted from this study. There is limited research related to financial statement note disclosures specifically, however, there was support for the literature related to overall corporate disclosures which would include financial statements and financial statement note disclosures. The results of this study support extension of the theory of information overload (Jackson & Farzaneh, 2012) to financial statement note disclosures. The results of the study supported literature regarding the amount of disclosures (Cheney, 2013; Heffler, 2013; Iannaconi, 2012; Lawrence, 2013; Morunga & Bradbury, 2012; Radin, 2007), literature in regards to the readability of disclosures (Bloomfield, 2008; Lawrence, 2013; Li, 2008), and literature in regards to comprehension of disclosures (Avgouleas, 2009; Iannaconi, 2012; Sinnett & Laing, 2009). Taken with the previous literature, the current findings imply standard setters can use the results of the study in ongoing work to improve financial statement note disclosures.

Research question one. The first research question was about the users' perceptions of the relevance and usefulness of financial statement note disclosures. Although financial statement note disclosures may not be read, the first finding was, the financial statement note disclosures are perceived as being an integral part of the financial statements. Other findings related to this question were there are concerns the amount of detail has reduced the usefulness of the disclosures. There was too much information to read all the financial statement note disclosures for such reasons as too much work and not enough time and financials statement note disclosures needed to be less and more succinct. The finding related to the amount of disclosure is consistent with recent general disclosure research (Cheney, 2013; Heffler, 2013; Iannaconi, 2012; Lawrence, 2013) and recent research specific to financial statement note disclosures (Morunga & Bradbury, 2012; Radin, 2007).

There are important implications of the finding about too much detail reduces usefulness of financial statement note disclosures. First, not being read because of the amount of information is an indication of reduced usefulness. Second, if certain financial statement note disclosures are not being read, important information may be missed. Further, if auditors require accountants to include more information or accountants are choosing to include more information or if the standards require more information, all without adding value, none of these parties are serving the interests of the users of financial statement note disclosures. Finally, with this knowledge, more emphasis must be given to key items that will affect users' decision when mandating or providing financial statement note disclosures.

Another finding related to the amount of detail was some items did not provide enough information which also resulted in implications. While some disclosures might have too much information, other disclosures did not have enough. The finding of not enough information supports research by IFRS (2013). The implications of this finding is the financial statement note disclosures are not as useful as they could be. In addition, there is a need for knowledge of additional information missing and needed.

Research question one drew responses related to specific notes useful for decision making and specific notes not useful to decision-making. Common disclosures identified as useful included property, plant, and equipment and debt disclosures as being the most predominant items identified as useful. Accounting policies, financial instruments, and subsidiaries and controlling interests note disclosures were predominantly identified as not being useful. This finding supports research by Brown and Tarca (2012). Other comprehensive income was also identified as being not useful. This finding supports research by Cascino et al. (2014).

There are implications to these findings. First, even though perceptions are financial statement note disclosures are an important part of financial statements, these notes are not as useful as they could be. If users perceive many notes are not useful, than it could lead to the financial statement note disclosures losing creditability. Also, users will not give attention to these notes disclosure and may not acquire significant information.

Research question two. The second research question was about users' perceptions of the readability and comprehension of financial statement note disclosures. Readability of financial statement note disclosures was perceived to be low because of language, volume, and level of training. This finding supports research by Bloomfield (2008), Lawrence (2013), and Li (2008) who indicated participants prefer clear language with less jargon. The MDNA was sometimes read rather than financial statement note disclosures because the language was clearer in the MDNA. The finding of the study supported research by IFRS (2013) and Lawrence (2013).

There are implications to these findings. First, low readability requires more time and work to interpret the information, a characteristic of information overload. Low readability may result in users not taking the time to read the disclosure and as a result, users may miss pertinent information. Further, time and resources used in developing the standard and preparing the disclosure become wasted resources if the information is not read and useful as intended.

Similar to readability, comprehension of financial statement note disclosures was assessed as low. The finding showed accountants believed some notes were difficult for even accountants to understand showing more attention to presentation was needed. The amount of information and the language were also a contributor to the assessment of low comprehension. The finding supported research by Avgouleas (2009), Sinnett and Laing (2009), and Iannaconi (2012).

There are several implications of these findings. First, low comprehension is reducing the usefulness of financial statement note disclosure. If the information is not understood than it does not add value to the user. Second, because users are not drawing from the disclosure what is intended, than the disclosure is creating an environment of information overload where users cannot process the information.

Addressing research question two required the consideration of specific items related to readability and comprehension. Financial statement note disclosures on financial instruments were identified most often as being the least readable followed by defined benefit pension disclosures. This finding supported research by Brown and Tarca (2012). Other comprehensive income disclosures were also identified as less readable. This finding supported research by Cascino et al. (2014). In terms of comprehension, once again, financial statement note disclosures on financial instruments were identified as most complex followed by pension disclosures. This finding supported research by Brown and Tarca (2012). The financial statement note disclosure on other comprehensive income was also identified as being difficult to comprehend. This finding supported research by Cascino et al. (2014).

There are implications to this finding. The frequent identification of financial instruments is indication the financial instrument note disclosure is problematic. This is an area undergoing change for a long time. Work and monitoring of changes to financial instruments note disclosures needs to continue to ensure the financial instrument note disclosures add value to the users. Pension disclosures and other comprehensive income are not adding the intended value to users. These disclosures need to be reviewed to determine whether changes are needed.

Research question three. Research question three centered on how financial statement note disclosure groups (creditors, financial analysts, investors, and accountants) differ in their perceptions of relevance and usefulness of notes in decision-making and readability and comprehension of the notes. The findings showed all groups believed financial statement note disclosures are an integral part of financial statements even in cases where participants chose not to read note disclosures; however, only accountants who prepare notes read all notes. During time constraints, an accountant might use a cut and paste to bring previous notes in where there were no perceived changes. In most cases, participants chose to just read specific notes. These findings supported research by Avgouleas (2009) and Mayorga and Sidhu (2009) who when referring to business failures indicated the information had been disclosed but not read and Mayorga and Sidhu (2012) who indicated there is sometimes a *boilerplate* or cut and paste approach in preparing financial statement note disclosures.

The implication of not reading the financial statement note disclosures is users may miss relevant information useful for their decision-making as was evidenced in Avgouleas (2009) and Mayorga and Sidhu (2009) research. A further implication of not reading note disclosure because of time constraints, difficulty in reading or understanding the information is evidence of information overload. Information overload in financial statement note disclosure would indicate the financial statement note disclosures are not as useful as intended.

There were mixed views on the amount of disclosure in financial statement note disclosures across groups. The current findings suggested accountants perceived there was too much detail, while financial analysts and investors tended to perceive more information was more favorable because it was an indication of increased transparency. However, the information could be more succinct. Another finding was in some cases there was not enough information disclosed. These findings supported research by Cheney (2013), Alzarouni et al. (2011) related to preparers and Charitou et al. (2015) related to transparency.

There are implications to these findings. Transparency must always be an overarching component of disclosures. As standard setters work to improve financial statement note disclosures more emphasis must be placed on providing succinct disclosures and reducing disclosures adding little value to users through a clearer expectation of the application of materiality. Users need to understand more disclosure does not mean better disclosure or greater transparency, in fact more could cause users to lose sight significant information. With clearer guidelines for materiality, accountants (and auditors) should be able to place more emphasis on useful information. General suggestions from participants include the use of more tabular presentations and succinct writing but not at the expense of transparency.

Research question three was also about specific note disclosures not useful, were low in readability or were low in comprehension. The findings of the study indicated some from most groups were reluctant to isolate specific items because the information could be useful to some other party. For those who identified specific items, financial instruments, accounting policies, other comprehensive income, and subsidiaries and controlling interests were identified across groups. Pension disclosures were identified by two groups. These findings supported research by Brown and Tarca (2012) except for other comprehensive income which supported Cascino et al. (2015).

There are implications to these findings. Even though all financial statement note disclosures are not read, just the identification of a few as not being useful is indication the notes not identified are considered useful. However, those notes identified as not useful contribute to overload and might cause users to lose sight of important information. Standard setter should continue to work particularly with these notes to increase usefulness while improving readability and comprehension.

Recommendations

Based on the results of the study recommendations for practice and future research are put forward. Four recommendations for practice include: (1) standard setters place more emphasis on presentation and succinct writing, (2) standard setters continue to develop materiality guidelines and discourage preparers or auditors from disclosing or requiring disclosure because it is the safest choice but instead work to reduce the amount of disclosure, (3) standard setters and preparers educate users more information does not necessarily mean more transparency, and (4) preparers place more emphasis on language and use succinct writing. Two recommendations for future research include: (1) conducting the current study with a larger sample size, and (2) comparing existing disclosures across companies to identify areas where there are opportunities to add more value in note disclosures.

Recommendations for practice. Based on the results of this study indicating users' perceptions of financial statement note disclosures, specifically usefulness, relevance, readability, and comprehension of financial statement note disclosures, four recommendations of practice are offered. The first recommendation is for standard setters. Standard setters should place more emphasis on presentation and succinct writing. The current findings indicate lengthy text presentations are often not as informative as tabular presentations. Further, often, presentations are generic and the users do not see value in the information.

The second recommendation for practice also relates to standard setters. Standard setters should continue to educate preparers and auditors on the concept of materiality and discourage preparers or auditors from disclosing or requiring disclosure because it is the safest choice or using *boilerplate* copies of information but instead, work to reduce the amount of disclosure while maintaining transparency. The current findings show users want more information; however, users felt the information could be less in detail or more succinct. The amount of information resulted in information not being read, a condition of information overload.

The third recommendation is for standard setters and preparers of financial statement note disclosures. Standard setters and preparers should educate users of financial statement note disclosures more information does not necessarily mean more transparency. The findings indicated having more information was better than less because more information equaled more transparency but also indicated the amount of information could not be read. The users need to expect full disclosure in a succinct and readable manner.

The fourth recommendation is for preparers of financial statement note disclosures. Ultimately, preparers use professional judgment in determining whether to include information in financial statement note disclosures. Further, preparers choose the presentation and tone of language in financial statement note disclosures. Preparers should write in more generic terms and use more succinct writing so that financial statement note disclosures are more readable and understandable.

Recommendations for future research. Based on the limitations and findings of this study, two suggestions are made for future research. First, it is recommended to examine users' perceptions of financial statement note disclosures based on a much larger sample size than 15 participants. Current findings about usefulness of financial statement note disclosures identified specific areas useful and not useful. Future research with a larger sample will allow for a greater understanding of how users use financial statement note disclosures and will also address the limitation of sample size of this study.

Second, it is recommended a study be performed which compares existing disclosures in companies' financial statements to the standards and across each company. The current findings suggested the amount and readability of financial statement note disclosures were a problem. Although this finding extended the theory of information overload to financial statement note disclosures, research comparing existing disclosures to the standards and other companies' disclosures might indicate whether the problem is with the standards or the application of the standards as suggested by Barker et al. (2013).

Conclusions

Although financial statement note disclosures are intended to provide additional, relevant information useful for decision-making, the usefulness of financial statement note disclosures are questioned. Financial statement note disclosures continued to increase over time and there are now concerns of information overload (Morunga & Brabury, 2012; Radin, 2007). There have been questions about who reads financial statement note disclosures (Cascino, et al., 2013; Radin, 2007). If financial statement note disclosures are not read than they are not useful. Further, if financial statement note disclosures are not read because they are too long or too complex, these characteristics are indication of information overload (Jackson & Farzaneh, 2012). The purpose of this qualitative, embedded, single-case study was to determine financial statement note disclosure users' perceptions about notes (relevance and use in decision-making; readability and comprehension; and differences across user classes) in order to inform standard setters and extend the theory of information overload to financial statement note disclosure.

The findings of this study indicated users perceive the financial statement note disclosures are an integral part of financial statements; however, most users indicate they do not and would not read all financial statement note disclosures because of the amount and time required. The implication of these findings is there is information overload in financial statement note disclosures. The findings of this study also indicated not all notes are considered useful. Financial instruments, accounting policies, and other comprehensive income note disclosures were identified as being least useful most consistently. There were also findings indicating readability and comprehension of financial statement note disclosures were low. Low readability and comprehension reduce the usefulness of financial statement note disclosures.

Four recommendations for practice included: (1) standard setters place more emphasis on presentation and succinct writing, (2) standard setters continue to develop materiality guidelines and discourage preparers or auditors from disclosing or requiring disclosure because it is the safest choice but instead work to reduce the amount of disclosure, (3) preparers use more generic terms and use more succinct writing when preparing financial statement note disclosures, and (4) standard setters and preparers educate users more information does not necessarily mean more transparency. Two recommendations were offered for future research: (1) conducting the current study with a larger sample size, and (2) comparing existing disclosures across companies to identify areas where there are opportunities to add more value in note disclosures. In conclusion, financial statements are an integral part of financial statement note disclosures; however, more consideration needs to be given to the amount and presentation of information while establishing transparency. The outcome will be financial statement note disclosures more useful for users' of financial statements.

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Appendix A: Interview Guide

1. Please tell me about yourself. Please include education and occupation. Why do you review financial statements?
2. Think back to a recent financial statement that you have reviewed. Do not disclose the name on the company financial statements or any names of individuals. Would you describe the company?
3. Were the financial statement note disclosures part of the review?

   If no, why were the financial statement note disclosures not part of your review?

   Who do you think should review financial statement note disclosures?

   How would you feel if there were no financial statement note disclosures?
4. Describe types of decisions you make based on the financial statements in general?
5. Think back to a recent financial statement that you have reviewed. Would you describe to me your thoughts related to the financial statement notes in particular?
6. Describe items in the notes that you found were useful to your decision-making.
7. Describe items in the notes that you found were not useful to your decision-making.
8. Think back to a recent financial statement that you have reviewed and describe your impressions of the overall readability of the notes.
9. In terms of comprehension, how would you describe the financial statement note disclosures?
10. Think back to a recent financial statement that you have reviewed and readability of the financial statement notes. Were there any particular areas of the notes that were less readable?

11. Think back to a recent financial statement that you have reviewed and readability of the financial statement notes. Were there any particular areas of the notes that were more difficult to understand?

12. Using the attached list of mandatory disclosures required by IFRS, circle any you would not use. Comment on any that you think do not add usefulness to your decision-making, and are difficult to read or understand. A recent financial statement with note disclosure is provide for your reference if required.

IFRS Mandatory Disclosures (partial) re Question 12

1. Basis of accounting
2. Critical accounting estimates
3. Financial instruments – Risk Management, credit, liquidity and market risk
4. Revenue
5. Other operating income
6. Expenses by nature
7. Employee benefit expenses
8. Segment information
9. Finance income and expense
10. Tax expense
11. Discontinued operations
12. Earnings per share
13. Dividends
14. Property, plant and equipment
15. Investment property
16. Intangible assets
17. Goodwill and impairment
18. Inventories
19. Available for sale investments
20. Subsidiaries, non-controlling interests, investment in associates and joint ventures
21. Derivative financial instruments
22. Trade and other receivables
23. Trade and other payables
24. Loans and borrowings
25. Employee benefit liabilities
26. Provisions
27. Deferred Tax
28. Assets/ liabilities as held for sale
29. Share capital
30. Reserves
31. Other comprehensive income
32. Leases
33. Defined benefits schemes
34. Share-based payment
35. Related party transactions
36. Contingent liabilities
37. Events after the reporting date
38. Accounting Policies

Appendix B: Informed Consent

Users' Perceptions of Financial Statement Note Disclosures and the Theory of Information Overload

Introduction:

My name is Elsie Henderson. I live in Nova Scotia, Canada and am a doctoral student at Northcentral University in Arizona. I am conducting a study on Eastern Canadian users' perceptions of current financial statement note disclosures. I am completing this research as part of my doctoral degree and invite you to participate.

Activities:

If you participate in this research, you will be asked to:

1. Describe your thoughts and perceptions about financial statement note disclosures through answering specific interview questions related to your review of financial statements. The interview is expected to take approximately 45 minutes.

Eligibility:

You are eligible to participate in this research if you:

1. Are located in Eastern Canada;
2. Completed one accounting course;
3. Review at least one financial statement;

4. Have a professional accounting designation (accountants only);

5. Have a financial certification (financial analysts only); and

6. Have responsibility for authorizing credit (creditors only).

You are not eligible to participate in this research if you:

1. Are not located in Eastern Canada;
2. Have not completed an accounting course;
3. Have not reviewed at least one financial statement.

I hope to include 12 participants in this research, three from each group of creditors, financial analysts, investors, and accountants

Risks:

There are no known risks associated with this research; however, some participants may be reluctant to disclose their perceptions of the financial statement note disclosures. To decrease the impact of these risks, you can: skip any question in the interview, and/or, stop participation at any time, and/or, refuse to answer any interview question.

Benefits:

The potential benefit of this research is increased awareness of users' views of financial statement note disclosures.

Confidentiality:

The information you provide will be kept confidential and only I will have access to your responses to your interview questions. This information will be secured in a locked filing cabinet, and/or, locking the computer file with a password. I will keep your data for 7 years. Then, I will delete all electronic data and destroy all paper data. I will use a number to identify you so that your name is not associated with the data and only I will have access to the master list of name/number. When I report my study results under no circumstances will you (or your place of employment) be identified. Most data will be reported in aggregate form. If there is a need to communicate a quote from one of the interviews it will be presented as "Participant 3 said..."

Contact Information:

If you have questions for me, you can contact me at elsie.henderson@msvu.ca or my Nova Scotia telephone number: 1-902-457-6486. My dissertation chair's name is Dr. Mary Jill Blackwell. She works at Northcentral University and is supervising me on the research. You can contact her at: mblackwell@ncu.edu. If you have questions about your rights in the research, or if a problem has occurred, please contact the Institutional Review Board at: irb@ncu.edu or 1-888-327-2877 ext. 8014.

Voluntary Participation:

Your participation is voluntary. If you decide not to participate, or if you stop participation after you start, there will be no penalty to you.

Signature:

A signature indicates your understanding of this consent form. You will be given a copy of the form for your information.

____

Participant Signature Printed Name Date

____

Researcher Signature Printed Name Date

Audiotaping:

I would like to use a voice recorder to record your responses. You can still participate if you do not wish to be recorded.

Please sign here if I can record you:________________________________