

# **A STUDY ON THE USE OF ANNUAL REPORTS BY INDIVIDUAL INVESTORS IN MALAYSIA**

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## **ABSTRACT**

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This research is concerned with one of the most familiar aspects of accountancy – that of the company financial reporting (with the output as annual reports) in the domain of Malaysia. This vital function has been subjected to the greatest amount of criticism in recent years, particularly with regard to its apparent inability to meet the assumed needs of variety users. General feeling appears to be that these users generally ignore the annual reports.

In particular, this research is designed in such a way in order to provide evidence to support the popular view that annual reports are of little used by the sub group of equity investor's i.e. individual investors.

This research provides insights as to what is the main purpose of using annual reports; the role of annual reports as a source of information; the importance of different sections of an annual report and the desire of additional information disclosure by individual investors. Lastly, the background factors that affect the readership of annual reports are identified.

The survey findings indicate that most of the responding individual investors do not read through the annual reports. Only a small minority does spend time to read through it thoroughly. Lack of accounting knowledge is one of the main reasons that attributes to the low usage or readership of annual reports. Evidence from the hypotheses testing shows that occupations, education level, accounting experience and investment decision making of individual investors were factors that have a significant relationship with readership of annual reports.

Besides it was found that, individual investors in Malaysia do consider annual reports as moderate important only, of which, it is ranked in the third after the newspapers and magazines and stockbrokers' advice.

In order to improve the use and readership of annual reports by individual investors, it is strongly recommended that attention should be paid either to seek means of simplifying the present system of financial reporting, or to seek alternative systems of financial reporting which are able to provide individual investors with comprehensible data that are relevant both for investment decisions and stewardship