

**Usefulness of banks' financial reports in a time of crisis: evidence
from corporate customers of banks in Finland**

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1. Introduction

How has the usefulness of financial reports fared through the financial crisis? This is the question that this research aims to answer. This research will discuss the characteristics of useful financial reports, how they have come under question during the financial crisis and what remedies can be implemented. The research presents a survey of 30 employees of corporate customers of banks in Finland and discusses their views of how the usefulness of financial reports has fared in the financial crisis.

The financial crisis is still on the minds of many as it has yet to pass in some countries. Most recently Portugal has suffered greatly because of the fluctuations in the financial world. The crisis started in the U.S. when sub- prime mortgages started defaulting due to falling house prices and rising interest rates. As information about these bad loans spread to investors, credit markets froze, which in turn led to a shortage in liquidity. Several financial institutions were bailed out by governments and nationalised (BBC 2009).

In Finland the financial crisis hit the export industry most harshly. As Finland's business partners fell into depression, so too did the trade between the countries. As a country much reliant on exporting, Finland has suffered in many ways during the financial crisis, for example through greater unemployment. One of the reasons for the downturn in exports was the poor availability of credit from banks whose solvency and liquidity had come under question. Perceived solvency and liquidity in turn derive from financial reports, which were criticised as being unreliable. Finland has then been affected by the same alleged shortcomings in reports even though the country's

financial sector benefited from its stable pre-crisis position and was less affected than other countries' financial sectors (Freystätter & Mattila 2011).

Financial reporting in public companies in Europe is regulated through the International Financial Reporting Standards (IFRS), which are developed by the International Accounting Standards Board (IASB). In the U.S. the similar standards are the U.S. Generally Accepted Accounting Practices (GAAP), which are managed by the Financial Accounting Standards Board (FASB). There is an on-going process of convergence between the two, which is promoted by the U.S. Securities and Exchange Commission (PwC 2010). Because of the unity of the financial reporting standards, the changes that are made apply to almost the entire world. The crisis has therefore affected financial reporting globally because it exposed problems in the system that when rectified, will affect all those working with financial reports.

Financial reporting for banks is the same as for other companies but when an economic downturn comes about what happens with banks can aggravate or even cause a crisis (Turner 2010). Therefore, even though financial reporting standards and objectives are common for most companies, banks are at the centre of attention because of their role in the event of a crisis. Because of their central role in the crisis, the research will concentrate on the effects of the financial crisis on the usefulness of banks' financial reports and, in turn, their effect on the confidence of their users.

In the current crisis banks have certainly experienced a loss of trust. Sapienza and Zingales (2009) studied the general public's trust in financial markets in the U.S. and concluded that the primary reason for a loss of trust is the decrease in stock market valuations. In their study they presented respondents with six options for determining what the primary cause for the financial crisis was in their minds. 36% said manager's greed, 11,2% answered excessive government intervention, 16% said lack of

oversight, 15% chose poor corporate governance, 15% answered lack of regulation and 6,7% said global imbalances.

According to research done by Ernst and Young (2010) banks are continuously losing customer trust. According to the survey where 20 500 global retail banking customers were interviewed, 44% of them stated that their confidence in the banking industry had decreased in the last 12 months. Most of those surveyed (53%) quoted macroeconomic factors as the reason for loss of confidence. Brand strength, image and reputation were mentioned as being key factors in a satisfying bank-customer relationship.

Recently Goldman-Sachs, a company which suffered a great deal during the financial crisis, reported that it would introduce significantly more transparency in its financial reporting (Rappaport 2011). In the US the senate is discussing the role of auditing and accounting, and their contribution to the crisis (Romanek 2011). Fair value accounting is still the subject of discussion as financial institutions have to rethink their finances according to the new regulations (Van Gaal 2011 and Salama 2011).

The contemporariness of the subject can also be seen in the list of references of academic papers for this research as only a few of them are dated beyond the year 2007. New research is being constantly published and the effectiveness of new financial reporting standards is being consistently evaluated.

The next chapter will consist of literature on the subject matter and further establish importance and diversity of the subject.

2. Literature review

There are four parts to this literature review. First of all, the objectives of financial reporting and the characteristics of useful reports are discussed in order to indicate which aspects of financial reports should be looked at in more detail.

The second part establishes a link between the usefulness of financial reporting and the financial crisis. Key concepts of complexity and understandability as well as reliability and relevance are discussed here. The debate on fair value accounting plays a strong part also as its effect on reliability and relevance has been a fairly controversial subject.

Thirdly, there is a discussion on the implications of financial reporting on regulation reform. In order to access this discussion, the reactions of several institutions and regulatory bodies on the financial crisis are studied. Since the actions of regulatory bodies aim to heal the financial environment and promote trust in financial markets, it is important to study the areas where they have found problems and are working to improve standards.

In the final part, issues of transparency and disclosure are discussed. This is because in the literature reviewed these issues were widely considered as providing possible solutions to the problems that have surfaced.

This review also exposes gaps in the literature. The unstable environment during the crisis caused changes in financial reporting of banks. This raises several questions as to how this has affected client confidence. The literature does not address these questions adequately. The review therefore gives a base for the upcoming survey presented to corporate clients of banks.

2.1. Objectives of financial reporting

The purpose of financial reporting is to provide users with useful information when they make decisions in the market. According to the IFRS Framework (IAS Plus 2010), there are limitations to financial reporting as other information is needed in order to form a complete understanding of the position of a company. There are certain characteristics that make financial information useful and they are defined in the framework. Understandability is a component of financial reports, which makes the information accessible and useful to users as well as affects the achievement of the key characteristics. The key qualitative characteristics of financial reports, according to the IFRS framework, are relevance and reliability. Relevance means the extent to which the information helps in the decision making process of users through its predictive and confirmatory value. Timeliness is an issue of relevance as it affects the timeliness of the decisions made. Reliability, or otherwise referred to as representational faithfulness, is defined by the information's ability to accurately reflect the underlying economic phenomenon that it intends to represent. These characteristics are almost universal as they are also a part of the framework of the Financial Accounting Standards Board so in addition to including the more than 100 countries that require or allow the IFRS, the U.S. accounting standards have the same objectives (SEC 2008). If these characteristics are then expected of financial reports, the perceived faltering of one or more could lead to a loss of confidence from the user.

It has been argued (Bandyopadhyay et al. 2010) that relevance is favoured in new accounting standards over reliability and fair value accounting has been said to reinforce this distinction (Heffes and Orenstein 2005). The timeliness of financial reporting has been brought to question by Miller and Bahnson (2009), as they would have the reporting frequencies shortened. The complexity of financial instruments and their valuation has sparked debate about the understandability of financial reports,

which has been under discussion by standard-setters for a while (PricewaterhouseCoopers 2008). When so many of the characteristics have been questioned in the last few years, a change in the perceived usefulness of financial reports is certainly possible.

2.2. The role of useful financial reporting in crisis

2.2.1. Complexity and understandability

Complexity in financial reports is not a new topic of discussion and has been debated before the financial crisis. In 2008 the IASB produced a discussion paper entitled *Reducing complexity in reporting financial instruments* (Cairns 2008) that resulted in IFRS 7 and IFRS 9, works in progress that aim to clarify the disclosures and valuations of financial instruments and make them more transparent (IAS Plus 2011). The development of IFRS 9 is especially important as it determines whether financial instruments should be valued at amortised cost or fair value.

According to a survey by the Chartered Institute of Management Accountants (CIMA) of 350 directors, 90% thought that financial reports are unnecessarily complex and 94% thought that the problem had been getting worse in the last five years (CIMA 2009). The survey indicated that respondents would rather have financial reports be relevant and understandable than completely reliable. The notion of principles-based rather than rules-based accounting, is supported by both CIMA and the Global Accounting Alliance and indicates that current financial reporting standards are complex for both compilers and the end-users (GAA 2008).

Turner (2010) argues that the complex financial instruments used by banks and their valuation in the market should mean that banks are different in their financial reporting. The inherent complexity of financial instruments used by banks results in an asymmetry in information between buyers and sellers. He mentions that the

valuation of the problematic assets of banks and the standards used for their measurement for different banks were unclear and contributed to the decreasing confidence in financial markets. Complexity affects understandability, which contributes to the usefulness of financial reports. If the information is too complex for a user, it diminishes the usefulness of the report.

Complexity of financial reports is an important issue as it affects reliability, relevance and understandability. Reliability is affected if the complexity of the reports means that valuations do not reflect the real position of the institution.

Relevance is affected if time used for adhering to all rules and giving maximum disclosure means that reports are not timely or clear enough to help the decision making process of the user. Understandability is affected if reports are too complex for ordinary users and not clear in their output.

2.2.2. Reliability and relevance

The financial crisis and financial reporting are closely linked as the crisis was in essence a crisis of liquidity and credit (Langley 2010). Joshua Rosner, managing director at Graham Fisher & Co. in New York said: “It’s not a liquidity problem, it’s a valuation problem”, capturing the essence of linking the financial crisis to financial reporting (Ivry 2008). Valuations of complex financial instruments lead to information asymmetries within the system when assets were first valued at a higher price than was realistic and at a lower price when the economy experienced a downturn. Falling asset prices lead to liquidity and credit problems for banks and the financial problems of banks lead to the failure of other institutions (Turner 2010). Also, information asymmetries feed the uncertainty and imbalance in the system and aggravate the initial problem. This problem is referred to as procyclicality (Catarineu-Rabell, Jackson & Tsomocos 2005). Investors could not make informed decisions in the midst of the confusion about valuations. This is a problem of both reliability and

relevance as financial reports that are not consistent and clear in their valuations cannot give reliable information nor can they be relevant to decision making. Flegm (2008) says that relevance in financial reports requires for them to be reliable. He criticises the way reliability has had to give way for relevance, especially through the use of fair value accounting.

Barth and Landsman (2010) discuss the role of financial reporting by banks in the financial crisis. They discuss such financial reporting features as fair values, asset securitisations, derivatives and loan loss provisioning. They conclude that a lack of transparency on derivative financial instruments and the pooling of debt resulted in problems in determining the real financial position of a bank. Determining the real position of a bank through financial reports is the key to reliability, which in turn affects the usefulness of the reports in decision making.

Miller and Bahnson (2009) state that the role of financial reporting is “to reveal the truth honestly, openly, completely, clearly, unambiguously, and with sufficient frequency to be timely.” They say that financial reporting should fulfil this role before, during and after a crisis. Before a crisis, transparent financial reporting would give signs of trouble ahead and give a forewarning to investors. During a crisis, financial reporting should provide information about where the problem areas are and how future cash flow prospects are affected. According to Miller and Bahnson, in the recent crisis information flowed too slowly and was misinterpreted to indicate credit risks of other debt instruments. After a crisis, the role of financial reporting is to signify when the economy starts improving and by how much. In Miller's and Bahnson's view, this positive information should not be artificially created but should reflect the actual situation. Miller and Bahnson (2009) also recommend that reporting frequencies should be shortened as to provide information that is as up to date as possible. Timeliness is related to the relevance of the reports as relevant information has to be timely in order to be useful. Miller and Bahnson argue that financial

information during the crisis was not available to decision makers early enough and was not useful to the decision making process.

Miller and Bahnson require both relevance and reliability of financial reports and say that both aspects have failed in the crisis. Their point of view is in agreement with Barth and Landsman (2010), who view transparency and disclosure as being key in preventing crises.

James Turley (2009), CEO of Ernst & Young, sees the key causes of the crisis being too much leverage, misuse of financial instruments, bad loans, unrealistic expectations, improper handling of risk and gaps in regulatory systems. He states that normal lending from banks will not continue until statements of financial position are sorted.

Martin Taylor (2009) blamed bankers for the crisis stating that banks paid out bonuses that did not consist of actual cash but unrealised profits derived from “booking revenues”. Giving out cash that did not exist then led to a crisis in liquidity. Taylor concludes that the crisis was a result of the bankers’ inability to count. The same concern about remuneration is repeated in a study conducted by Ernst and Young (2011). The study showed that executive remuneration was quoted by 80% (U.S) and 69% (U.K.) of interviewed retail bank customers as being one of the reasons for loss of trust in banks. Still, only 40% of the 500 surveyed senior executives in another report by Ernst and Young (2010) answered that bonuses should be regulated and capped. The study underlines the lack of reliability in financial reports and customer trust in them. According to Taylor, the numbers produced in financial reports did not reflect the real situation.

Adair Turner (2010) commented on Martin Taylor’s article by saying that it was not merely a criticism of bankers but concerned accounting standards and their application. He agreed that executive remuneration would have an effect on customer confidence and the payment of large bonuses would indicate a stable financial

position when, in reality, there were no cash funds to give out. He says that accounting standards are designed to reflect a company's position in a certain point of time. This has caused some bank regulators and central banks to argue that banks are different from other institutions and accounting standards should reflect that. Turner argues that the current accounting standards for banks can intensify volatility. This happens when the use of the incurred loss model leads to over-optimistic results. This, in turn, leads to excessive lending and finally, when conditions are less favourable, results in diminished assets and less lending.

2.2.3 Fair value accounting

A controversial argument that was raised during the financial crisis concerned the role of fair value accounting in either causing or exacerbating the crisis. Fair value accounting was blamed for contributing negatively to the crisis in terms of the decline of value in bank assets (Barth and Landsman 2010). Discussion of the issues with fair value is relevant to this study because using fair value methods can be seen as a trade-off between relevance and reliability. Historic cost accounting could be seen as more reliable as it relies on the purchase value of an asset while fair valuation relies on market values that are apt to change (Heffes & Orenstein 2005).

In the U.S. several parties, including the American International Group Inc., called for the suspension of fair value policies stating that it forced companies to value assets at much lower prices than their true value (Westbrook 2008). A former Federal Deposit Insurance Corporation chair, William Isaac, blamed the Securities and Exchange Commission in the U.S. for causing the crisis (Sopelsa 2008). In 2008 he stated that fair value accounting rules backed up by the SEC destroyed 500 billion dollars of bank capital by having the banks value assets at market prices. In his opinion they should not have been marked to market. Steve Forbes (2009) agrees with this view as he criticised fair value policies for being inappropriate in illiquid markets and magnifying the fluctuations in the financing world. He said that most of the losses

recorded by financial institutions had been book losses and not actual losses and led to banks being increasingly rigid about lending. Forbes said that the changes made to the policies after complaints from banks were merely “cosmetic” and did not fix the actual problem. He disagrees with Miller and Bahnson (2009) in their statement that financial reporting should happen at shorter intervals and says that reporting all fluctuations is unnecessary.

Turner (2010) also discusses the role of mark-to-market accounting in aggravating the decline of markets as rising values indicate higher profits and the bonuses paid out from these apparent profits affect market confidence. He does not, however, place blame on fair value accounting standards as, in his view, there are no relevant alternatives for the valuation of derivative financial instruments.

Miller and Bahnson (2009) would not place the blame on mark-to-market accounting but encourage its use with all assets and liabilities. James Turley (2009) agrees with Miller and Bahnson in his statement that the suspension of fair value accounting measures would be dangerous. He also stands by globally uniform accounting standards. Barth and Landsman (2010) come to the conclusion that fair value accounting had little to no effect on the crisis but transparency and disclosure were insufficient for investors to make informed decisions. Rankin (2009) believes that fair value was not the cause of the crisis but only mirrors reality.

There is dissidence on whether fair value pertains more to reliability or to relevance or equally to both. The arguments for and against are strong and it is clear that policy makers will be dealing with critics of fair value in the future.

The Securities and Exchange Commission reviewed fair value policies in an extensive study and came to the conclusion that the policies should be improved but not suspended. These suggested improvements concerned the use of fair value policies in illiquid and distressed markets (SEC 2008).

A survey conducted by the CFA institute (2008) revealed that 79% of CFA Institute members worldwide believed that fair value accounting measures improve transparency and risk recognition. In addition to this, the Financial Crisis Advisory Group (2009) report states that a major fact forgotten in the fair value debate is that in most countries majority bank assets are valued based on historic cost. The report states that the value of assets has been overstated as the complexity of off-balance sheet standards has delayed the recognition of losses on loan portfolios. This is in contrast to the argument that using fair value accounting leads to the overstatement of losses.

Still, a summary of feedback received by the FASB in 2010 indicated that majority did not support fair value for financial liabilities (Orenstein 2010). These results suggest that there is still a variety of differing opinions and total support for fair value is a long way off.

Even though the debate on fair value accounting continues, it is unlikely that standard setters would abandon the policies. The IASB and FASB have both voiced their support for fair value but are in works to improve the standards related to it (FASB 2009 and Lamoreaux 2011). Though fair value accounting has been widely supported by policy makers, it is possible that the recent discussion and questioning of the fair value standards have changed the perception that the users of financial reports have of the reliability of standards.

2.3. Financial regulation responses

In the U.K. the British Bankers' Association published a new code for financial reporting aiming to promote enhanced disclosure practices that was adopted by the seven biggest lenders in the U.K. in 2010 (Thomas 2010).

Basel III is the third of the Basel Accords, which are issued by the Basel Committee on Banking Supervision. The goal of the Committee is to improve the quality of

banking supervision worldwide and the most recent accord discusses strengthening bank transparency and disclosures. Public disclosures make up Pillar 3 of the accord. Transparency has therefore become an international mission for regulators (BIS 2010).

In the 2008 Washington summit the Group of 20 (G20) agreed that the financial crisis was caused by a poor understanding of risk and inadequately coordinated macroeconomic policies. One of their major goals was to strengthen transparency and accountability. This would be achieved through improving the reporting of complex financial instruments and promoting full transparency in reporting the current financial state of companies. They listed immediate actions that would be in use by March 2009 that included the bid for accounting standard setters to clarify guidance for the valuation of securities and complex, illiquid financial instruments in distressed markets. They also called for accounting standards setters to address the problems with off-balance sheet vehicles and disclosure of complex financial instruments. They also planned to develop the relationship of the International Accounting Standards Board and relevant authorities in order to promote transparency and accountability of international accounting standard development. Medium term goals included better regulation for the implementation of the new measures (BBC 2008).

The IASB has tackled problems with valuations by making amendments to IFRS 7 and 9 that concern valuation and disclosure of derivative financial instruments (IAS Plus 2011).

The Financial Crisis Advisory Group (FCAG) that advises both the FASB and the IASB brought out a report in 2009 concerning their recommendations as to what should be done after the financial crisis (FCAG 2009). They agreed with other institutions in that financial reporting should provide unbiased, relevant and transparent information about the state of a company and are based on quality accounting standards and efficient regulation. The FCAG state that this goal is reliant

on globally converged financial reporting standards. They say that accounting standards were not the main problem in the financial crisis but that the crisis has brought to light several problems that should be solved. The report identified four major issues in accounting standards: the complexity of fair value accounting policies, the delayed recognition of losses deriving from financial instruments like loans, off-balance sheet financing structures, and the complexity of reporting financial instruments. The report says that even though accounting standards did not exacerbate the crisis, less complexity and more transparency could help restore confidence in financial markets and promote overall stability and growth. The report also recognises the limitations of financial reporting as only reflecting one point in time. The report encourages using financial reports against a background of other information, like industry trends and performance data, in order to give the fullest view possible of the current state of the company (FCAG 2009).

In a study by Ernst and Young, 500 senior executives in the financial services industry in Europe and U.S. were interviewed concerning their confidence towards financial regulations (Ernst and Young 2010). 35% of those interviewed thought that the current regulations were enough to decrease the chance of another financial crisis. The U.K. and U.S. numbers were lower with 25% and 19% respectively. Furthermore, only 14% of respondents agreed that regulation at a global level is sufficient to prevent a new crisis. When asked whether regulations should be made globally uniform, 79% agreed. This report indicates a strong mistrust in the power of regulators to prevent another crisis.

This view is supported by Turley (2009) who does not want financial reporting to be politicized. He states that the role of accounting as promoting transparency, consistency and comparability would be under threat were accounting standards made into a political issue. He agrees that there is room for reform but these reforms should not be protectionist. It is difficult for accounting issues to not become a politicised as the decisions made affect the economy in sometimes drastic ways.

The reactions of the regulatory institutions and standard setters point to where the problems lie and much emphasis seems to be placed on increased transparency and disclosure as the solution. Therefore, the issues are discussed in the next section.

2.4. Transparency and disclosure

Bearing in mind the earlier discussion, the literature suggests that information asymmetries lead to a lack of reliability in financial reports, which in turn affected the usefulness of the reports. The regulation responses are aimed at restoring reliability through increased transparency and disclosure. As discussed later, increased and improved auditing practices have been suggested to improve transparency.

In her speech for the Financial Executives International's 28th Annual Current Financial Reporting Issues Conference in New York in 2009, SEC Commissioner Kathleen L. Casey (2009) said: “Financial stability depends upon market confidence; and investor confidence, in turn, depends upon the transparency of financial statements.” In addition, Casey stated, the role of financial reporting is to provide investors with useful information about the current state of the company so that they are able to make the informed decisions, which in turn promotes efficiency in the market. Martin Gruell of Raiffeisen International also said, as quoted by Hegarty (2009), that: “No transparency, no trust; no trust, no credit; no credit, no investment; no investment, no growth! So there is a simple logic: financial reporting is an essential building block for financial intermediation, foreign investment, and sustainable economic development.”

Barth and Schipper (2008) define transparency in financial reporting as revealing the economic position of a company in a way that is clear to the reader. According to this definition, transparency concerns the reliability and understandability of financial reporting. They write that research proves that improved transparency lowers the cost of capital as information asymmetry is lowered.

It seems as though the idea of maximum transparency is thought of as a universally beneficial concept. In his article “Banking transparency and the robustness of the banking system” Solomon Tadesse (2010) examines the relationship of transparency and the stability of the banking system. The definition of transparency that the Bank for International Settlements gives and Tadesse uses is: “transparency is the public disclosure of reliable and timely information that enables users to make an accurate assessment of a bank’s financial condition and performance, business activities, risk profile, and risk management practices.” There are several reasons why bank transparency would enhance bank performance and stability according to Tadesse. It reduces risk taking, losses would be less costly as recovery from the crisis could be quicker. A big problem for banks during times of crisis is panic, which is said to derive from information gaps between banks and clients, and the spreading of panic through miscommunication. To prevent this, clear and transparent reporting prevents misinformation from permeating the system and inducing panic.

On the other hand, Tadesse argues that full disclosure may also be misinterpreted as indicating wider spread problems and lead to mistrust in financial markets. He says that this ambiguity of the usefulness of bank disclosure is reflected in the reluctance to accept disclosure policies without questions. For example, in Japan a move has been towards less disclosure even though the World Bank and International Monetary Fund encourage enhanced disclosure practices. Still, a study by Nier and Baumann (2006), as referenced by Tadesse, exhibits that disclosure affects banks capital buffers, which in turn affect risk-taking. Another study by Tadesse in 2006 presented strong evidence that transparency fortifies the banking system. Tadesse concludes by stating that although is not the cure for the banking industry but the evidence suggests that it does promote stability.

Interestingly, Turner (2010) does not believe that full disclosure and transparency would be the answer to preventing another crisis but states that implementing those measures would serve to increase volatility. He concludes by saying that banks are

different as their downfall can be the cause of a financial crisis instead of just a consequence and accounting standards should be adjusted so that there is not just one way of valuation for assets but different options for different situations.

Turley (2009) recommends that the Sarbanes-Oxley act be enforced outside the U.S. and advises on the establishment of an independent regulatory authority to look over public company audits.

The notion of auditing playing a part in increasing confidence in financial markets is supported by a report from the Institute of Chartered Accountants in England and Wales ICAEW (2010). The Institute suggested that more information about the role of auditing in banks would “increase the value placed on audit and thereby increase market confidence.” The report states that as bank reporting has come under criticism during the financial crisis, it should be the starting point for any improvements. The problem, as the report says, is not necessarily in the amount of information given by banks in their reporting but the format in which the information is given. Risk information is not openly accessible to non-expert readers and according to the report investors were concerned that risk statements provided by bank directors may not reflect the whole truth and would benefit from an auditor reviewing them. A study by Anderson, Mansi and Reeb (2004) substantiates this view as they found that independent audit committees can positively affect the reliability of financial reporting.

Though there are counter-arguments to the benefits of transparency and disclosure, the regulation responses indicate that improved transparency is a shared goal of policy makers.

2.5. Conclusion

The purpose of the literature review was to shed light on the research question and give background for the issues related to it. It established a link between financial reporting and the financial crisis, demonstrated the public considerations related to

financial reporting reform and described some solutions to the problem of usefulness in financial reports.

The next section will concentrate on the methodology used in primary research in order to find the answer to the specific question about customer perception of usefulness in banks' financial reports.

3. Research methodology

3. 1. Research Approach

Quantitative research has been chosen over qualitative research as the data used will be numerical and the research has a specific focus of substantiating or contradicting the hypothesis (Denscombe 2007). The hypothesis is developed after having reviewed the literature. In this case the literature indicates that the answer to the research question is: “Yes, perceptions of the usefulness of banks’ financial reports has changed as a result of the financial crisis” The literature also indicates a reason for the loss of confidence being the lack of adequate transparency in financial reporting. The hypothesis, therefore, is: “There has been a loss of confidence in the usefulness of financial reporting of banks after the financial crisis because of a lack of sufficient transparency.” The primary research tests this hypothesis in the Finnish business environment and gives direction to future research and discussion.

In financing, quantitative research is more common, though qualitative research has been gaining stature (Cassell, Buehrins & Symon 2006). The benefits of quantitative research are that it allows the researcher to concentrate on a chosen few issues that have been brought up in the literature review and it is more generalisable and objective than qualitative research. The benefits of using a survey to obtain quantitative data are that answers will be easy to codify and easy to analyse. The disadvantage is that qualitative data would give a deeper look into the subject instead of just answering the specific research question. In the case of this research, quantitative methods have been chosen because the research question is one that needs a simple answer that either supports or contradicts the literature review.

Though qualitative research would give more depth to the research, quantitative methods can also include open questions, which in the case of this research, are adept

at giving depth and allow exploring the issues more widely. The research also takes an empirical outlook as the information is sought out instead of being set.

3.2. Data source

The data source is corporate customers of publicly listed banks in Finland and more specifically those employees who work with financial reports. This focus group was primarily chosen because the question requires a certain level of technical understanding in order to be answered in a useful way. The chosen employees deal with the issues presented in this dissertation first hand and that is why they are the appropriate group to answer the survey questions. All publicly listed companies in Finland are required to use the International Financial Reporting Standards and are therefore subject to the same definitions of financial reporting usefulness.

The sample was chosen at random from a list of personal contacts. Using personal contacts allows for a better response rate, which was important in conducting this study. The respondents are from different types of companies, both small and large and from different industries, and are customers of different banks.

The important issue is to have an adequate amount of answers for the research to be useful. Taking into consideration time and money, the sample size is relatively small but it is adequate as it fulfils its purpose in supporting or contradicting the hypothesis and giving an indication of what issues can be discussed in future research.

3.3. Data collection

The data collection method is that of a survey. According to Denscombe (2003), surveys aim to give wide and inclusive coverage, an objective that is common to the quantitative approach. Surveys are also inherently empirical as the word itself conveys the action of going out to find information.

Smith (2003) outlines design and planning issues for surveys, which have been discussed here in the context of this primary research. There are several issues to consider when formulating the questions like: clarity, relevance, unambiguity and the technical knowledge needed. A short explanation of terms used in the survey is provided in the e-mail send to the respondents to enable maximum unambiguity. As it is important to ask the right questions in order to get useful answers, all questions are related to the literature review.

What kind of survey is going to be used is the first consideration, according to Smith (2003). Taking into consideration the limited resources of the researcher, the chosen method is an internet survey sent via e-mail. Internet surveys are quick and easy to fill in, and are flexible and user friendly, as they can be filled out at anytime and anywhere. The disadvantages of internet surveys are that respondents may submit incomplete forms or may misinterpret the meaning of a question as no immediate consultation with the researcher is possible. In this case, an internet survey is the most appropriate method as they are most convenient for the respondents who are busy, working people.

The next aspect to consider, according to Smith (2003), is the respondents the survey is going to target. In this case, the respondents are employees of the corporate customers of banks. Because of the narrow focus of the study, the respondents were contacted instead of randomly sought through advertising. This ensures that the respondents are adept at answering the questions.

The appropriate type of questions should be asked in order to solicit useful answers, says Smith (2003). In this research a mixture of different question types are used so that the most appropriate type of question is used for the nature of the information needed. Those questions that will be featured in chart form are closed and those that are exploratory and aimed making use of the specific knowledge of the respondents are open.

Next, the sequence of the survey questions should be considered (Smith 2003). For this research, there are only a few background questions in the beginning and the rest are aimed at answering the research question and issues related to it.

The layout of the survey should be so that it is interesting and relevant for the respondent and not too long. Smith (2003) recommends that a survey should not be longer than four pages and should not take more than 20 minutes. This survey has been designed so that it is fast and easy to fill out as the respondents are busy people who benefit from the simplicity of the survey.

3.4. Data analysis

Most of the quantitative data consist of answers to closed questions. Open answers are presented outside of the charts to add to the numerical data. Many of the questions make use of the Likert scale, which is classed as ordinal data. The other type of data used is nominal data, which concerns background questions.

Denscombe (2007) gives a guideline to the analysis of quantitative data. The data is first coded, categorised and checked. Coding is used in order to facilitate the computer analysis of data because the answers are not in numerical form. As this research is quite simple, no complicated coding is necessary. According to Denscombe (2007), the benefit of having simple raw data is that it needs little manipulation and the end result is therefore a faithful representation of the original research. Coding is be used for the closed questions, which use the Likert scale. In these cases, letters are assigned for each answer possibility and the answers are submitted in letter form to Excel. The small sample size allows the use of Excel instead of, for example, SPSS, which is more suitable for analysing greater quantities of data.

Next, the initial analysis looks for obvious correlations in the answers. Some questions have more agreement while others divide opinions. At this stage, those

answers that have a high level of agreement are taken into consideration while the reasons for divided answers are looked at in the main analysis.

In the main analysis, the data is linked to the literature review. In this research, as the questions have been formulated according to the literature review, the links are easy to make. The main analysis consists of descriptive and inferential statistics, meaning that the data analysis presents variable frequencies and averages as well as considering the significance of the research as related to the literature review (Blaxter, Hughes & Tight 2006). The representation of the data involves creating charts and figures and giving written explanations of the findings. Charts are created for closed questions while the written explanations consist of analysis of the open questions and the connections to the literature review. The representation is a summary of all the data instead of concentrating on a chosen few answers. This method of data analysis is consistent with quantitative research as it presents findings in mostly numerical form.

3.5. Conclusion

Due to the small sample size and locality of the research, it is not generalizable. The research does not, therefore, give a definite answer to the research question or definitely disprove or validate the hypothesis but instead gives a situational view on the issue discussed and leaves open the possibility of further research. As the chosen approach is quantitative, the research is broader than it is deep. A qualitative research would give a deeper description of the insights of the respondents while quantitative research aims to answer the question that the literature has posed.

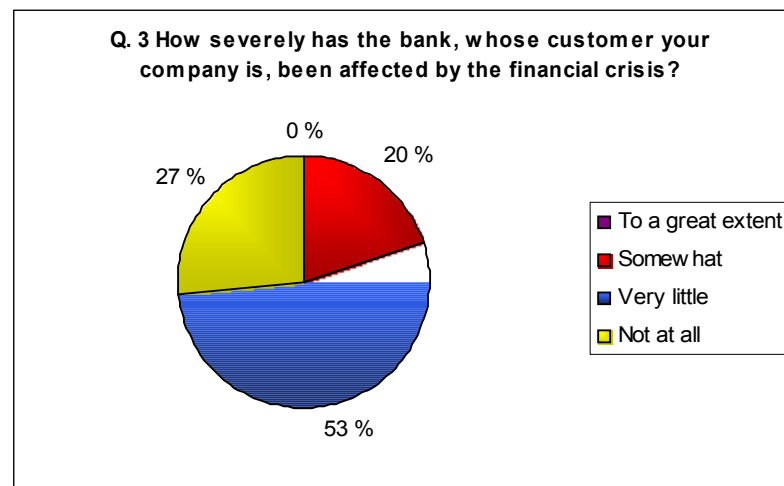
As the research is conducted in Finland, the answers may be different than what they would be in a country that was more severely affected by the financial crisis. The research is therefore not fully representative of the world. Still, the International Financial Reporting Standards are common to all European public companies and so

the same rules apply to all publicly listed banks regardless of the level of impact of the financial crisis and the research is valuable as it gives an indication of possible problems in this area.

This chapter demonstrated the chosen methods and approaches to the research and explained why these particular methods were chosen. In the next chapter, the data derived from the survey will be presented and analysed according to the approach stipulated in this chapter.

4. Data presentation and analysis

Out of 30 respondents, 14 answered that they were either managing directors, or deputy managing directors, or CEO's. Four of the respondents were in sales, three in finance and the others were a mix of different managers. 15, or half, of the respondents work at a company that employs less than 50 people, while six worked at medium-sized companies (50-249 employees) and 9 worked at large companies (over 250 employees).

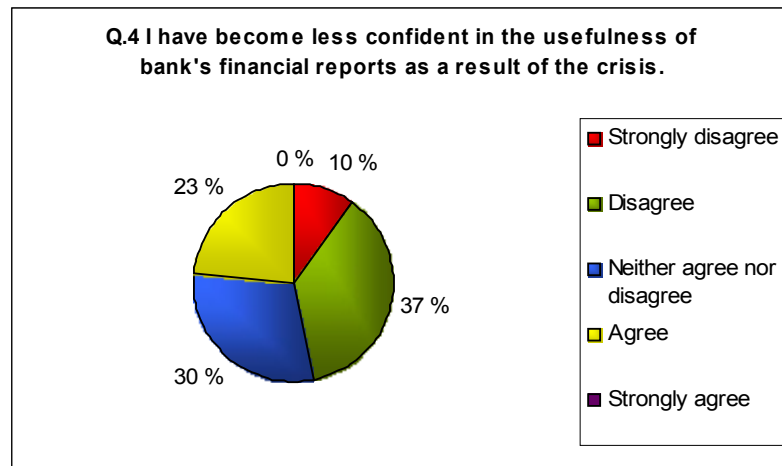


To a great extent	0
Somewhat	6
Very little	16
Not at all	8

In this chart is presented the greatest short-coming of the research. Though this result may be representative of the situation in Finland where fewer banks were seriously affected by the crisis than, for example, in the UK. The finance sector in Finland benefited from its stable position prior to the crisis and was not affected by the same factors that caused the crisis in the first place. It is not possible to generalise these results and, especially, not possible to draw conclusions about the effects of the crisis

on the perceived usefulness of banks' financial reporting in countries in which banks were more affected. As can be seen from the pie chart above, 80% of the respondents reported that their banks were barely affected by the crisis and only 20% said that their banks was somewhat affected. Of course the perception of the respondents is affected by the reports that their bank would give out and it is therefore questionable whether this result is representative of the reality. Still, as the research aims to find out the perceptions of banks' corporate customers, the perceived reality is more important than the statistics.

This is in contrast with the literature review where problems have been discussed that have risen from the dismal situation of banks in the financial crisis. Were there no such pressure put on the system, regulators may not have been made aware of the existing problems. The problems that have been more extremely experienced by other countries than Finland, radiate to the Finnish system especially as most companies use the IFRS and business is increasingly global.



Strongly disagree	3
Disagree	11
Neither agree nor disagree	9
Agree	7
Strongly agree	0

This chart presents the core question of the survey. Almost half of the respondents said that they have not become less confident while only 23% deemed that they have become less confident. This result contradicts the literature review as the literature pointed to several problems that had been found within the system and even those who believed that financial reporting was not the cause of the financial crisis, admitted that there is plenty of room for improvement. Still, the literature review only discusses the opinions of experts and regulators while this study involves the opinions of regular corporate customers who may be less aware of problems in the system as it is not their duty to correct them. Were the regulatory bodies asked this question, the responses could be more divided as it is noted in the literature review that there are those who are calling for a financial reporting reform while others are content with only minor tweaks.

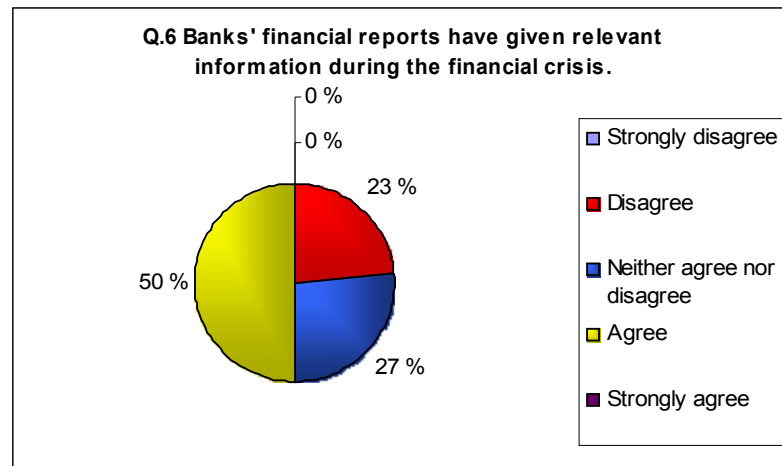
A third of the respondents on this question did not sway either way but many of those who had answered neither agree nor disagree answered the same on other questions or agreed with most statements while very few disagreed with statements. Those who

strongly disagreed on this question predictably also thought of financial reports as reliable, relevant and understandable.

Those who disagreed showed consistency in the rest of their answers. They agreed that financial reports gave reliable and relevant information, and that increased transparency and independent auditing committees would enhance the usefulness of financial reports. There was some variation in opinions on understandability and fair value accounting but even with those questions, the majority agreed with the statements.

Those who disagreed were more varied in their opinions. There was far more disagreement regarding relevance, reliability and understandability but the vote was still roughly half and half. So even those who had lost some confidence in the usefulness of financial reports deemed that the reports were not lacking in all areas. Only two respondents replied that financial reports have not given relevant, reliable or understandable information.

The literature review indicated that several aspects of useful financial reports have suffered during the financial crisis, especially in the banking sector. In order for financial reports to be useful they should be reliable, relevant and understandable. To elaborate on the core question, the following questions concerned these aspects.



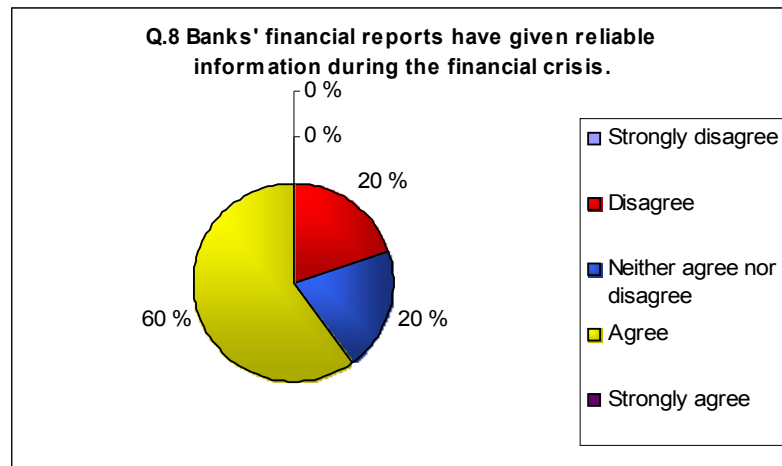
Strongly disagree	0
Disagree	7
Neither agree nor disagree	8
Agree	15
Strongly agree	0

The divide in this question was quite clear. Half agreed that financial reports have given relevant information during the financial crisis. A quarter of the respondents neither agreed nor disagreed, which could mean that they had no opinion on the question or thought that financial reports were on the borderline of relevant and not relevant. Another quarter disagreed with the statement.

Relevance in financial reports allows users to make quick and informed decisions, which for these respondents would mean the ability to prepare for receiving less credit from their banks and arrange their processes accordingly. Those who disagreed on this question referred to the lack of information received from their banks and the inability to make decisions based on the information that was given. Interestingly, those who disagreed on the question were unhappy with the information that the bank gave out after their investments had suffered instead of financial reports alerting to the possible problem before it happened so that it could be predicted. It seems then that

the banks of these respondents did not give out information that was not timely enough or did not have predictive value: both components of relevant financial reports. Assuming that those who answered that their bank has not suffered during the financial crisis also answered that they thought of financial reports as relevant, their confidence may not derive from actual relevance but the fact that they had nothing to be worried about.

According to Miller and Bahnson (2009), as discussed in the literature review, financial reports did not give timely and useful information during the financial crisis as they were not transparent enough. Miller and Bahnson deemed that financial reports did not give information that could be used early enough to make decisions. Additionally, according to Turner (2010) the complexity of financial instruments build the information gap between institutions and those who use their financial reports, making it hard to use them in decision making. The results are contradictory to these statements.



Strongly disagree	0
Disagree	6
Neither agree nor disagree	6
Agree	18
Strongly agree	0

Surprisingly, 60% thought that financial reports have given reliable information during the crisis, which is slightly more than those who thought that reports are relevant. According to these respondents then reliability has not suffered for relevance and both aspects are acceptable in their current state, even though the literature review indicated a possible trade-off between relevance and reliability especially in the use of fair value accounting (Heffes & Orenstein 2005).

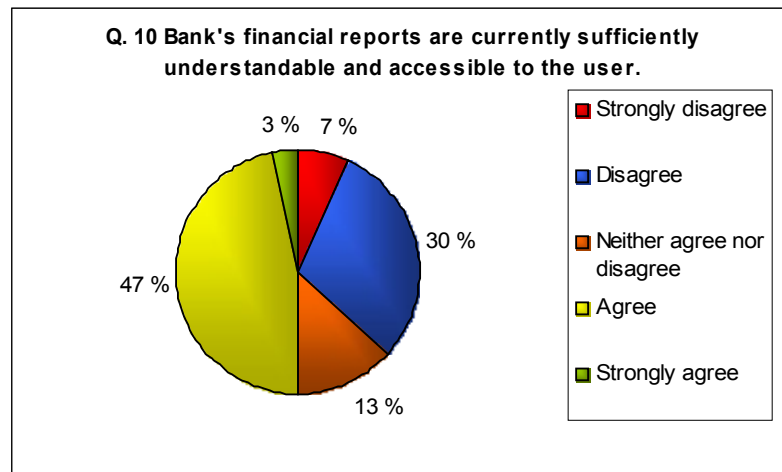
Reliability refers to the extent to which the financial reports reflect the financial position of the bank. Those respondents who disagreed on this question answered that the lack of information, its partiality and its poor accessibility affected the reliability of the financial reports.

As discussed with the question on relevance, it is possible that those whose banks were not affected by the crisis deem the financial reports to be reliable because they had no reason to believe otherwise as their assets did not come under threat. Their

banks may still have underlying problems but the corporate customers are not alerted to them unless they have assets that have suffered as a result of the financial crisis.

Barth and Landsman (2010) stated that lack of transparency in financial reports during the financial crisis, especially concerning derivative financial instruments, made it hard for users to determine the real value of assets. Turner (2010) and Taylor (2009) agreed that the accounting standards of the time produced over-optimistic or unnecessarily negative results and banks were in some cases doling out money that they did not have in reality.

With such strong arguments to criticise the reliability of financial reports, it is surprising that so many of the respondents found reports to give reliable information.



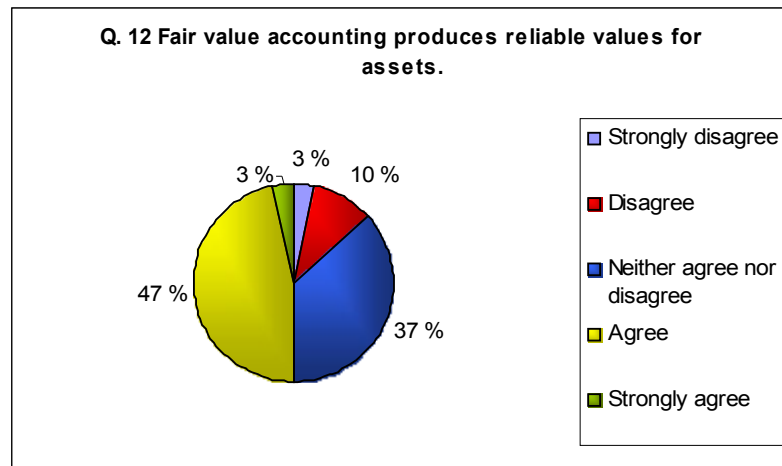
Strongly disagree	2
Disagree	9
Neither agree nor disagree	4
Agree	14
Strongly agree	1

This question divided opinions most drastically. While 47% thought that financial reports are sufficiently understandable and accessible to users, 37% were unhappy with these factors. Those who disagreed stated that financial reports are only

accessible to experts but not to regular shareholders or customers. According to the respondents, financial reports are for professionals and cannot be understood by those who have not had training. One respondent also said that the bank does not offer any help with understanding their reports.

These views are supported by the literature review. Many of the contributors discussed in the literature review were of the opinion that the complexity of financial reports, especially in the valuation of problematic financial instruments, results in information asymmetry which in turn affects the ability of users to make informed decisions (Miller and Bahnson 2009, Turner 2010 and CIMA 2009). The surveys of CIMA (2009) and GAA (2008) indicated that great dissatisfaction exists concerning the complexity of financial reports and the effect it has on relevance.

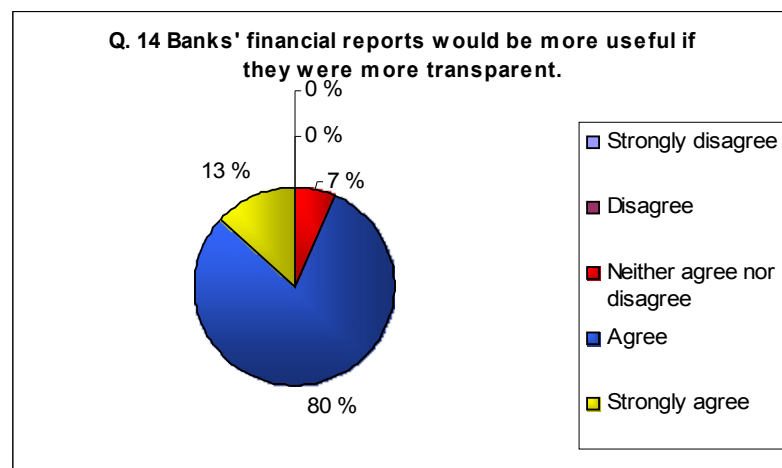
Still it is surprising that yet again so many of the respondents thought that financial reports are sufficiently understandable and accessible in their current state when 90% of those surveyed by CIMA in 2009 thought that they are too complex. The difference may derive from the fact that those interviewed by CIMA were from a variety of corporations while these respondents were only asked about the financial reports of banks. The result may also be affected because the results are from Finland only while the CIMA results were global. The results point to Finnish users of financial reports being more satisfied with their understandability and less affected by their complexity.



Strongly disagree	1
Disagree	3
Neither agree nor disagree	11
Agree	14
Strongly agree	1

Fair value accounting is an issue that has been widely discussed especially as the financial crisis sparked debate about whether fair value is the best valuation method for assets. Most respondents answered that fair value produces reliable values for assets while a notable amount (37%) neither disagreed nor agreed with the statement, which could mean that they either had no opinion on the matter or did not have enough information about the subject. Those who answered that financial reports have given reliable, relevant and understandable information were also mostly of the opinion that fair value accounting is a reliable valuation method. One respondent, who disagreed, answered that even though fair value may be the best method at the moment, it is still not free of “judgement, estimates and assumptions”. Another respondent was of the same opinion as they answered that fair value can be defined in many ways.

This demonstrates the problem that has been on the minds of regulators: how to define fair value especially in a distressed market? The IFRS is working on improving both disclosures and valuations of financial instruments (IAS Plus 2011). According to Heffes and Orenstein (2005) fair value accounting can exacerbate the difference between reliability and relevance. This view is shared by Krumwiede (2008) and Flegm (2008) who do not think that fair value accounting gives reliable results. Still, these results indicate a relatively strong trust in the reliability of fair value accounting and support the decision of policy makers to not suspend fair value practices.



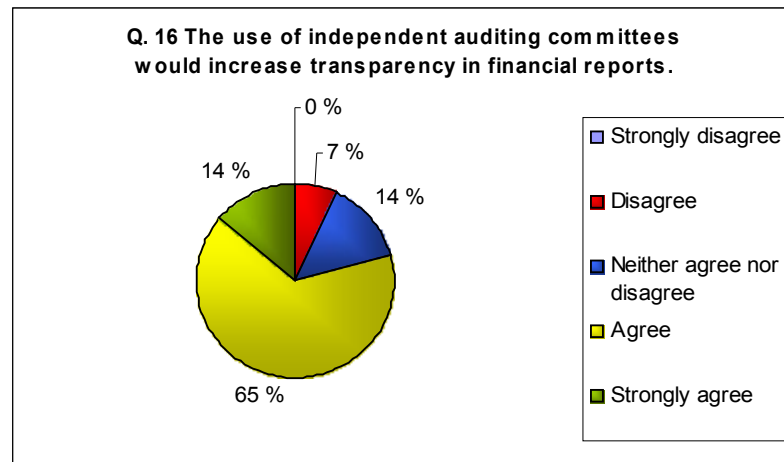
Strongly disagree	0
Disagree	0
Neither agree nor disagree	2
Agree	24
Strongly agree	4

A relatively surprising result was the almost uniform answers to whether financial reports would be more useful if they were more transparent. Taking into consideration that a large part of the respondents already thought of financial reports as useful, this could be seen as contradictory. The results seem contradictory especially as almost half of the respondents thought of financial reports as understandable and accessible

to users and the goal of increased transparency would be to improve these aspects.

The other possibility is that even though financial reports are seen as useful as they are, they could still be improved.

These results reflect that transparency is not seen as a bad thing, or even a controversial issue, but is seen to contribute positively to the usefulness of financial reports. This was the dominant opinion in the literature reviewed, too. Barth and Schipper (2008), as well as Casey (2009), believe that the benefits of transparency are clear and it should be at the forefront when discussing financial reporting reform. Though the literature review presented oppositions, like those of Tadesse (2010) and Turner (2010), to full disclosure and transparency on grounds that it may increase volatility, the majority opinion seems to be that transparency is an important factor in financial report usefulness.



Strongly disagree	0
Disagree	2
Neither agree nor disagree	4
Agree	19
Strongly agree	4

The last question involved the proposed solution to increasing transparency.

According to the literature review, setting up an independent auditing committee could increase transparency in banking as evidenced by Anderson, Mansi and Reed (2004). Though most respondents agreed that independent auditing committees would increase transparency, some respondents disagreed and expressed concerns over the effects of increased bureaucracy. This concern is understandable, as the implementation of the IFRS in Finland is already a costly and time-consuming process even without another regulatory body looking over the implementation of standards.

5. Conclusions and discussion

The financial crisis exposed the financing world to a great deal of criticism with banks at the forefront. Though the surface issues are better known, like those of liquidity, the crisis also uncovered problems within the financial reporting system. The basics of useful financial reports were brought under question and many were disappointed in their performance in a distressed market. Financial reports were criticized for not giving relevant or reliable information in addition to being inaccessible to non-experts. The valuation of problematic assets has also been widely discussed as many have criticised the appropriateness of fair value in the valuation of derivative financial instruments and distressed assets.

The regulatory responses indicated that the problems within financial reporting standards had come to the attention of regulators and the responses gave a good indication of where the most serious problems are. The regulators have agreed that that major problems were due to a lack of transparency and that improvements in financial reporting standards would involve increasing transparency and clarity.

Transparency is seen by several experts as being the cornerstone to useful financial reporting and this is also demonstrated in the survey results as most respondents answered that improved transparency would increase the usefulness of financial reports.

According to the survey results most of the respondents were confident in the usefulness of bank's financial reports. Most respondents thought that banks' financial reports have given relevant, reliable and understandable information, with the most disagreement on the understandability. As indicated in the literature review some respondents

had strong opinions about the poor understandability of reports and thought that they were accessible only to experts. The respondents also gave their support to the establishment of an independent auditing committee, a view which was supported by the literature review.

During the research there were several problems. The subject had to be changed several times as the instructions given in the Finnish school and the English school were very different. Secondly, the subject of this research requires some technical knowledge of accounting, which made it a difficult task for a student with not much prior knowledge on accounting. The process involved learning while researching and this made the whole experience very educational. The next problem was to find enough respondents to conduct a useful research. Even though surveying corporate customers in England would have produced different results, for practical reasons the results were easier to collect from Finland considering the time frame and other resources. Despite these difficulties, the research was successful and the survey gave relevant and interesting results.

As the survey results have been derived from Finland, a country which was less affected by the financial crisis, they are not generalisable or universal. Also because of the restrictions on length, the literature is not discussed as deeply as it could be. There are several more examples of the arguments presented in the discussion but they have simply not fit into this research. That is why future research to expand on this one is important.

There are several issues that future research could concentrate on based on this research. It is important to monitor the progress of the improvements that are being made to financial reporting standards and the reactions of the users to them. If users

do not perceive banks' financial reports as useful, it can affect the relationship and the trust between the bank and its customers. It is therefore in the best interest of the banks to create trusting and transparent relationship with their customers in order to maintain a successful business. The future research should then aim to find out on a larger scale how the changes have been received and what kind of effect they have had on the users of the financial reports. The research should be conducted globally and several types of users should be interviewed from small business owners to accountants. It would be especially useful to interview accountants as they have a unique outlook into the issues discussed and deal with them daily.

In addition to monitoring the reactions to the changes, since the issue of fair value accounting has brought on so much controversy, future research could attempt to find an alternative to both fair value accounting and historical cost accounting. As well as researching issues related to fair value accounting, the possibility of an independent auditing committee can be further examined since research has already shown some of the benefits of an increased role for auditing.

Even though the financial crisis is clearly not over in some countries, financial reporting is on the mend. This research has illuminated the problems that have come to light as a result of the financial crisis, the regulatory responses to the problems and the possible solutions to the problems as well as the opinions of 30 employees of corporate customers of banks in Finland. The research will hopefully give ideas and background information for further studies and highlight the issues that should be monitored in times to come, which will hopefully decrease the chance of another crisis coming to pass.

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6. Appendix

6.1. Survey questions

Q1: What is your position in your company?

Question 2: How many people does your company employ? Answer alternatives: A – 5 to 49, B – 50 to 249 and C – Over 250

Question 3: How severely has the company, whose customer your company is, been financially affected by the financial crisis? Answer alternatives: A – To a great extent, B – Somewhat, C – Very little and D – Not at all

Question 4: I have become less confident in the usefulness of banks' financial reports as a result of the financial crisis. Answer alternatives: A – Strongly disagree, B – Disagree, C – Neither agree nor disagree, D – Agree and E – Strongly agree

Question 5: If you agree, please explain your answer.

Question 6: Banks' financial reports have given relevant information during the financial crisis. Answer alternatives: A – Strongly disagree, B – Disagree, C – Neither agree nor disagree, D – Agree and E – Strongly agree

Question 7: If you disagree, please explain your answer.

Question 8: Banks' financial reports have given reliable information during the financial crisis. Answer alternatives: A – Strongly disagree, B – Disagree, C – Neither agree nor disagree, D – Agree and E – Strongly agree

Question 9: If you disagree, please explain your answer.

Question 10: Banks' financial reports are currently sufficiently understandable and accessible to the user. Answer alternatives: A – Strongly disagree, B – Disagree, C – Neither agree nor disagree, D – Agree and E – Strongly agree

Question 11: If you disagree, please explain your answer.

Question 12: Fair value accounting produces reliable values for assets. Answer alternatives:

A – Strongly disagree, B – Disagree, C – Neither agree nor disagree, D – Agree and E – Strongly agree

Question 13: If you disagree, please explain your answer.

Question 14: Banks' financial reports would be more useful if they were more transparent.

Answer alternatives: A – Strongly disagree, B – Disagree, C – Neither agree nor disagree, D – Agree and E – Strongly agree

Question 15: If you disagree, please explain your answer.

Question 16: The use of independent auditing committees would increase transparency in financial reports. Answer alternatives: A – Strongly disagree, B – Disagree, C – Neither agree nor disagree, D – Agree and E – Strongly agree

Question 17: If you disagree, please explain your answer.

Question 18: Do you have any further issues that you would like to express?

6.2. Closed question results

Q1	Q2	Q3	Q4	Q6	Q8	Q10	Q12	Q14	Q16
VP of sales	C	C	D	B	D	B	D	D	D
Marketing coordinator	A	B	D	C	B	B	D	D	D
CEO	A	B	B	D	D	D	D	D	D
Managing director	A	D	B	D	D	D	D	D	E
Services director	C	C	C	D	D	D	D	D	E
Chief analytics officer	A	C	B	B	B	B	B	E	E
Managing director	A	D	C	C	C	C	C	D	D
CEO	A	B	B	D	D	D	D	E	D
CEO	A	C	B	C	D	B	D	D	E
Deputy managing director	C	C	D	C	C	B	C	D	B
VP sales	C	C	C	B	C	D	C	D	D
Managing director	A	C	C	B	B	B	C	D	C
Managing director	B	D	A	D	D	D	D	C	C
Finance director	B	D	B	D	D	D	D	D	D
Managing director	A	C	C	D	D	B	C	D	D
CFO	B	C	B	D	D	D	B	D	B
Chairman of the board	A	D	B	D	D	C	C	E	D
CEO	C	C	A	D	D	D	D	D	D
Director	C	C	B	B	D	A	C	C	D
Sales director	A	C	C	C	C	C	C	D	D
Middle management	C	B	B	D	D	D	C	D	D
Head of sector	C	B	C	C	C	B	B	D	N/A
Manager	B	D	D	D	D	D	C	D	D
CEO	A	C	C	D	C	C	D	D	D
CEO	A	D	C	D	D	D	C	D	D
CEO	B	B	D	B	B	A	D	D	C
CEO	A	C	A	C	D	E	E	D	C
Sales manager	C	C	B	D	D	D	D	D	D
MD	A	D	D	B	B	B	A	E	D
CFO	B	C	D	C	B	D	D	D	D

6.3. Open question results

Question 5:

There is too much risk in many balance sheets numbers.

Disclosure of derivatives used is often so general that real risks involved are not even nearly clear. Size of the banks' portfolios makes them also a significant player in setting the "market prices" e.g. for real estate.

Not sure who to believe in this media's sick world

I do not believe that anybody can really forecast the future of our economy.

Manipulation of reports is just so easy

It seems that reporting is always partial and does not necessarily reflect real

Question 7:

I disagree because the banks didn't provide any information that was clear to understand therefore I couldn't comment on their relevancy to making predictions. I simply ignored them.

Risk analysis is insufficient

The funds our bank manages for us, lost a great deal in value. The bank never communicated that to us. I deem it was passive withholding of information.

Rather diversified opinions from different banks

Reports did not give timely information.

No explanation of losses have been delivered, nor real evaluation of prospects for future.

Question 9:

We unfortunately can see it in Greece, Portugal and Ireland...

I disagree because the banks didn't provide any information that was clear to understand therefore I couldn't comment on their reliability so I simply ignored them.

I didn't trust the reliability of the documents that were passed to us.

Reports did not reflect the real position of the bank.

I have no knowing how reliable the little information is

When information is only partial it is not completely reliable

Question 11:

Perhaps to professionals but not to normal share owner

The financial reports supplied by the banks (all banks in my experience) require that you be an accountant to understand them.

The terminology and message as a whole should be more understandable for people not really familiar with the banking world.

Disclosure of derivatives used is often so general that real risks involved are not even nearly clear. Size of the banks' portfolios makes them also a significant player in setting the "market prices" e.g. for real estate.

The bank doesn't volunteer any information.

You need to be accounting specialist to understand it all. And also specialist in finance sector

Too complicated to less educated people.

Reports are only accessible to experts.

no support from the bank to offer information for interpretation

Question 13:

I disagree because the banks didn't provide any information that was clear to understand therefore I couldn't comment on their reliability so I simply ignored them.

Fair value may well be the best method, but definitely not free of judgement, estimates and assumptions. Only real transactions between independent parties are evidence of "real" value, but even then reflect the sentiment on the market.

There are various ways to define fair value.

KKO case Blomqvist bank denies its responsibility.

Question 17:

This is auditor's job, why would we need another bureaucratic committee?

More bureaucracy usually does not increase the willingness to reveal more.

Question 18:

Banks don't do a good job explaining what they do and their reports are designed for accountants. if you're not an accountant the reports are not clear.

I am a customer to several banks. Some of them are informing me very adequately, some not at all, concerning their vulnerability of the crisis.

Banks are only interested in investors and big money. They do their best to not to have normal customers in their offices. Old people can hardly anymore use their services. Banks are not customer friendly. Even if you pay invoices by internet from home the bank charges you service fees! Totally fed up with banks.