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FACTORS AFFECTING THE SUPPLY OF FINANCIAL INFORMATION

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Abstract

The study describes financial information as a tool used by the company to communicate the financial health and performance of the company to the shareholders and general public. The quality of the financial information depends on accounting quality standard, the institutional forces or factor that affects the demand and supply of the financial information. Efficiency, Synergy, Hubris, and Agency, Early behavioral, Stakeholder and Signaling theories were used to evaluate the supply of financial information and their significance. Forces affecting the supply of financial information includes; Debt and equity on Capital markets and Market for corporate control. The study concludes that firms which experience failure is not because they do not generate financial information but inappropriate utilization of the financial information generated in an organization and failure in the enforcement of financial information regulation aspects. The study recommends establishing a framework for structural changes which include financial information disclosure requirements and guidelines.

Introduction

Lately, financial information has become indispensable since it plays very important role in organizations' active flow and in its dynamic-complex economic environment. Decision makings have to rely on financial information (Biddle *et al*., 2011). Financial information is a financial statement that provides comprehensive

and formal statement on the financial aspects of the organization.

It provides information on the results of the operations of the firm, financial position, cash flows, capital structure, and equity changes of the organizations.

Useful information is presented for both external and internal users. It contains relevant and comparable information for users in making investment and managerial decisions. The internal and external users of financial information include financial institutions, potential investors, investors, employees, shareholders, suppliers, government agencies, directors, researchers, managers to mention but a few. For an incorporated company, it is needful by statutory to publish financial information that is reliable, comparable, and faithful representation because investors make decision partaking to the performance of the firm who provided/published the information.

An incorporated company's financial information is a tool used by the company to communicate the financial health and performance of the company to the shareholders. Also, financial reporting is a communication tool to the public on the operations of the company. Financial information includes expenses, debt, sales or revenue, assets, equity and liabilities (Abdulahakin, 2013).

Financial information agrees and disagrees with the management's optimal previous decision by variances between the actual results and the expected or anticipated business operating result. It serves as a control tool by comparing the planned and actual performance and further investigation on the variance and the reasons for the deviation. It is a pointer for the management to know that the business is in trouble (Oluyombo, 2016).

The quality of the financial information published or reported is not only influenced by the accounting standards quality but is influenced by the institutional forces or factors that affect the demand and supply of the financial information. The institutional factors are the corporate governances, legal system.

The enforcement and existence of laws governing investors' protection and standard disclosure. Investors' protection law, common-law legal system, good implementation of law enforcement brings quality financial information. Under this condition, the quality of the financial information will be of faithful representation regardless of the reporting standard (Salaudeen, 2015).

Statement of the Problem

Financial information provides comprehensive and formal statement on the financial position of an organization. It provides information on the results of the operations of the firm, financial position, cash flows, capital structure, and equity changes of the organizations. Decisions making process of firms rely heavily on financial information. Supply of financial information is perceived to be affected by several factors which are yet uncovered. Considering the factors affecting the supply of financial information, there has been little empirical research to provide evidence of these factors. Hence, this paper aims to investigate the factors affecting the supply of financial information in firms.

Conceptual Literature

Financial information is a statement basically formal and comprehensive which describes the financial transactions or activities of a firm, it contains all relevant

information presented in an understandable manner for proper and uniform decision making in terms of investment, planning, performance evaluation, and forecasting, expected return by the users.

CAMA, (2020), section 374 (3) stated that financial statement comprises of basic accounting reports of firms which are statutorily used to inform auditors or the public about the measurable and verifiable financial information about business shareholders, creditors, employees, lenders, etc.

Mc Donald *et al*., (2015) opined that financial information extracted from the statement of accounts assists management enormously in taking the investment, financing, and dividend decisions. Investors also capitalise on the financial information of a firm to ascertain their profitability and financial sustainability. Financial statements are aimed at providing information about the firm's financial performance, position and stability which is useful for wide range of decision-making by investors. It also aids managers to know financial position and changes that have taken place in the company.

Atril and Malancy, (2015) opined that financial statement summarizes the financial aspect of a firm which is relevant in conveying a wider picture of the financial position of the firm at a particular period of time. A good financial information should not be difficult to understand. The financial information aids firms to interpret results and plan for a more future profit. Also, Auditors should know that an error or fraudulent financial information metaphors into a risk that will affect the company's decision and that of potential investors. Therefore, a financial statement should be prepared using IASs, IFRSs and Contextual Framework, etc.

Statements of financial position as the name implies means statement of the financial position of a company in an accounting period. Financial position shows the past result of a company's transactions and aid to determine the future growth of the company. These reports comprise of the assets, liabilities, and owners' equity during the accounting period. Company assets could be current and fixed. Current assets are cash, inventory, market security prepaid etc. which provides short-term benefits to the company and can also be referred to as working capital. Fixed assets are property, plants, goodwill, intangible, long-term investment, and other long-term assets. Liability and Equity includes account payable. Accrued expenses, notes payable, short-term debts; they are all current liabilities. The total liability includes total long-term debt, deferred income tax, monetary interest and the current liabilities summed up together.

Comprehensive Income statement is a summary of the revenue and expenses of the business during a specified period of time. Expenses include purchases, administrative expenses, selling expenses, and depreciation. Information on the operations of the enterprise is provided in it. Patrick, (2012) opined that an income statement involves information on revenue and expenses of a company in an accounting period. It also shows how revenues are recalculated into net profit. Investors determine whether a company is profitable or not through the information provided in the income statement. Statement of change in equity or retained earnings gives information on the changes in shareholders' equity in the company

during the specific time. It reveals a breakdown of retained earnings.

Cash flow statement gives information pertaining to company's inflow and outflow activities, investing and financing activities. This statement gives information on the increase or decrease in net cash of the company. As Patrick *et al*. (2012) pointed out, cash flow statement is useful to creditors on their prospects to meet the debt obligations and useful to investors, to have insight of the cash and non-cash aspect of the investing and financing transactions. Another useful financial statement is the 'operating activities' which includes account payable, account receivable, increase or decrease in marketable securities, inventory, accrued expenses, net income depreciation and some others. Another category is the 'investing activities' which includes cash for the purchase or sale of fixed asset.

Notes to the accounts gives detailed information on policies, rules, guidelines and procedures which company adopted in preparing the financial statement. It is very difficult to present financial statement in an understandable manner without any explanation as all relevant information cannot be given in details in the statement. Note to the account provides vital information from the management on the financial statement. Patrick, (2013) listed two kinds of information in the note to the account which are;

a. Accounting method technique employed by companies to prepare their financial statements

b. The results of key financial variables as mentioned in the financial statements e.g statement of income, balance sheet and cashflow statement.

The minimum disclosure requirements and accounting treatments for financial transactions when preparing account statements were stipulated by accounting standards. The quality of financial reports is enhanced when account statements follow the prescribed standards because it eliminates every form of manipulations and uncertainties which could undermine the credibility of such reports.

Hail *et al*. (2010) contended that the quality of decision making in corporate organizations is determined by quality financial reporting and the application of high-quality accounting standards. Therefore, it can be concluded that improved and high-quality financial reporting depends on the application of Financial Reporting Standards (IFRSs).

Theoretical Review

Efficiency Theory: The theory states that companies who engage in merger do so when there are high expectations that the union will be profitable to the parties involved. A merger happens when it is proposed and accepted based on balanced expectations of gains by both parties in the deal. Positive gain value to the target firm induces it to submit to acquisition otherwise it declines, so also to the bidder, a negative gain value will make it decline it's assent to the deal, otherwise it will be accepted. Wadhwa (2015) argued that "efficiency theory predicts value creation with positive returns both to the acquirer and the target".

Synergy Theory: The synergy theory holds that the managers in firms can improve their targeted performance through harmonization of efficient target with their businesses, hence, they can as well achieve efficiency gains, as proposed by (Ogada, 2016). The buyer firms usually recognize specific complementary characteristics

between their own firm and their targeted firm for acquisition. Accordingly, given that the target firm is functioning effectively, it will be more efficient in performance when merged with its buyer firm. According to this theory, the inference is that target firms for acquisition are performing proficiently before and after acquisition by the buyer firm.

Hubris Theory: Jensen (2016) theorised that the common errors from managers of firms are complacency and too much optimism in the process of appraising mergers and acquisition opportunities which is caused by undue pride. Jensen (2016) argued that bidders, most often than not, may continue to make mistakes during the valuation of targeted firm without making amendment from their past errors, and may also be confident that they are on the right track in the valuation process. In this circumstance, the success or failure of the acquisition depend on overbearing attitude on the part of the bidders whose pre-supposition is the that their valuation is flawless. Strong market efficiency at its best is the major assumption of this theory.

Agency Theory: Ogada (2016) proposed that managers' quest to grow their firms beyond measure have resulted to a merger that destroys value rather than build it. Sometimes, 'separation of ownership and control' and 'mergers and acquisition' do happen or executed by managers because of the agency problem existing in the companies. The managers, most often than not, would want to increase their value during acquisition process at the expense of the owners' interests which usually results to the agency problem. Although, the agency problem is a source of competition between and among companies, but cannot be completely removed by the competition itself and also increases the dividends to the target shareholders. According to Ndura (2010), when firms are operated with utmost efficiency incentives along with good monetary systems which focused on maximizing value through corporate policies, it is evident that good managers exist in those firms. According to Jensen (2016), there exist the problem of motivating managers to eject cash rather than engaging in investment which falls below the cost of capital.

Early Behavioral Theory: Accounting research investigated bivariate links and inter-relationship between control system characteristics and various other criterion variables. Behavioral theory accounting research evolved early enough and rather too quickly, although it evolved to more complex sophisticated contingency models of the firm with a wider and richer interpretation of the body as well as individual behavior. The basic assumption of the contingency theory research was that the organizational context is strongly related to the design of organizational structure and control system. The control system characteristics impacts are therefore weakened by circumstantial factors which influence the individual and the organization (Kren, 2018). Some special features of the control system must be appropriately harmonised to the contextual variables that vividly describe the organizational environment. The understood assumption in this sense is that, organizational performance is strongly and positively related to a better match (Kren, 2018). For control system design and effectiveness to be well understood, it begins generally with in-depth analyses features and peculiarities of organizations as well as their environments. This also

forms the premise on which the researcher works with.

Stakeholder Theory: Stakeholder theory affirmed that an explicit and indispensable part of doing business is value (Freeman *et al*., 2004). The theory obligates managers to spell out the binding forces of core shareholders and shared sense of value they create. Therefore, the fundamental objective of the company is to harmonize the interests of its various stakeholders including the creditors, customers, shareholders, employees, suppliers, community and the government. The theory is more or less an extension of the agency theory which specifies individual interest, shareholders' interests and other interest groups on social, environmental as well as ethical considerations (Freeman *et al*., 2004). According to Habbash, (2010), stakeholders are individuals both internal and external whose interests have both direct, and indirect links and relationship with the achievement of firms' stated objectives. According to Freeman (2004), "Stakeholder theory is mainly developed to identify, analyze, develop, and manage strong coordination among stakeholders". It was suggested in the theory that the gains of the shareholders cannot be restricted to the shock from the performance of corporations. Jensen (2011) opined that "if organizations want to be effective, they will pay attention to all, and only those relationships that can affect or be affected by the achievements of the organization's purpose". In this sense, managing stakeholders in an organisation is basically a realistic phenomenon rather than an abstraction. Irrespective of the statutory content of the objectives of firms, the important relationships are better managed by an effective firm. Sundaram (2015) corroborated that "stakeholder theory attempts to address the question of which groups of stakeholders deserve and require management's attention".

Stewardship Theory: This theory is a substitute to agency theory with respect to motivation in management. The theory contended that interest of shareholders is better protected maximized by the power of incumbency of the stockholders through the roles of the C.E.O and the board chairman (Donaldson, 1991). The theory defends the belief that in terms of top management motivation, there is usually no hidden dispute or trouble. Stewardship theory is based on the fact that, with little or no supervision, managers will be responsible stewards of assets under their control (Davis *et al*., 1997). In contrast to the theories of corporate governance including agency theory which deals mainly on the work of individuals for their self-interest against the interest of the owners, the stewardship theory rejects this notion.

In stewardship theory, it is assumed that the manager focuses on higher needs of achievement and self-actualization. The managers put the interest of the firm far above their own interest. The agents are loyal and run the firm with sense of all-inclusiveness. In corporate governance, stewardship theory is a relevant theory which suggests that agents or managers are to be assigned a clear-cut roles and responsibilities and not ambiguous. The leadership of the organizational structure must assign authority and power to the management and as well support that mandate given out. The stewards are usually referred to as the 'company man' because of his commitment in placing the firm's interest ahead of his own interest. The stewardship theory differs with the

agency theory in this perspective, because in agency theory, managers are assumed to put their interest first before, ahead at the expense of that of the shareholders.

Signaling Theory: This is grounded on the postulation that there is information asymmetry available to all parties who needed to be served at the same time and that the lop-sidedness in information sharing is the rule. Signaling theory affirms that to check this asymmetries, corporate financial decisions are signals being sent by the companies managers to potential investors. According to this theory, the only means of passing relevant information from the managers to stockholders is through financial information. Dhar (2018) suggested that in applying signalling theory, managers attract confidence on firms from investors through the issue bonus shares and stock splits, especially in undervalued firms. This leads to an increase in the number of shareholders in the company. Therefore, investors are attracted because of the issuance of bonus shares which signifies viability and profitability of a company. Mishra, (2015) acknowledged that good financial position of a company is reflected in its issuance of bonus shares which is a signalling effect. The signalling theory, therefore elucidates on how a company through its financial statement increases its value.

Empirical Review

Zayol et al. (2017) investigated “Effect of financial information on investment decision by shareholders of banks in Nigeria”. They employed correlation metrics and regression analysis techniques in the study. The results revealed that there is a positive relationship indicating that dividends per share have significant influence on investment decision of banks in Nigeria. The study recommended that existing and prospective investors should include financial information in relation to dividend per share while making investment decisions in shares in Nigerian banks as dividend per share is seen to be positively corrected with the investment decisions of the company shareholders.

Adeyemo et al., (2017) empirically investigated the “Financial reports and shareholders decision making in Nigeria: any connectedness?” They used ANOVA test, Ratio Test (Gtest) and significant statistical test. Their results revealed that stockholders do possess the requisite significant technical and professional skill to analyze IFRS financial statement. They recommended that stakeholders should in addition to the accounting figures in the financial statements, computer ratios, trends, and common size analyze to secure deeper information.

Osuala et al. (2012) studied “Financial statements contents and investment decisions: A study of selected firms in Nigeria.” They employed regression model technique in the study. Their results revealed that investment decisions of shareholders in Nigeria’s capital market are not majorly determined by financial information. They recommended among others that relevant agencies should create awareness in order to enhance shareholders’ understanding of the significance of published statement of accounts so as to keep them abreast of the financial positions of companies they have interest in before making an investment decision. Also, potential investors should make thorough and proper investigation about the financial position of the company of their choice before taking investment decisions. And, firms should avoid sensitive errors while preparing financial statement

because of the negative impact it would have on shareholders' confidence in financial statements.

Forces affecting the supply of financial information

Companies most often will provide outsiders with financial information even when it is unnecessary because they felt it will be beneficial to do so. The unforeseen dynamics in markets and technologies over the past few decades might have induced the substantial increase in the disclosure of financial information irrespective of the requirements of regulatory authorities.

Companies' managers may on their own volition supply outsiders financial information when they are not pressured or under any legal obligation to release such information or they might even put themselves under such obligation. It is a sensible decision for them because firms' success depends on the relationship they form with outsiders as well as the transactions being undertaken between them. These outsiders are most often more likely to accept such relationships and transactions when they are abreast with the financial information of the firm.

Soltani (2007) illustrated the four forces affecting the supply of financial information to include regulatory forces, corporate control market forces, capital market forces and manager's action. To him, the supply of mandatory and voluntary financial disclosures is basically influenced by forces of regulation and that of the capital market. The figure (1) below illustrates these forces according to Soltani (2007).

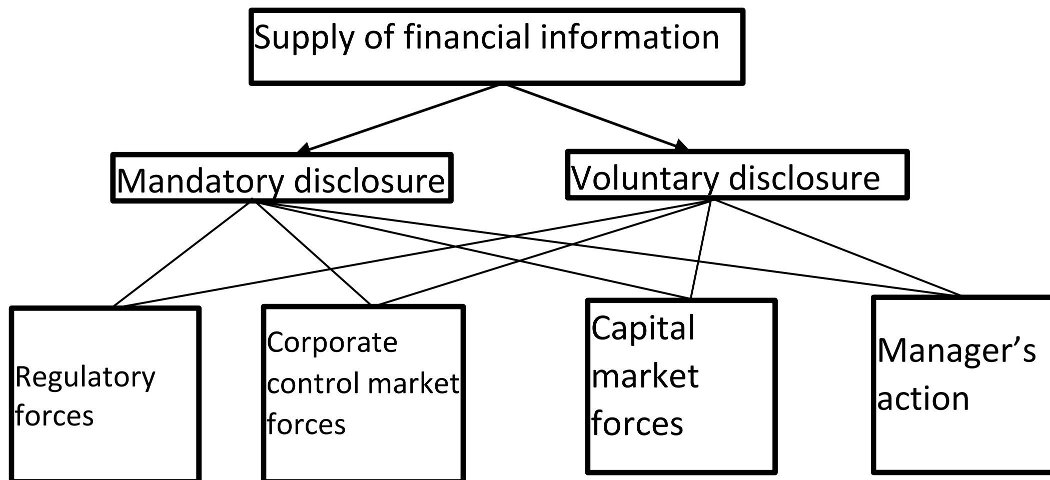

Figure (1)

There are a lot of other forces affecting the supply of financial information but this paper will limit it to two (2), which includes:

i. Debt and equity on Capital markets
ii. Market for corporate control (such as Merger, Acquisition, etc.)

Debt and Equity on Capital Markets

The interrelationship among firms or organizations that need funds and the investors that have surplus funds for investments in which debt and equity capital are raised for their operations, and also investors ensure funds are available to

firms either in debt form or equity investments at a certain return is referred to as capital market. Debt and equity capital can be raised from the market much easier in highly developed capital markets. In these markets, it is also easier for investors to place their surplus funds.

According to Gnanarajah (2015), identified that the key factors that impact the level of development of the capital market include appropriate legal and regulatory infrastructure in form of Securities Exchange Commission that is effective, a very much active Stock Exchange market and the availability of a much reliable and accurate data on financial information about firms' financial performance and their financial position. Therefore, it is of utmost importance to put in place strategies to ensure improved credibility of financial information supplied by firms that are listed in the stock exchange and also make sure that good investment decisions are reliably made based on the financial information available. To have a developed and standard capital market in Nigeria, listed firm in the Nigerian Stock Exchange should as a matter of necessity generate reliable financial information. (Salami, 2013).

Financial information is made available to the public through published financial reports by firms. These financial reports most often include financial statements and discussions of management based on those financial statements and other statutory filings. A number of firms also additionally go into voluntary communication like analysts' exhibitions, management projections, other relevant corporate reports and press releases on fundamental and pressing issues. There two ways they do this, they either publish these reports in hard copy or file them with regulatory authorities or in addition to the publication, through the internet, post all this information on their websites.

Some firms also provide information by information agents like engaging industry experts, hire financial analysts, or the financial press. In financial literature, there are substantial evidences that major players in the financial market rely on financial information before making sensitive decisions (Agyei, 2013).

As a matter of fact, it was a popular opinion that all over the world, there is no perfect stock market without attendant issues and in addition, market efficiency in the majority of the stock markets are characterised with weak-form. Weak-form efficiency in stock markets means that investment decisions are made in the market based on historical corporate financial information. This implies that major players in the capital market get information they use in making rational decisions about stock prices and carry out thorough and fair investment and financing decisions through the financial reports and disclosures they got from firms. Evidences also abound from literature that argues that corporate financial information are used to do valuation of stock prices and to make good investment decisions by the market participants (Onulaka, 2014).

Nyor (2012) emphasised that when financial statements are prepared adopting international best practices financial reporting standards, investors will be better informed and will also evaluate the risk associated with their decisions on economic capital flows. The findings confirmed that to reduce financial risks, make good investments decisions and optimize returns on investments; market participants make use of financial information.

Onulaka (2014) elucidated that the precondition for the development of the capital market as it stands, is a fair disclosure of accurate and reliable financial information by firms. Because of the salient role quality financial information play in the development of capital markets, it is therefore important to do things differently to ensure improvement in the quality of the financial information being dished out by firms. We may be forced to answer this question, how can this be actualized? It can be realized if listed firms are under obligation to report financial information based on approved accounting standards and to enforce strict compliance by the accounting regulatory authorities.

Market for Corporate Control (such as Merger and Acquisition)

Financial information is an essential tool for measuring the performances of companies and to evaluate their activities with respect to their defined objectives to be realized. It is also used in measuring the well-being of companies in terms of financial returns. These measurements are usually done through financial indicators as well as financial evaluation methods. Another way of measuring merger effects is through the evaluation of the data derived from financial statements.

This evaluation is usually done before and after the merger or acquisition, this is necessary to ascertain the aftermath of the merger or acquisition.

Discussion of Concepts

Mergers and Acquisitions: The term merger refers to the mutual combination of autonomous companies (two or more) into one or single business corporation, usually by absorbing one or more smaller firms into a bigger or dominant firm. A merger can happen either by one firm procuring the other firms' assets by cash or its securities or by acquiring the other firm's shares or stock. There are three (3) types of mergers and acquisitions, they include: conglomerate, horizontal and vertical.

Conglomerate: This type of merger exists when firms in different industry with different business merge into a single entity. This type of merger was further classified into two namely: pure and mixed conglomerate merger. Pure conglomerate merger is a merger between firms that have nothing in common, while mixed conglomerate merger has to do with firms whose motives are to look for product extensions or put differently, market extensions. For instance, when a leading manufacturer of toilet soap merges with a beverage firm the new company will face the same competition in two different markets just as it was before the merger.

Horizontal Merger: This type of merger happens between companies that operate in the same industry. In other words, horizontal merger is a combination of two or more business entities that operates in the same market, most often as competitors selling the same good or services. This type of merger is common in industries that have few firms as there are higher competitions and the merging firms foresee greater synergies and potential gains in market share. For example, when Coca-Cola and the Pepsi beverage division merge, it would be horizontal in nature. The major objective of a horizontal merger is to bring about a new bigger with a greater amount of market share. Because of the possibilities of similarities between merging firm's business activities, opportunities therefore abound to go into new activities like manufacturing to reduce costs.

Vertical Merger: A vertical merger exists between two or more companies producing different goods or services which form part another specific finished product. This type of merger occurs when two or more firms who operate at different levels but still within an industry's supply chain and one market merge their operations to become one company. Often more than not, the idea behind this type of merger is that it increases efficiency in operations through increased synergies originated by merged firms now operating as one entity. For instance, a vertical merger brings two or more firms together that are not in competition but operate in the same supply chain in an industry. If an automobile firm merges with a spare parts supplier, it is a perfect example of a vertical merger. This type of deal would ensure better pricing on spare parts by the automobile division and ensure better control over the manufacturing process in the industry. Similarly, the parts division would in turn enjoy a seamless flow of business operation.

Avulala (2015) stated that acquisition happens when one firm purchases another companies' assets or stock equity interest. It involves the buying of one company by another bigger company. There are different avenues through which acquisition target can be identified, either through market research or trade expos among others. "Mergers and acquisitions can be classified as friendly or hostile" (Chunlai, 2013). When this acquisition is done in a cordial way, the board of director and management of the target companies assent to the deal, but a deal which may work against the interest of the target firm is a hostile one and therefore warrants the management and board to decline assent. Merger and acquisition deals can also be classified as domestic or cross-border deals. A domestic merger and acquisition deals involves the merging of firms with the same country of origin and also operate within that country.

A cross-border merger and acquisition deals involves two firms of different country of origin but operating within an economy (Chunlai, 2013).

Financial information and Merger and Acquisition

In acquisition or merger deals, before they go into the deal, an analysis of how the new company will look like when two firms are combined will be done using a pro forma cash flow model. The financial health of each firm is thoroughly and comprehensively done to ascertain how the marriage of the two companies will work to a great extent will help their decision-making process. A financial model tool can help map tested merger and acquisition instances in order to predict success and outcomes and also ensure each of the merging parties understands its available choices.

This kind of information is a vital decision tool to consider before engaging in merger or acquisition, or if rather it would be necessary to be independent and get more creative. "Most financial models will include financial statements, a forecast projection, estimation of the tax liability for each party, and additional analysis to help evaluate the most meaningful data for the potential merger or acquisition" (Grau, 2021).

Financial modelling is generally not a fool proof science. However, many assumptions and estimations about future financial performance capable of influencing the potential assessment a firm and its viability to enter into a deal must be

made. The primary steps necessary in constructing a cash flow model which will be more suitably used in a merger than in acquisition are discussed below:

Baseline Inputs: it is necessary to create an operating forecast for the combined business to assist in determining a viable range for the value/purchase price of assets or stocks. There are assumptions necessary to build this forecast which include projected revenue and expenses, value of the firm, possible collaborations, debt service where necessary, reward for the future merger partners and reimbursement for the retiring owner during acquisition among others.

Projections: The financial forecast for the businesses in merger is generated with use of financial data available in each entity. This financial model would then help to determine the viability of the merger as it will spell out or generate“best-case” and “worst-case” situations.

Due Diligence and financial information

To seal any deal, the parties must undergo what is called "due diligence" in order to confirm certain financial information about the firms before the deal. This information is likely to include the financials of the seller firm, signed contracts of the firms, seller firm’s clients, service model of clients, its investment choices, its liabilities, policy compliance, technology stack and every other relevant financial information necessary to carry out the valuation effectively. The buyer and seller are to be duly informed about the details of each other’s firms during the verification process so as to help the buyer with informed and educated decision on whether to proceed with the acquisition.

A seller is under moral obligation to provide the acquirer with due diligence information; therefore, a prospective seller should prepare these documents right from the moment they nurse the idea of selling their firms. The complexity of the seller’s business determines the duration of the due diligence process, the time also depends on a dedicated resource on the task being available and the level of motivation to compile these documents. “Depending on the size of the business, due diligence can take as little as a week but sometimes may stretch over a period of two to three months.” (Grau, 2021).

Usually, informal due diligence will be conducted stretching to the point of closing by all parties, but the process of official due diligence process should normally begin once a letter of intent has been signed by all parties involved. Conventionally, due diligence information at this point, would have been completed and ready to be served to the buyer. In reality, sellers are usually unprepared at this time and may not have begun the preparation of the information. However, the integral part of the merger and acquisition is that a deal cannot proceed unless due diligence is carried out and relevant documents thoroughly reviewed. “If a deal were to proceed without due diligence, the buyer would be taking on a significant amount of unnecessary risk” Grau (2021).

Methodology

The study adopted the literature review method to explore the factors that affect the supply of financial information. This method enables the researcher to review and harmonize theoretical perspectives and empirical research findings of prior studies of the problem

under consideration. The reviews of the prior studies were compared and used to form the basis in drawing inference on the current study.

Conclusion and Recommendations

Conclusion

In order to improve in the application of financial information and to sustain it, it is necessary to understand the difficulty inherent in the application of financial information. When this difficulty is adequately understood and applied, when necessary, failure in businesses both in the private and public sectors drastically reduced. Through credible financial information, there is an improve quality in decision making which greatly help in efficient and proper allocation of financial and material resources.

Conclusively, failures experienced in firms are not usually caused by non-generation of financial information but faulty and improper utilization of the financial information created in those firms and also the non-compliance to the provisions of financial information regulations.

Recommendation

Accounting regulatory authorities should set or establish an institutional framework that provide a guideline and structure for setting up financial information disclosure requirements. The structure should disallow disclosures that are not necessary but be made available when they are needed and should be well organized.

This should be included in the conceptual framework during financial reporting. The level and terms of disclosure itself, is an agreement between owners and managers, and also between preparers and users of financial information. It is therefore, required that a complementary interest is achieved and a focused quest for transparency. This looping and harmonization of interests sometimes expressed as a test of cost-benefit even though the costs and benefits will be apportioned differently to the parties involved. Compromise come to play in this process and also beclouded with politics.

Because of firms' compliance to disclosure requirement even with immaterial outcomes, regulators should reflect on this when deciding whether disclosure necessities are balanced. Even without immaterial disclosures, the standard-setters should make sure it reflects in their assumptions. If standard setters decide to enforce disclosure requirements that are relatively important for some firms, but are immaterial for some others, it may put them in a difficult position.

Disclosure requirements should be flexible to allow firms to disclose information based on peculiarities of users. Most users require short information decided by each firm based on its peculiarities. Disclosure regulation in the common core should in itself be minimal so as to allow for effective communication. Information is usually disclosed to prospective users who are looking for longer and more complex information, shorter information sets will be available online and accessible to whomever is in need of it.

Financial statements for common users may include key financial statements, income statement, comprehensive income statement, statement of financial position, statement of changes in capital, statement of cash flow and other relevant financial information that directors and standards designers must periodically review in order

to reduce or eliminate disclosures that are unnecessary.

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