



Faculty of Commerce  
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# **Measuring the Effect of Disclosure About Management Comments Report On the Predictive Value for the Financial Statement Information: Applied Study**

**A thesis Submitted in Fulfillment of the Requirements for  
the degree of Doctor of Philosophy in Accounting**

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## The English Summary

The financial statements and reports that are prepared on the basis of financial accounting standards are the main source and tool for investors and other stakeholders to provide the necessary information for making rational investment decisions. In addition to the flexibility that the standards give to the management and the delegation of authority to make decisions by the shareholders, an incentive for the management to maximize its benefits at the expense of other parties and stakeholders; Hence, these reports are unable to meet the information needs of their users, in addition to their neglect of many aspects that have an impact on the value of the enterprise and its future performance. **This is confirmed by the common conceptual framework in paragraph (OB.6)**, which stipulates that financial reports do not provide all the information that investors need, and that they need additional relevant information from other sources related to economic and political conditions and events and the future aspirations of the industry and the company

**Therefore**, expanding the level of disclosure is one of the most important means that can be relied upon to restore the confidence of all stakeholders. This is through voluntary disclosure of supporting and complementary reports to financial reports as the framework through which financial and non-financial information can be combined; Hence, it represents a disclosure of the organization's vision and strategy towards achieving its current and future goals, in addition to identifying the risks to which the organization is exposed and the methods of managing and limiting them. Despite the importance of this type of reporting in improving the quality of accounting information and reducing information asymmetry and opportunistic behavior practices by management, it faces many criticisms and obstacles in increasing confidence, credibility and impartiality.

**Therefore**, the current study aimed to measure the effect of disclosing the management's comments report on the predictive value of the financial statements information. To achieve this goal, the researcher relied on a sample of (76) companies listed on the Egyptian Stock Exchange during the period from 2018 to 2021. The study relied on the method of **content analysis using indicators. In addition to the quantitative models** to complete the applied study, in addition to testing the model proposed by the researcher through an experimental study on the method of polling opinions using a survey list, and then the researcher can clarify the methodology of the study followed starting from the research problem, its objectives, its plan, and its hypothesis as one integrated unit through the following figure

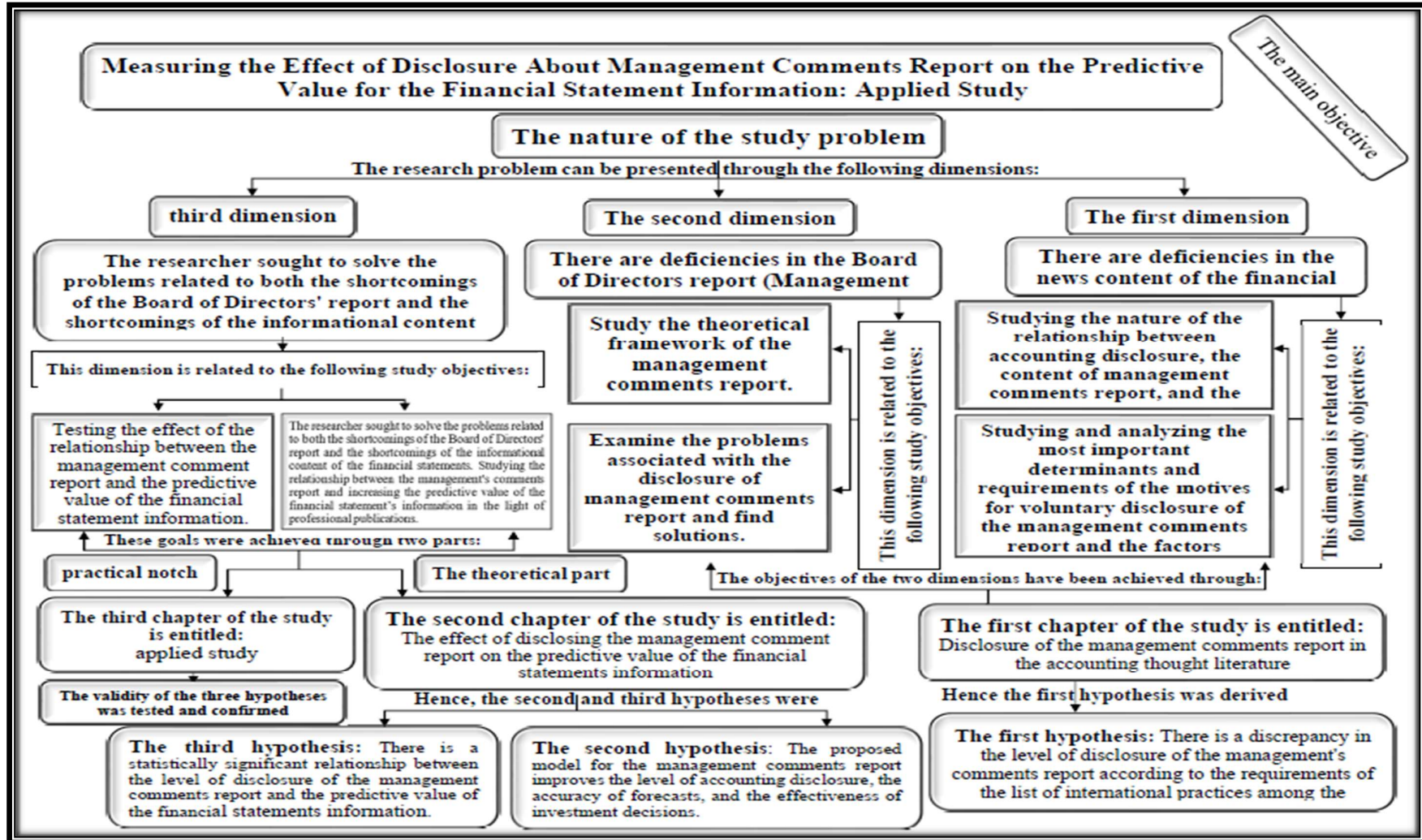


Figure No. (1) Methodology for the study

## Findings and Recommendations:

In light of the methodology of the previous study, the researcher can crystallize the most important theoretical results he reached and the recommendations associated with them, through the following table:

**Table (1) Findings and recommendations of the study**

	<b>Findings</b>	<b>Recommendations1</b>
1	The failure of financial reports to meet the needs of their users is one of the most important obstacles facing financial analysts. This limits their ability to conduct future analyzes and forecasts, which confirms the importance of the positive and effective role of disclosing financial and non-financial information in the management comments report, as it provides information that enables its users to rely on in making investment decisions and preparing their forecasts, in addition to its contribution to reducing the gap. Informatics between management and stakeholders.	The need for interested professional bodies and organizations to improve the level of disclosure to meet the needs of users of reports by issuing guidelines that clarify the determinants, requirements, elements and components of disclosure of the management comment report and the principles on which it is based to provide appropriate information that meets the needs of its users, in light of the guiding statement issued by the International Accounting Standards Board. The practices of management comments and modifications are commensurate with the Egyptian environment.
2	Voluntary disclosure through supporting and complementary reports to financial reports is considered a necessary step to improve the level and quality of disclosure and thus improve the quality of accounting information. It contributes to reducing information asymmetry by providing a framework for generating financial and non-financial information; Which increases trust and credibility between both the management of the facility and the stakeholders, in addition to its role in risk management and sound control practices in the facility; Which increases future opportunities and enhances the reputation of the establishment and thus increases its value.	Relying on the management comments report as one of the methods of developing and improving the level of disclosure for its effective role in reducing opportunistic behavior practices of management (impression management hypothesis) and information asymmetry and assisting users of reports in evaluating the current and future financial and administrative performance of the facility and filling the expectations gap, and then improving the predictive value of list information Finance.
3	There is a disagreement regarding the management comments report between supporters and opponents of the role of the report in improving the predictive value of the financial statements information.	Implementing training courses to provide skills and competencies within the management of the establishment for those in charge of preparing these reports so that they are complementary and supportive of the financial reports,

<p>Considering some of the caveats and risks associated with the management's disclosures, such as "judicial risks, the risks of intense competition, and the high costs of preparing such reports".</p>	<p>in addition to setting a guiding framework for preparing the report commensurate with the nature of the establishment and avoiding the obstacles, challenges and difficulties of preparing this report, with the necessity of providing practical seminars and conferences aimed at raising awareness Report users appreciate the importance of this type of report and its usefulness in reducing information asymmetry.</p>
<p>4 There is almost agreement between international professional publications related to the disclosure of management comments through the eyes of management, for its effective role in providing integrated and complementary information to financial reports to help users of financial reports in understanding and evaluating the performance and expectations of management and the current and future status of the facility and its expectations. At the local level, some executive procedures have been required. On the Egyptian Stock Exchange, companies registered on the Stock Exchange may disclose other information that is considered complementary to the financial statements, by completing certain forms approved by the Financial Supervisory Authority. Despite this concern, there is no significant reliance on the disclosed information due to the lack of agreement on the importance of the role played by this disclosure in improving the informational content of the financial reports, in addition to the lack of realization of the report preparers of the benefits of this type of disclosure.</p>	<p>The necessity of amending the traditional form of the Board of Directors' report prepared in accordance with the provisions of Article 40 of the rules of listing, continuity, listing and deletion of securities in the Egyptian Stock Exchange issued by the Financial Supervisory Authority - according to the form shown in Appendix No. (7) - in light of the list of international practices and their amendments in accordance with the environment The Egyptian Research The report includes all the financial and non-financial information that complements the financial reports and is ignored by the compilers of the financial reports, in addition to the need for the Financial Supervisory Authority to oblige the listed establishments to submit the report at least twice during the first year at the beginning of the year with the issuance of financial statements and reports, the second after six months. Through it, the extent to which previously disclosed future predictions and expectations have been achieved, or the identification of variables that may lead to changes in achieving the specific goals, predictions, and expectations.</p>

**Keywords:** voluntary disclosure, management comments report, predictive value, Q-Ratio indicator, financial statements and reports, quality of accounting information.