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The relation of accounting for financial instruments and the informative needs of investors

Increasing importance of financial instruments in the contemporary economic systems, as well as the growth in complexity and sophistication of the emerging new types of these instruments cause that accounting for financial instruments is currently one of the most important areas of accounting. Considering the validity and importance of this problem, and also the current focus of financial reporting on investors as the major recipients of reporting data, this study formulates a research problem concerning the identification of importance of accounting for financial instruments in relation with the informative needs of investors.

The main purpose of this thesis is to determine the extent to which financial reporting is used in relation to financial instruments by investors in their decision-making processes.

The assumption of the considerations presented in this doctoral dissertation, both in the theoretical and empirical aspects, is the verification of the two following research hypotheses. The first hypothesis concerns the problem of using financial reporting in the field of financial instruments by investors.

H1: Financial reporting for financial instruments is a source of information used in investors' decision-making processes.

Identifying deficiencies in the field of accounting for financial instruments in the context of the currently leading position of investors as recipients of reporting data, as well as frequent changes in the relevant legal regulations have led to the formulation of another research hypothesis.

H2: Current legal regulations concerning accounting for financial instruments do not refer to the informative needs of investors.

In order to fulfil the assumed goals and verify the formulated research hypotheses, the following analytical methods have been used: descriptive method, comparative method, analysis of relevant literature, analysis of legal acts, analysis of third-party research results, author's research. An essential part of this doctoral dissertation concerned three individual surveys evaluating the importance of reporting for financial instruments among the members of reference groups consisted of:

- a) individual investors from Poland,

- b) institutional investors (so-called "buy-side") operating in Poland,
- c) market analysts (so-called "sell-side") employed in financial institutions operating in Poland.

The research problem identified in the dissertation as well as the assumed research goals have determined the structure of this doctoral thesis. It contains an introduction, four chapters and a summary. Chapter one presents the considerations concerning the nature and the transformations of financial instruments. The aim of chapter two was to elaborate on the Polish and international regulations concerning accounting for financial instruments. The following chapter refers to the issues of financial reporting for financial instruments and the informative needs of investors. Chapter four constitutes an empirical study that is an attempt to explain the research problem assumed in the thesis. Its main part contains a presentation and analysis of the results of the three surveys conducted for the purposes of the study.

The theoretical considerations, the analysis of third-party research results, and - above all - the findings of individual research presented herein served as the basis to verify the formulated research hypotheses. As a result it has been determined that there are no indications to reject both research hypotheses.

Additionally, the conducted analysis has allowed to formulate a number of general conclusions and implications. For instance, it has been found that financial reporting for financial instruments serves as a basic source of information for all groups of survey participants. Furthermore, individual investors mainly refer to the balance sheet and the profit and loss account. For institutional investors and market analysts, additional information was also very important.

Despite the significance of financial reporting in the analysed field, the thorough assessment of the current accounting solutions in this aspect is a subject of numerous objections raised by the survey participants. They demand a number of changes in the area of accounting for financial instruments, concerning such issues as the presentation of data concerning the involvement in derivatives, disclosure the exposure to risk related with financial instruments or valuation of derivatives.