

SME owners and accountants' perceptions of financial information in small- and medium-sized entities: a Sri Lanka case study

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perceptions

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Abstract

Purpose – This paper aims to examine the perceptions of owners and accountants of small- and medium-sized entities (SMEs) on the users and their financial information needs of SME financial reporting.

Design/methodology/approach – Postal questionnaire surveys with owners and accountants of SMEs were used to identify users and their financial information needs. In total, 1,498 questionnaires were sent to SME owners and accountants. A total of 358 questionnaires were returned, generating 323 useable questionnaires. The management branch of stakeholder theory is used for the study which asserts that company management is expected to meet the expectations of those stakeholders who are more powerful than others.

Findings – The users of Sri Lanka SME financial information were limited to owners, banks and Department of Inland Revenue. Users and financial information needs of owners varied in relation to the size of the SME. Financial information are useful for making capital investment and planning decisions for owners regardless of the size of the SME. By sharing information with outside parties, disclosures can diminish information asymmetries between the firms and its stakeholders. The top three reasons for which owners use SME financial information are for planning purposes, estimating income tax liabilities, and taking marketing and pricing decisions.

Research limitations/implications – Since the study focuses only on the views of owner-managers and accountants of SMEs, the holistic understanding of uses of SME financial information by other user groups cannot be achieved.

Practical implications – The results of this study provide international and local standard setters with an indication of future direction for SME financial reporting.

Social implications – This paper extends existing knowledge on users and their financial information needs of SMEs in developing countries. Consequently, the findings of this paper make a valuable contribution to the work of practitioners such as local and international standards-setters and regulators who may be considering developing/revising financial reporting framework for SMEs either worldwide or in developing countries.

Originality/value – Although SME financial reporting has attracted enormous attention in the recent accounting literature, academic research into SME financial reporting is scant. This paper extends existing knowledge on users and their financial information needs of SMEs in developing countries. The general purpose financial reporting model and the accounting standard IFRS for SMEs in particular would not be

