

# **The Perceived Usefulness of Financial Accounting Information: An Experimental Interview Study of Investment Professionals**

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## **Abstract**

We conduct 81 face-to-face interviews with investment professionals and use a case-based experiment to study whether their assessment of financial accounting information usefulness varies depending on their information acquisition objective and the use of financial accounting information in managerial compensation. Our results indicate that investment professionals assess accounting information to be more relevant for valuing the firm than for assessing managerial performance. Verbal explanations reveal that they focus more on information forecasting ability when valuing the firm, whereas they prefer information reflecting managerial actions when assessing managerial performance. We find no robust evidence that linking accounting information to managerial compensation affects investment professionals' assessments of representational faithfulness. Further analyses show that the perceived representational faithfulness of financial accounting information is strongly associated with perceived corporate governance quality and that the complexity inherent in accounting treatments is a key limiting factor for the perceived representational faithfulness of financial accounting information.

**Keywords:** Conceptual Framework, Financial reporting objectives, Investment professionals, Relevance, Representational faithfulness

**JEL Classification:** G18, G38, M41

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