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Exploration on the Differences between Financial Analysts' Evaluation of Information Disclosure and Financial Reporting Quality

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Abstract: *Financial analysts play an important role and responsibility in evaluating information disclosure and financial report quality. However, due to differences in personal background, professional knowledge, and experience, financial analysts may have different evaluations of information disclosure and financial reports. This article aimed to explore the differences between financial analysts' evaluation of information disclosure and financial report quality, analyze the differences and problems in these aspects, and provide relevant suggestions. Research has found that the differences among financial analysts mainly focus on understanding and interpreting information disclosure, opinions on key financial information, and differences in quality evaluation indicators and weight settings. Through a survey of 100 financial analysts, it was found that 4 of them had identical understandings and interpretations of information disclosure, accounting for 4%, while 46 of them had completely different understandings and interpretations of information disclosure, accounting for 46%. This article provided suggestions for strengthening the training and standardization of financial analysts, improving guarantee mechanisms and regulatory systems, and strengthening communication and cooperation with enterprises. Understanding the differences between financial analysts' evaluation of information disclosure and financial report quality is of great significance for improving the transparency and quality of financial reports, and strengthening investors' accurate understanding of the company's financial situation.*

Keywords: *Financial Analyst, Information Disclosure, Financial Report Quality, Evaluation Differences, Interpretation Difference*

1. Introduction

Financial analysts are the main analysts of financial reports, playing a crucial role in disclosing financial information and improving the quality of financial reports. However, different financial analysts may give different evaluations of financial report quality in different situations. Studying the differences in the evaluation of information disclosure and financial report quality by financial analysts can help to better understand their evaluation process and methods, and improve the quality and transparency of financial reports. Financial analysts often make different judgments based on their own experience and judgment when evaluating the quality of financial reports. When analyzing financial reports, a cautious attitude is often adopted, combining financial indicators, industry development trends, and enterprise historical data to make judgments on the credibility of financial reports.

Information disclosure and financial report quality evaluation are very important in real life. Junus O aimed to investigate the impact of the implementation of International Financial Reporting Standards based financial and financial standards. The research results showed that the implementation of International Financial Reporting Standards based financial and financial standards can inhibit or reduce the earnings management of companies. Moreover, the lower earnings management, the better the quality of earnings [1]. The purpose of Yahya I's research was to examine and analyze the implementation of fiscal decentralization on government financial reporting qualifications. His research was conducted by asking questions and conducting small interviews with respondents in government districts or cities. The main issue is how the government obtains qualified financial reporting standards that comply with all government financial standards [2]. Sutaryo studied the characteristics of local governments, including the timeliness of regional budget revenue and expenditure approval, complexity of local governments, financial supervision, timeliness of local government financial report

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submission, and the impact of local government size on government financial report audit opinions. The results indicated that the complexity, financial supervision, and scale of local governments have a positive impact on the audit opinions of local governments' financial statements, while the geographical location and budget gains and losses have no impact on the audit opinions of local governments' financial statements [3]. Huang D used a combination of theoretical and empirical methods to study the relationship between financial and ecological environment information disclosure of heavily polluting enterprises. He analyzed the financial impact of ecological environment information disclosure on heavily polluting enterprises. The results indicated that among the influencing factors of environmental information disclosure, there is a significant positive correlation between enterprise asset size, establishment of environmental protection departments, financial leverage, and the level of environmental information disclosure. There is a significant negative correlation between the growth rate of operating revenue and the level of environmental information disclosure [4]. Linciano Nadia explored how different expressions of financial information are evaluated in terms of complexity and usefulness, and how financial disclosure affects individuals' risk perception. The results indicated that the perceived risk of financial products is influenced by the way information is disclosed [5]. Hassan Lily Suriana aimed to explore the relationship between board diversity, financial performance, and corporate social responsibility information disclosure in listed companies. He viewed board diversity from the perspectives of gender, age, tenure, education level, professional members, and functional background. Through regression analysis, it was found that there is a significant positive correlation between the functional background of directors and the financial performance of the company. The diversification of professional members of the board of directors significantly increases the disclosure of corporate social responsibility information [6]. The above scholars have explored the influencing factors and importance of information disclosure and financial report quality evaluation, but the content analyzed by different financial analysts is also different.

By analyzing the differences between financial analysts' evaluation of information disclosure and financial report quality, people can better understand the process and methods of evaluating financial information, thereby helping people improve the transparency and quality of financial reports, and enabling investors to better understand the financial situation of enterprises. Financial analysts should have a strong theoretical foundation and practical work experience, and have a deep understanding of the content and meaning of financial reports. They have unique insights into important factors in financial reporting, can identify potential risks and issues, and evaluate the adequacy and accuracy of financial information disclosure. Their professional knowledge enables them to have a more comprehensive understanding of a financial report and to make evaluations from the perspective of investors.

2. Differences between Information Disclosure and Financial Report Quality Evaluation

2.1 Differences in Information Disclosure by Financial Analysts

(1) Differences in understanding and interpretation of information disclosure

Financial analysts may have different understandings and interpretations of the disclosed information and its quality under different backgrounds and professional levels [7]. For example, financial analysts with a certain accounting background would pay more attention to the specific content and technical indicators of financial reports, while commercial financial analysts would pay more attention to the business strategy and competitive advantage of the enterprise. This difference can lead to different evaluations of the same financial report.

This article conducted a survey and analysis of 50 financial analysts from 10 manufacturing companies and 10 service industry companies. The level of understanding and interpretation of information disclosure by 100 financial analysts is shown in Table 1.

Table 1. Degree of similarity in understanding and interpretation of financial analysts' information disclosure

The same degree	Number of people	Percentage
Exactly the same	4	4%
Most of the same	10	10%
Few of the same	40	40%
Totally different	46	46%

In Table 1, there were 4 financial analysts who have the same understanding and interpretation of

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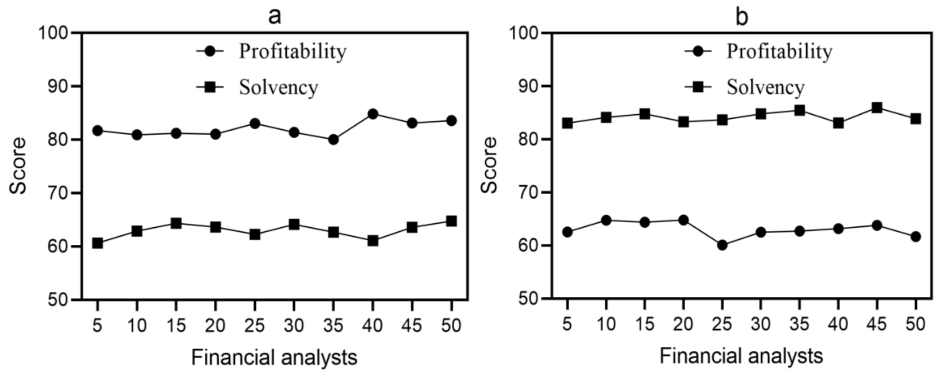
information disclosure, accounting for 4%; there were 46 financial analysts with completely different understandings and interpretations of information disclosure, accounting for 46%.

When disclosing financial information, different analysts would adopt different analytical methods. For example, some analysts would focus more on the balance sheet, while others would focus more on trend analysis and cash flow analysis. Different research methods and models can lead to different understandings and interpretations of the same financial information [8]. Financial analysts may have different perspectives and interests, so their research directions and perspectives may also vary. Some analysts would focus on the company's profitability, while others would focus on the company's growth potential. Such a focus would result in different understandings of the same financial information. In the process of financial analysis, certain assumptions and judgments need to be made, such as predicting the future economic environment or industry development trends. Different financial analysts may have different opinions based on different assumptions and judgments [9-10].

(2) Differences in perception of key financial information

The key financial information in financial reports is of great significance for evaluating a company's financial condition. However, different financial analysts may have different views on the importance and reliability of key financial information, which may lead to differences in the evaluation of key financial information in financial reports. The importance ratings of different information by financial analysts from different companies are shown in Figure 1.



(a) Financial analysts from 10 manufacturing companies rate the importance of different information
(b) Financial analysts from 10 service industry companies rate the importance of different information

Figure 1. Financial analysts from different companies rate the importance of different information

In Figure 1 (a), the minimum importance ratings for profitability and debt paying ability by 50 financial analysts from 10 manufacturing companies were 80.06 and 60.65, respectively; the highest importance ratings for profitability and solvency were 84.85 and 64.77, respectively.

In Figure 1 (b), the minimum importance ratings for profitability and debt paying ability by 50 financial analysts from 10 service industry companies were 60.09 and 83.05, respectively; the highest importance ratings for profitability and solvency were 64.80 and 85.96, respectively.

In information disclosure, there are many important financial indicators that can be used to evaluate the financial condition and performance of a company, such as profit, cash flow, solvency, etc. [11-12]. Different financial analysts may have different perspectives on which indicator is more important, and some analysts may focus on profit indicators, with the company's profits at its core; other analysts would focus on indicators of debt repayment, believing that the ability to repay debt is more important. Although the same important indicator has been quantified, different financial analysts may have different comparative standards for selecting information disclosure [13-14]. For example, some analysts may place more emphasis on the company's relevant indicators compared to their peers; other analysts are more focused on the absolute value of the enterprise, which is compared with the historical data of the enterprise.

2.2 Differences in Financial Analyst's Evaluation of Financial Report Quality

When evaluating the quality of financial reports, different financial analysts would use different indicators and weight settings. Some analysts value the accuracy and completeness of financial reports more, while others value their timeliness and comparability, which can lead to different evaluations of the quality of financial reports. The importance ratings of different indicators and weights by financial

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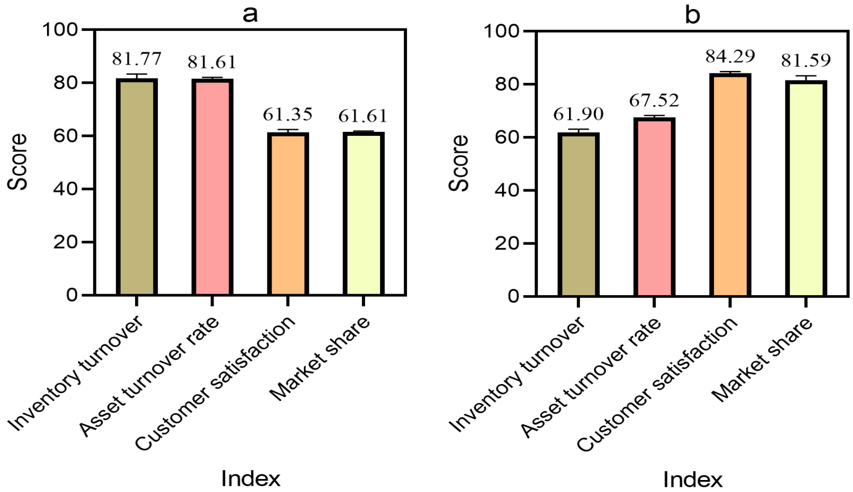
analysts from different companies are shown in Figure 2.



(a) Importance ratings of different indicators and weights by financial analysts of 10 manufacturing companies

(b) Importance ratings of different indicators and weights by financial analysts from 10 service industry companies

Figure 2. Importance ratings of different indicators and weights by financial analysts of different companies

In Figure 2 (a), the average importance scores of 50 financial analysts from 10 manufacturing companies on inventory turnover, asset turnover, customer satisfaction indicators, and market share were 81.77 points, 81.61 points, 61.35 points, and 61.61 points, respectively.

In Figure 2 (b), the average importance scores of 50 financial analysts from 10 service industry companies on inventory turnover, asset turnover, customer satisfaction indicators, and market share were 61.90 points, 67.52 points, 84.29 points, and 81.59 points, respectively.

Companies in different industries have different operating models, business models, and financial structures. Therefore, when selecting important indicators, financial analysts often choose corresponding weights based on the characteristics of the industry and enterprise they are examining. For example, manufacturing companies place more emphasis on inventory turnover and asset turnover, while service industry companies place more emphasis on customer satisfaction indicators and market share. Financial analysts must use reliable financial data and conduct comparative analysis when evaluating indicators. However, the availability and comparability of financial data may vary among different industries and companies. This would enable financial analysts to choose different indicators or give different weights based on the information they can obtain.

3. Existing Problems

3.1 Incomplete Information Disclosure Content

In a market economy environment, due to the incompleteness of information disclosure content, it is likely to cause information opacity, thereby exacerbating information asymmetry [15]. Its specific manifestation is that the competitive advantage of the enterprise is not reflected, major risks and uncertain matters are not disclosed, and the information disclosure of the enterprise's social responsibility is insufficient. The completeness of information disclosure by 100 financial analysts is shown in Table 2.

Table 2. Completeness of information disclosure content

Completeness	Number of people	Percentage
Very complete	6	6%
Relatively complete	12	12%
Normal	44	44%
Incomplete	38	38%

In Table 2, only 6 out of 100 financial analysts had very complete information disclosure, accounting for 6%; only 12 financial analysts' information disclosure content was relatively complete, accounting for 12%; the information disclosure content of 38 financial analysts was incomplete, accounting for 38%.

Due to incomplete disclosure of different financial information, the acquisition of financial information is greatly limited in the absence of sufficient disclosure. The information sources of financial analysts mainly come from publicly disclosed financial reports and information obtained from other public channels. However, when a company does not actively disclose sufficient financial information, the disclosure content of financial analysts would be constrained. When financial analysts evaluate and select information, they should pay attention to the reliability and accuracy of the information [16-17]. If financial analysts question the authenticity or reliability of some information, they may not include relevant information in the disclosed information to avoid misleading investors or causing incorrect analysis results. When financial analysts express their opinions, they would selectively disclose their opinions and conclusions based on their research interests and analytical perspectives, which may result in incomplete information [18].

3.2 Lack of Unified Evaluation Standards

When different financial analysts conduct financial evaluations of enterprises, the lack of a unified evaluation criterion results in differences in their views and judgments on the financial situation of the enterprise. The financial evaluation of enterprises often carries a certain degree of subjectivity and subjective inclination. Different financial analysts would make different evaluations of a company's financial reports based on their own experience, technical preferences, industry cognition, and personal judgment preferences.

During the evaluation process, different financial analysts would pay attention to different indicators and importance levels, and use different methods, which can lead to inconsistent financial evaluations. Each enterprise has its own characteristics and standards, and financial analysts can make appropriate adjustments to their evaluation standards and methods to adapt to the specific situation of the industry and enterprise they study, which results in different financial analysts' financial evaluation results for listed companies. Financial analysts rely on financial information for evaluation, but due to factors such as the source and credibility of information, their evaluation results can also be affected to varying degrees. If financial analysts use different sources of information or interpret the information differently, their evaluation results would be different.

4. Suggestions for Differential Research

4.1 Strengthening the Training and Standardization of Financial Analysts

In response to the differences in the evaluation of financial reports by financial analysts, training and standardization can be strengthened to enhance their professional knowledge and evaluation ability. Through research on the interpretation methods of financial reports, as well as the selection of evaluation indicators and the setting of weights, research on the consistency and specialization of financial analyst evaluations can be strengthened. By analyzing the differences in the evaluation of information disclosure and financial report quality by financial analysts, it can reflect the differences in professional knowledge among different financial analysts, identify their knowledge deficiencies in a certain field and provide them with corresponding training to improve their overall professional quality. It can develop comprehensive training programs for employees, covering basic knowledge, professional skills, industry research, and other content.

For financial analysts, learning theoretical knowledge is the most fundamental, while practical operation is an important way to enhance their business capabilities. It can provide financial analysts with some internship opportunities, including simulated analysis of cases, interpretation of actual financial reports, etc., allowing them to apply the knowledge they have learned to practical scenarios and continuously improve their abilities in practice. The financial industry is rapidly developing, with new rules, standards, and technologies emerging one after another. Financial analysts must have continuous learning opportunities in order to maintain their competitive advantage.

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4.2 Improving the Guarantee Mechanism and Regulatory System

The impact of changes in corporate governance structure on corporate finance and information disclosure can be reduced through improvements in corporate governance structure, such as establishing an independent audit organization, strengthening auditing and verification, and enhancing the credibility and accuracy of audits [19-20]. To establish an independent professional certificate for financial analysts, financial analysts need to go through a series of examinations and evaluations to obtain the corresponding certificate. It is necessary to ensure that the appraisers have the required knowledge and skills and meet their Professional ethics. It is necessary to strengthen the professional ethics of financial analysts, establish special supervision organizations and regulatory systems to monitor their business activities and regularly audit them, so that violations can be dealt with in a timely manner. Regulatory authorities should develop a rigorous set of operating procedures and corresponding punitive measures to crack down on violations of regulations, in order to maintain the order of the securities market and protect the interests of investors. Financial analysts and relevant institutions are required to disclose their analysis reports and opinions, and to present conflicts of interest with clients in an open and transparent manner, avoiding inappropriate behavior and biased suggestions. In addition, investors and market entities should be encouraged to evaluate and provide feedback to financial analysts, in order to strengthen industry self-discipline and regulation. Financial analysts can be encouraged to join professional organizations and establish a self-restraint mechanism for financial analysts. Industry associations should play their role in gathering industry forces, formulating industry standards, providing professional guidance, and resolving disputes, in order to ensure the behavioral norms and professional ethics of financial analysts through industry self-discipline.

4.3 Strengthening Communication and Cooperation with Enterprises

How to effectively evaluate the quality of financial reports is the key to ensuring the consistency and accuracy of the evaluation results of financial report quality. The company should proactively communicate with financial analysts to clarify their expectations and requirements for financial reporting, and provide them with relevant information and explanations as soon as possible, in order to give them a better understanding and evaluation of financial reporting. A good communication channel should be established between the company, financial analysts, and regulators, such as organizing industry seminars and thematic discussions with representatives of the enterprise and relevant departments to promote communication between the two parties. It is necessary to establish unified financial reporting standards to ensure that the company provides accurate, comprehensive, and truthful financial information.

Financial analysts and regulators can work together with the company to develop, revise, and interpret relevant financial standards, which can ensure the company's understanding and implementation of financial standards, thereby improving the quality of the company's financial reporting. By providing training and guidance on the preparation of financial reports and information disclosure for enterprises, it can help them have a deeper understanding of the requirements and standards of financial reporting, and improve the professional level of the internal financial team of the enterprise. In addition, financial analysts and regulators can hold regular training and seminars for the company, and provide real cases and guidance to improve the quality of the company's financial reporting. Financial analysts and regulatory agencies can issue guidelines and recommendations to help companies determine appropriate disclosure content and provide best practices for information disclosure. In addition, incentive mechanisms can be established to encourage enterprises to make positive efforts in information disclosure.

5. Conclusions

Understanding the differences between financial analysts' evaluation of information disclosure and financial report quality is crucial for investors, company management, and regulatory agencies. This understanding can help relevant parties more accurately understand potential biases in the financial report evaluation process, and take corresponding measures to reduce the impact of subjective factors on financial report quality evaluation, thereby improving the accuracy and reliability of decision-making. The differences among financial analysts are mainly reflected in their understanding and interpretation of information disclosure, their views on key financial information, and the setting of quality evaluation indicators and weights. By studying the differences between financial analysts' evaluation of information disclosure and financial report quality, it can be found that financial analysts are influenced by subjective factors such as personal experience and industry preferences when evaluating the quality of financial reports. Due to different analysts having different backgrounds and perspectives, they may give different evaluations of the same financial report, resulting in differences in evaluation results. The evaluation of financial report quality needs to adopt certain standards to reduce the impact of subjective factors on the evaluation results, and maintain an objective and fair attitude. Developing clear evaluation standards and using quantifiable indicators can reduce differences among analysts.

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