



Investors' Interpretations Of Financial Statement Information In Investment Decision Making

¹Andi Mulia Saleh, ²Amiruddin, ³Darmawati, ⁴Dina Dinayah Burhan

^{1,2,3,4}Universitas Hasanuddin, Indonesia.

¹andimuliasaleh@stietdn.ac.id, ²amircici@yahoo.com, ³darma.ak@unhas.ac.id,

⁴Dinahdiyanahburhan@gmail.com.

*Correspondence Email: andimuliasaleh@stietdn.ac.id

Abstract: Financial statements play a crucial role in capital markets by providing information that supports investment decision-making. Despite their importance, investors do not always interpret financial statement information uniformly because interpretation is influenced by individual knowledge, experience, and psychological factors. This study aims to explore how investors interpret financial statement information, identify factors influencing those interpretations, and examine the role of interpretation in investment decision-making. The study employs a qualitative approach within an interpretive paradigm to understand the meanings investors assign to accounting information. Data were collected through in-depth interviews, observations, and documentation involving active capital market investors selected using purposive sampling. Data analysis followed the interactive model of data condensation, data display, and conclusion drawing, complemented by thematic analysis to identify recurring patterns. The findings reveal that investors perceive financial statements as important sources of information for evaluating company performance, profitability, financial stability, and growth prospects. Interpretations vary according to financial literacy, investment experience, information complexity, perceived credibility of financial reports, psychological characteristics, and social influences. Experienced investors tend to interpret accounting information more critically and integrate it with contextual considerations, whereas less experienced investors often depend on external information sources. The findings also demonstrate that investment decisions are not based solely on financial statement information but emerge from an interpretative process involving accounting information, investor characteristics, and broader informational environments. This study contributes to the accounting and behavioral finance literature by demonstrating that financial statements function not only as providers of objective information but also as interpretative instruments through which investors construct meaning and make investment decisions.

Keywords: Financial Statements, Investor Interpretation, Investment Decision Making, Behavioral Finance, Capital Market.

INTRODUCTION

The capital market plays a strategic role in modern economic systems by facilitating the allocation of financial resources between companies and investors. Companies utilize capital markets to obtain long-term funding for business expansion, while investors seek opportunities to generate returns from their investments. Within this framework, financial statements serve as one of the primary sources of information used by investors to evaluate company performance and determine investment strategies. Financial reporting is intended to provide relevant information



regarding a company's financial position, performance, and cash flows, enabling investors to make informed economic decisions (Kieso et al., 2018). The importance of financial statements in investment decision-making has made accounting information a central element in capital market activities.

Accounting literature has long emphasized the usefulness of financial information for investors. According to Scott (2015), financial statements are designed to support decision-making by reducing information asymmetry between management and external stakeholders. The International Accounting Standards Board (IASB, 2018) states that useful financial information should possess characteristics such as relevance and faithful representation. These characteristics are expected to assist investors in assessing future cash flow prospects and firm value. Empirical studies have also demonstrated that accounting information influences market behavior. Ball and Brown (1968) found that earnings announcements contain information that affects stock prices, while Beaver (1968) showed that accounting information contributes significantly to market reactions.

Despite the theoretical assumption that investors rely on financial statements in a rational manner, actual investment practices reveal a more complex situation. Investors frequently interpret accounting information differently based on their experiences, knowledge, expectations, and personal judgments. Behavioral finance research argues that investment decisions are not always driven by objective analysis but are often influenced by cognitive biases and psychological factors (Barberis & Thaler, 2003). Financial statements therefore function not only as providers of objective information but also as objects of interpretation. The same financial information may generate different conclusions among investors because each individual constructs meaning based on personal perspectives and investment experiences.

The interpretative nature of financial information becomes increasingly important in contemporary capital markets. Financial statements contain extensive numerical data, technical terminology, and accounting estimates that require analytical skills to understand properly. Elliott (2006) argued that the complexity of financial reporting may reduce investors' ability to process information effectively. Libby et al. (2002) also suggested that cognitive limitations influence how investors evaluate accounting information. Investors with limited accounting knowledge often



encounter difficulties in interpreting financial reports and may depend on simplified information sources. Such conditions indicate that understanding financial statements involves more than technical reading skills; it requires the ability to interpret and contextualize information within investment decision-making processes.

Concerns regarding the quality of accounting information further complicate investors' interpretations. Earnings management practices have raised questions about the reliability of financial statements as representations of actual company performance. Healy and Wahlen (1999) explained that managerial discretion in financial reporting may influence reported earnings and affect users' perceptions of company performance. Dechow et al. (1995) demonstrated that financial statement manipulation can distort information available to investors. As a result, investors often approach financial reports with caution and engage in critical evaluation rather than accepting reported figures at face value. This condition highlights the importance of examining how investors construct meaning from financial statement information rather than assuming that information is interpreted uniformly.

Investment decisions are also influenced by information sources beyond financial statements. Market participants frequently consider news reports, social media discussions, analyst recommendations, and market sentiment when evaluating investment opportunities. Hirshleifer (2001) argued that investors are affected by heuristic information and psychological influences that may not be directly related to company fundamentals. Shiller (2000) emphasized that narratives and collective market beliefs can shape investment behavior significantly. Such evidence suggests that financial statements compete with various alternative information sources in investors' decision-making processes. The interpretation of accounting information is therefore embedded within broader informational and social contexts.

Differences among investors further contribute to variations in interpretation. Investors with greater experience and financial literacy tend to possess stronger analytical capabilities when assessing financial information. Lusardi and Mitchell (2014) identified financial literacy as an essential factor influencing investment behavior and financial decision-making quality. Libby and Luft (1993) noted that experience enhances individuals' judgment performance in accounting-related tasks. Experienced investors may recognize patterns, identify risks, and critically evaluate



accounting disclosures more effectively than novice investors. Such differences indicate that the meaning assigned to financial statement information depends heavily on individual characteristics and knowledge structures.

The increasing participation of retail investors in emerging capital markets has intensified the relevance of this issue. Many individual investors enter financial markets with limited accounting knowledge and rely heavily on informal information channels. This situation creates a gap between the intended purpose of financial reporting and its actual use by investors. Financial statements are expected to support rational investment decisions, yet investors may interpret and utilize accounting information in diverse ways depending on their backgrounds, perceptions, and experiences.

Previous studies examining the relationship between accounting information and investment behavior have predominantly employed quantitative approaches. Research has focused largely on measuring market reactions to earnings announcements, stock returns, and accounting disclosures. Such approaches provide valuable insights regarding the economic consequences of financial reporting but offer limited understanding of how investors personally interpret the information they receive. Creswell (2016) emphasized that qualitative research is appropriate for exploring meanings, experiences, and perceptions associated with social phenomena. A qualitative perspective is therefore necessary to understand how investors construct meaning from financial statement information and how those interpretations influence investment decisions.

Based on these considerations, this study aims to explore investors' interpretations of financial statement information in investment decision-making. The study focuses on understanding how investors perceive financial statements, identifying factors that influence their interpretations, and examining the role of those interpretations in shaping investment decisions. Such understanding is expected to contribute to accounting literature by integrating accounting and behavioral perspectives while providing practical insights into the role of financial reporting in contemporary capital markets.



METHOD

This study employed a qualitative research approach to explore how investors interpret financial statement information in investment decision-making. A qualitative approach was selected because the study sought to understand meanings, perceptions, and experiences that cannot be adequately explained through numerical measurement. Qualitative research enables researchers to investigate how individuals construct and assign meaning to a particular phenomenon based on their lived experiences (Creswell & Poth, 2018). In the context of this study, the phenomenon under investigation concerns investors' interpretations of financial statement information and its role in shaping investment decisions.

The study adopted an interpretive research paradigm. Interpretive research assumes that social reality is constructed through human interactions and subjective meanings rather than existing as an objective and independent reality (Schutz, 1967). This perspective is appropriate because investors may interpret identical financial information differently depending on their experiences, knowledge, expectations, and investment contexts. Financial statements are therefore viewed not only as technical accounting documents but also as social artifacts whose meanings are constructed by users.

A descriptive qualitative design was employed to obtain an in-depth understanding of investors' perspectives regarding financial statement information. According to Denzin and Lincoln (2018), qualitative descriptive studies allow researchers to capture participants' experiences and interpretations within their natural settings. This design enabled the exploration of how investors understand accounting information, the factors influencing their interpretations, and the implications of those interpretations for investment decision-making.

The participants consisted of active investors in the capital market. Informants were selected using purposive sampling because the study required participants who possessed relevant knowledge and experience related to investment activities and financial statement analysis. Purposive sampling is widely used in qualitative research to identify information-rich cases capable of providing meaningful insights into the phenomenon under investigation (Patton, 2015). The selection criteria included: (1) active participation in stock market investment activities, (2) a



minimum of two years of investment experience, and (3) experience in using financial statements as part of investment analysis.

Data were collected through in-depth interviews, observations, and documentation. Semi-structured interviews served as the primary data collection technique because they provide flexibility for participants to express their views while allowing researchers to explore emerging themes in greater depth (Kvale & Brinkmann, 2015). Interview questions focused on investors' experiences in reading financial statements, factors influencing their interpretations, and the role of accounting information in investment decision-making. Observations were conducted to understand the context of investors' decision-making behavior and interactions with financial information. Documentation was utilized to support interview findings through the examination of relevant investment-related materials, reports, and notes provided by participants.

To ensure the credibility of the findings, data triangulation was employed. Triangulation involves the use of multiple sources and methods to verify research findings and enhance trustworthiness (Denzin, 1978). Information obtained from interviews was compared with observational evidence and supporting documents. Member checking was also conducted by returning interview summaries to participants for confirmation and validation of interpretations.

Data analysis followed the interactive model proposed by Miles et al. (2020), which consists of data condensation, data display, and conclusion drawing. Data condensation involved selecting, simplifying, and organizing information relevant to the research objectives. Data display was conducted through thematic narratives that facilitated the identification of relationships among emerging themes. Conclusion drawing involved interpreting patterns and meanings derived from the collected data. The analysis process was iterative, allowing continuous movement between data collection and interpretation until thematic saturation was achieved.

Thematic analysis was employed to identify recurring patterns related to investors' interpretations of financial statement information. Braun and Clarke (2022) explain that thematic analysis is a flexible qualitative method used to identify, analyze, and report meaningful themes within a dataset. The analysis focused on three major themes: investors' interpretations of financial statement information, factors influencing those interpretations, and the role of interpretation in



investment decision-making. These themes were developed inductively from participants' narratives and aligned with the objectives of the study.

The trustworthiness of the research was evaluated using the criteria of credibility, transferability, dependability, and confirmability proposed by Lincoln and Guba (1985). Credibility was achieved through triangulation and member checking. Transferability was supported by providing detailed descriptions of the research context and participants. Dependability was maintained through systematic documentation of research procedures. Confirmability was ensured by maintaining an audit trail and minimizing researcher bias during data interpretation. Through this methodological approach, the study aimed to provide a comprehensive understanding of how investors interpret financial statement information and how such interpretations influence investment decision-making within the capital market environment.

RESULTS AND DISCUSSION

Investors' Interpretation of Financial Statement Information

The findings indicate that investors interpret financial statement information in diverse ways depending on their knowledge, experience, investment objectives, and understanding of accounting information. Financial statements are not merely viewed as numerical representations of a company's financial condition but also as informational resources through which investors construct expectations regarding future performance and investment opportunities. Participants generally perceived financial statements as essential instruments for evaluating a company's profitability, financial stability, and growth prospects. This perception demonstrates that accounting information remains a fundamental component of investment analysis despite the growing availability of alternative information sources.

Several participants explained that they routinely examine annual reports and financial statements before making investment decisions. They considered information regarding profitability, revenue growth, liquidity, and operational performance as indicators of a company's future potential. Investors who possessed accounting or financial expertise demonstrated a stronger tendency to conduct detailed analyses of financial statements. They emphasized the importance of understanding earnings quality, operating cash flows, and financial ratios to assess whether a



company's performance reflects sustainable business growth. These findings support the argument that financial statements play an important role in reducing information asymmetry between management and investors by providing information that can be used to evaluate firm value and future performance (Bushman & Smith, 2001).

The findings also revealed that investors assign different meanings to the same financial information. Some participants regarded profitability as the most important indicator because earnings are commonly associated with shareholder wealth creation and stock price appreciation. Other participants focused more heavily on cash flow information because they believed that cash-generating ability reflects a company's actual operational strength. Several investors considered cash flow statements more reliable than earnings information because earnings can be influenced by accounting policies and managerial discretion. This variation suggests that financial statement interpretation is not a purely objective process but is influenced by individual preferences and cognitive frameworks.

Differences in interpretation may arise because investors possess varying levels of accounting knowledge and information-processing capabilities. Financial information often requires analytical skills to identify relationships among financial indicators and evaluate the implications of accounting disclosures. According to Maines and McDaniel (2000), investors frequently process financial information differently depending on how information is presented and how individuals understand accounting concepts. As a result, identical financial reports may produce different evaluations among investors. This condition illustrates that the usefulness of accounting information depends not only on the quality of information disclosed but also on users' abilities to interpret that information effectively.

Another important finding concerns the role of investors' prior experiences in shaping interpretations of financial statements. Experienced investors tended to evaluate accounting information more critically and were more likely to investigate additional disclosures contained within annual reports. They frequently examined notes to financial statements, management discussions, and non-financial information to obtain a more comprehensive understanding of company performance. Less experienced investors, on the other hand, often focused on selected indicators such as net income or earnings per share because these measures were easier to



understand. This finding supports the view that experience influences how individuals process and utilize accounting information in decision-making contexts (Bonner, 1999).

The findings further suggest that investors do not interpret financial statements as entirely neutral representations of economic reality. Several participants expressed concerns regarding the possibility of earnings manipulation, aggressive accounting practices, and managerial bias in financial reporting. Such concerns encouraged investors to interpret financial information cautiously rather than accepting reported figures without further evaluation. This observation is consistent with the perspective that financial reporting involves managerial judgment and estimation, which may influence the way investors perceive reported performance (Penman, 2013). Consequently, financial statements become objects of interpretation that require critical analysis rather than simple acceptance.

Participants also indicated that their interpretations of financial statements were influenced by contextual considerations, including industry conditions, economic circumstances, and market developments. Financial performance indicators were rarely interpreted in isolation. Investors often assessed accounting information alongside broader business environments to determine whether reported performance reflected sustainable competitive advantages. This finding demonstrates that financial statement interpretation is embedded within wider economic and organizational contexts. Accounting information acquires meaning through the interaction between reported figures and investors' understanding of external conditions affecting company performance.

The results of this study reinforce the notion that accounting information functions as a communication mechanism rather than merely a technical reporting system. Financial statements provide signals regarding a company's current position and future prospects, yet the meaning of those signals is constructed by investors through interpretative processes. According to Barth et al. (2001), the value relevance of accounting information depends on its ability to influence investors' assessments of firm value. The findings suggest that such influence is mediated by investors' experiences, knowledge, expectations, and analytical approaches.

Overall, the findings demonstrate that investors actively engage in the interpretation of financial statement information rather than passively receiving accounting data. Financial



statements serve as important sources of information, yet their significance emerges through individual meaning-making processes. Variations in interpretation reflect differences in investor characteristics and contextual considerations. Financial reporting therefore functions not only as a provider of objective information but also as a medium through which investors construct perceptions regarding corporate performance, risk, and future investment opportunities.

Factors Influencing Investors' Interpretation of Financial Statements

The findings revealed that investors' interpretations of financial statement information are influenced by multiple interrelated factors. The process of interpreting accounting information extends beyond the technical reading of financial reports and involves cognitive, educational, experiential, and psychological dimensions. Investors construct meaning from financial information based on their knowledge, prior experiences, perceptions of information quality, and expectations regarding future company performance. As a result, the same financial statement may generate different interpretations among investors with different backgrounds and levels of expertise.

One of the most influential factors identified in this study is financial literacy. Participants with stronger financial knowledge demonstrated greater confidence in evaluating accounting information and identifying indicators relevant to investment decisions. These investors were generally capable of interpreting profitability measures, cash flow performance, leverage ratios, and financial disclosures more comprehensively. They also showed greater awareness of the relationships among various accounting indicators and their implications for firm performance. Financial literacy enables investors to process information efficiently and reduces the likelihood of misinterpreting financial data. According to van Rooij et al. (2011), individuals with higher levels of financial literacy are more likely to make informed financial decisions because they possess a better understanding of financial concepts and investment principles. The findings of the present study indicate that financial literacy serves as an important foundation for interpreting financial statements accurately.

Investment experience emerged as another significant factor affecting interpretation. Participants who had spent several years participating in capital markets demonstrated a deeper understanding of financial information and were more critical in evaluating company performance.



Experienced investors frequently compared current financial results with historical trends and industry benchmarks before drawing conclusions. They also tended to pay attention to supplementary disclosures contained in annual reports. This behavior reflects the accumulation of knowledge gained through repeated exposure to investment activities. Research conducted by Frederickson and Miller (2004) suggests that experience influences the manner in which individuals process accounting information and evaluate corporate performance. The findings indicate that experienced investors possess greater analytical capabilities because they have developed practical frameworks for interpreting accounting data over time.

The complexity of financial statements was also identified as a major factor influencing investor interpretation. Several participants indicated that extensive disclosures, technical accounting terminology, and sophisticated reporting requirements create barriers to understanding financial information. Investors without accounting backgrounds often found it difficult to interpret detailed financial reports independently. Consequently, they relied on simplified sources such as analyst reports, investment communities, or financial media to support decision-making. This finding is consistent with prior research indicating that information complexity can reduce users' ability to process financial information effectively (Miller, 2010). Excessive complexity may limit the usefulness of financial reports because investors struggle to identify information that is most relevant to their investment objectives.

The quality and credibility of financial information also influence interpretation. Participants expressed concerns regarding the reliability of reported earnings and the possibility of managerial discretion affecting accounting outcomes. Such concerns encouraged investors to evaluate financial statements critically and seek additional verification before making investment decisions. Investors often compared information from different reporting periods, reviewed corporate governance disclosures, and examined external sources of information to validate reported performance. This behavior reflects the importance of information credibility in shaping investors' confidence. According to Sloan (1996), investors may misinterpret accounting information when they fail to distinguish between sustainable and less sustainable components of earnings. The findings suggest that perceptions regarding information quality significantly affect how investors interpret financial statements and assess corporate value.



Psychological factors were also found to play an important role in shaping interpretation. Investor confidence, optimism, risk tolerance, and expectations regarding future market performance influenced the meaning assigned to financial information. Several participants acknowledged that positive expectations about a company's future prospects sometimes led them to interpret financial reports more favorably, even when current performance indicators appeared weak. Conversely, negative market sentiment occasionally caused investors to focus disproportionately on unfavorable information. This finding supports the argument that investment behavior is affected by cognitive and emotional influences rather than objective information alone. Research by Shefrin (2007) emphasizes that psychological biases frequently shape financial decision-making and influence how investors process available information.

The findings also revealed the influence of social and informational environments. Investors often discussed financial information within investment communities, online forums, and social media platforms before forming investment judgments. These interactions contributed to the development of shared interpretations and influenced perceptions regarding company performance. Information exchanged within social networks sometimes reinforced particular viewpoints about a firm's prospects, thereby affecting how investors interpreted financial reports. This observation aligns with the perspective of social learning theory, which suggests that individuals develop knowledge and judgments through interactions with others and exposure to shared information environments (Bandura, 1986).

Overall, the findings demonstrate that investors' interpretations of financial statements are shaped by a combination of financial literacy, investment experience, information complexity, perceived information quality, psychological characteristics, and social influences. These factors interact dynamically throughout the investment decision-making process. Financial statement interpretation therefore represents a multidimensional activity that involves both analytical reasoning and subjective judgment. Understanding these factors is essential because they determine how accounting information is utilized in practice and influence the effectiveness of financial reporting as a communication mechanism between companies and investors.



The Role of Financial Statement Interpretation in Investment Decision-Making

The findings indicate that investors' interpretations of financial statement information play a central role in shaping investment decision-making. Financial statements provide essential information regarding a company's financial condition, operational performance, and future prospects. Yet, investment decisions are not determined solely by the availability of accounting information. The influence of financial statements on investment decisions depends largely on how investors understand, evaluate, and assign meaning to the information presented. The interpretation process therefore acts as an important bridge between accounting information and investment behavior.

Participants explained that financial statements serve as an initial basis for assessing investment opportunities. Before making decisions to buy, hold, or sell stocks, investors generally evaluate indicators such as profitability, revenue growth, liquidity, leverage, and cash flow performance. These indicators are interpreted as signals regarding the company's future performance and its ability to generate returns for shareholders. Investors who perceived financial statements as credible and informative were more likely to rely on accounting information when making investment decisions. This finding supports signaling theory, which suggests that financial reporting serves as a mechanism through which firms communicate information about their quality and future prospects to investors (Spence, 1973).

The findings also demonstrate that investment decisions involve a process of integrating accounting information with broader contextual information. Investors rarely rely exclusively on financial statements when evaluating investment opportunities. Participants frequently combined accounting data with information obtained from financial news, analyst forecasts, macroeconomic developments, industry trends, and market sentiment. Such behavior reflects the reality that investment decisions are made in complex informational environments where multiple information sources compete for investors' attention. Financial statements provide a foundation for analysis, yet investors often seek confirmation from external sources before making final decisions.

Differences in interpretation were found to influence investment choices significantly. Investors who interpreted financial statements positively tended to perceive lower levels of investment risk and greater growth opportunities. Positive assessments of financial performance



often strengthened confidence in a company's future prospects, encouraging stock purchases or long-term investment commitments. Investors who interpreted the same information more conservatively were more likely to delay investment decisions or seek additional evidence before committing capital. These findings suggest that the relationship between accounting information and investment behavior is mediated by investors' subjective evaluations rather than objective information alone.

Experienced investors demonstrated a stronger tendency to integrate accounting information with strategic and environmental considerations. They interpreted financial statements as indicators of long-term value creation rather than relying solely on short-term financial outcomes. Participants with extensive investment experience frequently evaluated financial information within broader business contexts, including competitive positioning, industry dynamics, and economic conditions. Such interpretations allowed them to develop more comprehensive assessments of investment opportunities. This observation is consistent with the argument that investment expertise influences the quality of information processing and decision-making outcomes (Libby & Tan, 1994).

The findings further reveal that expectations regarding future performance strongly influence how accounting information affects investment decisions. Investors often viewed financial statements as tools for forecasting future outcomes rather than merely describing past performance. Positive expectations regarding future growth sometimes motivated investment decisions even when current financial indicators appeared relatively weak. Investors focused on potential opportunities, strategic developments, and anticipated improvements in company performance. This finding suggests that financial statement interpretation involves forward-looking assessments rather than retrospective evaluations alone.

Another important finding concerns the role of uncertainty in investment decision-making. Participants indicated that financial statements help reduce uncertainty by providing structured and standardized information about company performance. Accounting information enables investors to evaluate risks and estimate potential returns more systematically. Research by Lambert et al. (2007) suggests that high-quality accounting information contributes to reducing information risk and improving resource allocation decisions. The findings of this study indicate that investors rely



on their interpretations of financial statements to manage uncertainty and make more informed investment choices.

The role of interpretation becomes particularly evident when investors encounter ambiguous or conflicting information. Participants explained that they frequently face situations in which accounting information presents both positive and negative signals simultaneously. In such cases, investors must determine which information is most relevant and how different indicators should be weighted. This process involves judgment, experience, and personal expectations. Financial statements therefore function as decision-support tools whose effectiveness depends on investors' abilities to interpret complex information environments.

The findings also highlight the communication function of financial reporting. Accounting information does not directly influence investment decisions unless it is understood and interpreted by investors. According to Verrecchia (2001), financial disclosure serves as an important mechanism through which firms communicate information to external stakeholders. The effectiveness of this communication depends on users' abilities to process and interpret disclosed information. The present findings support this perspective by demonstrating that investors actively engage in meaning-making processes before incorporating accounting information into investment decisions.

Overall, the findings demonstrate that financial statement interpretation constitutes a critical component of investment decision-making. Financial statements provide valuable information regarding corporate performance and future prospects, yet their influence is shaped by investors' interpretations, expectations, experiences, and contextual evaluations. Investment decisions emerge from a combination of accounting information, personal judgment, and environmental influences. These findings suggest that the usefulness of financial reporting depends not only on the quality of information disclosed but also on the interpretative capabilities of investors who utilize that information in making investment decisions.

CONCLUSION

This study demonstrates that investors' interpretations of financial statement information are inherently subjective and influenced by a variety of cognitive, experiential, and contextual factors.



Financial statements remain one of the most important sources of information used by investors to evaluate corporate performance and investment opportunities. The findings reveal that investors do not interpret accounting information in a uniform manner. Differences in financial literacy, accounting knowledge, investment experience, and personal perspectives result in diverse interpretations of the same financial information. Investors with stronger analytical capabilities tend to evaluate financial reports more critically by considering earnings quality, cash flow sustainability, and broader corporate disclosures. Financial statements therefore function not only as technical reporting instruments but also as interpretative resources through which investors construct perceptions regarding corporate value, risk, and future prospects. These findings confirm that accounting information acquires meaning through investors' individual experiences and analytical processes rather than through objective reporting alone.

The study also finds that investment decisions emerge from a complex interaction between accounting information, psychological considerations, social influences, and external information sources. Investors frequently combine financial statement information with market news, analyst recommendations, industry developments, and prevailing market sentiment before making investment decisions. Financial literacy, investment experience, information complexity, perceived information credibility, and psychological characteristics significantly influence how accounting information is interpreted and utilized. The findings suggest that the effectiveness of financial reporting depends not only on the quality of disclosed information but also on investors' abilities to understand and interpret that information. Consequently, efforts to improve financial literacy and enhance the clarity and accessibility of financial reporting are essential for supporting more informed investment decisions. This study contributes to the integration of accounting and behavioral finance perspectives by highlighting the importance of interpretation as a critical link between financial information and investment behavior, thereby providing a more comprehensive understanding of how investors utilize accounting information within contemporary capital markets.



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