USERS' PERCEPTION ON CASH FLOW REPORTING PRACTICES IN MAURITIUS

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Abstract:
The IASB and the FASB are currently proposing that cash flow statements under the direct method be mandatory for all firms under the harmonized cash flow reporting requirements. The study investigates which cash flow reporting method is perceived as being more useful among users in Mauritius. The aim is to assess whether the direct method will favorably be integrated in reporting practices of Mauritian companies. A questionnaire was developed and surveyed for data collection. Findings reveal that users have a preference for the direct cash flow reporting method as far as relevance, reliability and decision usefulness are concerned. But we report a weak mean difference among them. In addition, as far as understandability is concerned, results suggest that users prefer the indirect method. This paper purports to contribute towards the on-going debate about which cash flow reporting method is more useful.

Key words: *Cash flow statement, direct method, indirect method, Mauritius*

1. Introduction

All entities that prepare financial statements in conformity with International Financial Reporting Standards (IFRS) are required to present a statement of cash flows, commonly known as the cash flow statements. The accounting standard that establishes standards governing cash flow statements is the International Accounting Standard (IAS) 7. IAS 7 requires the presentation of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows, which classifies cash flows during the period under operating (either using the 'direct' or 'indirect' method), investing, and financing activities. Further, section 18 of IAS 7 specifies that the direct method is encouraged, but the indirect method is acceptable. It is to be noted is that these two methods pertain only for the operating activities section of the cash flow statement. While both FASB (Financial Accounting Standards Board) and IFRS permit direct and indirect methods, Discussion paper No. 1630-100 provides that the major deficiency of the indirect method is that net cash flow from operating activities is derived without separately presenting any of the operating cash receipts and payments. The IASB and FASB are currently proposing that the direct method be mandatory for all firms under their harmonized cash flow reporting requirements (De Ricquebourge et al, 2011 and De Ricquebourge et al, 2013). While standard setters have a preference for the direct method, Stickney et al, (2009) are of the view that few companies use the direct method. Following the gap between IASB preferred method and the dominant method, on – going debate have emerged regarding the most appropriate method to prepare cash flow statements (Zhao, 2013). “The study of the differential informational content of the DM method over the DI method is motivated by the on-going debate in various standards setting jurisdictions concerning the most appropriate method to prepare the statement of cash flows.”, (Zhao and El-Mastry, 2013). Orpurt and Zang (2009) provide that the direct method provides a more accurate picture for investors of a company's cash flow situation than the indirect method.

It can therefore be argued that a preference for the direct method results from a claim for information quality. The IASB and FASB propose reporting the statement of cash flows under the direct method and endorse it as the most useful method for presenting the statement of cash flows (Miller and Banhson, 2002). In the same vein, Bradbury (2011) states the method of presentation based on the most relevant standards is the direct method. The IASB’s conceptual framework provides four main qualitative characteristics of financial information- relevance, reliability, understandability and comparability. The FASB framework includes similar principal qualitative characteristics but group them in a hierarchical structure, based on their relative importance, defining relevance and reliability as the primary characteristics.

The Mauritian government is promoting global business activities that will not only set Mauritius on its way to become the regional financial center but also an international financial and business center. The adoption of International Financial Reporting Standards (IFRS) by Mauritius in 2001 has increased the credibility of the financial sector and promoted the island as a financial center. Some studies have reported that countries adopting IFRS have experienced an overall increase in financial reporting quality, comparability and general usefulness in the underlying accounting information available to investors (Barth et al, 2008; Daske and Gebhardt, 2006). The quest for harmonization suggests that accounting standards should aim to establish a single method of accounting. The objective of this paper is to assess which cash flow method is perceived to be more relevant, reliable, and understandable and which method is deemed more suitable in decision making. The aim is to assess whether the direct method will favorably be integrated in reporting practices of Mauritian companies. Given that Mauritius aims to become an important financial services center in the Indian Ocean, it is worth gauging whether integration of the direct cash flow reporting method will be challenging for companies in Mauritius. In addition, the paper contributes towards the on-going debate as to which reporting method should companies use for their cash flow reporting.

This paper is organised as follows: the next section reviews literature on the two reporting methods, the research methodology is then set out. The results are presented and discussed, in the light of which conclusions are drawn in the last section.

2. Literature review

Wallace et al. (1997) report that despite allowing a choice over reporting methods, regulatory authorities suggest that the direct method provides more helpful information to users than the indirect method. Despite the overwhelming support in favor of the direct method, the most common method used to present the statement of cash flows is the indirect method, (Perez, 2000; Stickney et al, 2009; Krishnan and Largay, 2000).

The decision by standard-setting authorities to permit corporate reporters to choose between the direct and indirect methods must presumably have been underpinned by the expectation that practice would move voluntarily towards the preferred direct method, (Wallace *et al*, 1997). However, this is not the case. Wallace *et al* (1997) examined the 1992 and 1993 annual reports for 320 publicly listed UK firms. Only 4 firms in 1992 (1.25%) and 8 firms in 1993 (2.5%) adopted the direct method. The low adoption rate suggests "that when corporate reporters are allowed discretion, they prefer not to change their reporting practices to the one that is perceived as beneficial to end users but considered by them as costly to implement" (Wallace *et al*, 1997, p.11). A later study found similar low adoption rates: only 2 out of 200 sampled UK annual reports used the direct method (Wallace *et al*, 1999). The study of Gibson et al (1986) reveals that 75% of Certified Practicing Accountants (CPAs) prefer the indirect method. Habit and consistency with past practice were put forward as reasons justifying the choice of the indirect method. According to Gibson et al (1986, p.35), this was due to a "Lack of contact with or training in the direct method, plus pure habit, may have caused the responding accountants to not judge the direct method fairly". Brahmasrene et al (2004) find that familiarity was more important to those preferring the indirect method. Krishnan and Largay (2000) put forward that companies use methods which are easier and perceived to be less costly to implement. Other supporters of the indirect approach claim that the indirect format is less costly and more convenient to use (Sondhi et al, 1998). Others argue that the direct approach require information that is hard to collect and sensitive (Lyons, 1991 and Wallace, et al, 1997). On the other hand, various studies have shown that analysts and other users of financial statements prefer the direct method for reports of operating cash flows (Bahnson et al, 1996; Knutson, 1993; Zhao, 2013).

Arguments on the quality of information provided by the two Cash Flow Reporting Methods

The debate regarding the format/method of presenting operating cash flows remains so far unsolved (Perez, 2000). Numerous studies have been undertaken to report which cash flow methods provide better quality of information to users of financial statements (Khan et al, 2008; Goyal, 2004; Broome, 2004). Quality of information takes into consideration the understandability, relevance, reliability and decision usefulness of information. Zare et al (2012) assert that reliability and relevance are the most important qualitative characteristics of information. Previous research has shown that a relationship exists between the presentation of financial information and users' decisions. Libby (1981) points out that changing the presentation and amount of information can improve users' decision making. A study conducted by Stock and Watson (1984) concludes that users' judgment can be influenced by the accounting report format. Maines and McDaniel (2000) report that alternative presentation formats affect the degree of investors' understanding of accounting information.

Understandability

According to Beest et al. (2009), understandability will increase when information is classified, characterized, and presented clearly and concisely. O'leary (1988) reports that the direct method presents an entity's operating cash flows in a manner that is clear and understandable to non-sophisticated users of accounting information. This is further supported by Broome (2004) who claims that the direct method allow for reporting operating cash inflows and outflows by understandable categories. Broome (2004) argues that the direct method provides a clearer, more easily understood picture of operating cash flows. Additionally, the direct method helps users to understand the data of cash flow statement and make easy cash flow analysis, (Goyal, 2004).

Cushing (1977) reports that the direct method is more informative than the indirect method. On the other hand, De Mello (2006) asserts that the indirect method is difficult to understand as it 'required a myriad of special adjustments to income'. The author adds that current descriptions of the method were incomplete, confusing and often incorrect. Drtina and Largay (1985) identify a number of problems which arise from the use of the indirect method, such as "ambiguity in the definition of operations', which contaminate the data used in research studies employing the indirect method". Likewise, Broome (2004) find that the complicated adjustments required by the indirect method were hard for the reader to understand and in addition provide corporate managers more leeway for manipulating the statement of cash flows. O'Leary (1988) criticizes the use of the indirect method of representing operating cash flows as it offers no better representation of an entity's cash cycle for credit grantors and is a less user friendly format for managers not possessing substantial accounting knowledge.

On the other hand, few scholars advocate the indirect method of presenting operating cash flows. Anthony (1997) argues that the indirect method aids understanding of the cash tied up in or released from current assets and liabilities by providing the reasons for differences between net income and the change in cash from operating activities. Heath (1987) reports that those favoring the indirect method assert that the indirect method was important because some users forecast cash flows by starting with net income and then adjusting net income in a manner similar to the indirect method format.

Reliability

Information is reliable when ‘it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent’ (IASB, 1989: 24). The study Khan et al (2008) in Bangladesh on the popularity of cash flow reporting method reveal that user groups (managers, shareholders, employees, suppliers and customers) ranked the direct method above the indirect method of reporting cash flows. Shareholders felt that the direct method contained information that could be depended upon to be represented faithfully and; contained information of transactions or events that either it claimed to represent or could reasonably be expected to represent. Furthermore, findings of Arthur et al. (2010) suggest that direct method information can provide an important improvement in earnings forecast accuracy for financial statement users. Orpurt and Zang (2009) observe that the direct method provides a more accurate picture for investors. This is further supported by Zhao (2013), where the results of his study indicate that analysts’ cash flow forecasts are more accurate for firms employing the direct method than for those using the indirect method in preparing the statement of cash flows. Petryni (2007) avers that the direct method helps provide more security and confidence to investors. Further, Miller and Banhson (2002) indicate that direct method provides better information to investors, creditors and managers. Clinch et al. (2000) find evidence that direct method cash flow components have significant explanatory power compared to estimates of these figures when the differences between the reported and estimated cash flow components are large. Leo and Hoggett (2001) highlight that the main advantages of the direct method is that it presents a summary of the major categories of operating cash inflows and outflows which can be traced to the cash records of the entity and that this information is not available in other financial statements. Lee et al. (2013) hold that preparing cash flow statements under the indirect method involves adjustment of many items, is a highly complex process and prone to errors. Researchers have criticized the indirect method for confusing users with unnecessary details, (Smith and Freeman, 1993; Heath, 1978). The indirect method of calculating cash provided by operations is pernicious because it is almost certain to continue to confuse financial statement users by reinforcing the incredible belief that profits and depreciation are sources of cash, (Heath, 1978).

Besides, advocates of the indirect method argue that it is more informative than the direct method because it firstly emphasize the build-up (liquidation) of working capital (receivables, payables, inventories, etc.), thereby explaining the difference between net profit and operating cash flow and secondly keep management honest, i.e., it reduces the ability of management to manipulate the profit and loss statement without notice by report users (Wallace *et al*. 1997). Rue and Kirk (1996) report that the direct cash flow disclosures are not significantly different from estimates made using other available financial statement information, suggesting that the direct cash flow disclosures are redundant.

Relevance

According to paragraph 26 of the IASB Framework for the Preparation and Presentation of Financial Statements, information is relevant “when it influences the economic decisions of users” by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations. In addition, FASB Concepts Statement No. 2 on Qualitative Characteristics of Accounting Information stipulates that to be relevant, accounting information must be capable of making a difference in a decision by helping users to form predictions about the outcomes of past, present, and future events or to confirm or correct expectations. Khan et al. (2008) state that manager’s response favourably to the direct method because the direct method helps them make decisions about the allocation of scarce resources, make predictions about the outcomes of past, present and future events, confirm or correct their past evaluations and is perceived to enable them assess the rendering of accountability by preparers of the cash flow statement. They also find the direct method of cash flow statement useful in planning and controlling day-to-day operations. The direct method disclosures are incrementally informative beyond indirect method disclosures when predicting future cash flows from operations and earnings, Orpurt and Zang (2009). Analysts assert that the direct cash flow statements provide useful information for predicting cash flows, (De Ricquebourge et al. 2013). Recent studies also provide evidence that the direct method components increase explanatory power and accuracy of cash flow and earnings predictions, (Farshadfar and Monen, 2012, 2013; Arthur et al. 2010). Krishnan and Largay (2000) note that the direct method of presenting cash flows provides a better forecasting of future cash flows compared to information derived from the use of the indirect method and compared to earnings and accrual accounting information taken separately. They also report that the direct method is superior to the indirect method in predicting future operating cash flows. Measurement errors are reported in estimating the operating cash flows from the statement of financial performance and the statement of financial position with the indirect method. In addition, Zhao (2013) demonstrates that the accuracy of analysts’ cash flow forecasts is significantly improved when they examine statement of cash flows prepared using the direct method than when they compare similar statements prepared using the indirect method. These results are consistent with prior literature that direct method provides more useful information than indirect method in predicting future cash flows (Krishnan and Largay, 2000; Cheng and Hollie, 2008; Orpurt and Zang ,2009). Information from the direct method is valuable to evaluate firms’ ability to generate future cash flows, to meet dividend and debt obligations, which assists investors and creditors access the liquidity, financial flexibility and solvency of an entity, (Zhao, 2013). It has been argued “that the indirect method greatly undermines and diminishes the relevance and mission of the cash flow statement” (Jones et al, 1995, p115).

Decision Usefulness

Jones et al. (1997) find that while the direct method was considered more complex, costly and time consuming, the method is perceived by these firms to help users understand cash-flow data; facilitate cash-flow analysis; reflect accepted commercial practice; and have a sounder conceptual basis. These results imply that the direct method is perceived by respondents to satisfy the information requirements of diverse potential users. Khan et al. (2008) results indicate that the direct method satisfies the different users’ needs for decision making purposes. The results are consistent with findings of Goyal (2004).White et al. (1998) state that direct method statements allow analysts to make such comparisons because they provide information better suited for analysis. Richardson (1991) claim that direct method improves the comparative ability of individual component of cash receipts and cash payment across similar firms over time. Most surveys criticize the indirect method of representing operating cash flows. Firms that use indirect method in the presentation of operating cash flows are unable to compare similar types of cash receipts and payments across companies at least annually (Richardson, 1991). According to Kojima (2012), more accurate decisions can be made by the direct method of presentation than by the indirect method of presentation. Zhao (2013) certifies that the accuracy of analysts’ cash flow forecasts is significantly improved when they examine statement of cash flows prepared using the direct method than when they compare similar statements prepared using the indirect method. This strengthens the usefulness of the direct method.

Jones et al.(1995) examined ratings of the direct versus indirect method by managers and other internal users of company reports and found wide spread support for the direct method of reporting cash flows. Jones and Widjaja (1998) conducted a survey based on 159 financial statement users to explore the decision relevance of AASB 1026 by different user groups. They ask 115 questions, which include the following: (a) how do respondents view the overall relevance of company financial reports and, Statement of Cash Flows; (b) how do they view the decision relevance of the cash flow statement, used both in isolation and in conjunction with other accrual-based financial statements; (c) and how do they view the decision relevance of the direct method versus the indirect method for reporting operating cash flows. Their results show that 70 percent respondents prefer the direct method. Their results are consistent with Klammer and Reed (1990) who report that bank analysts and loan officers are more likely to grant loans to firms using the direct method. Several studies have supported that the direct method is relevant in a variety of decision contexts, including liquidity and solvency evaluation, monitoring and prediction assessments, performance evaluation, calculation of free CF and valuation models (White et al. 1998; Jones et al. 1995).

3.Research Methodology

To assess perception of users on the two cash flow reporting methods, a two section questionnaire was circulated. The survey instrument was specifically designed to be answered by individuals having knowledge and understanding of the cash flow statement. The questionnaire comprised of two sections. The first section aims to collect data on the demographical characteristics of the participant. The items of the second section purport to measure perception of respondents on the two different reporting methods. The usefulness of the two methods was assessed in relation to their understandability, reliability, relevance and decision usefulness. Questions in the second part of the survey instrument have been constructed by referring to previous studies on cash flow statements and characteristics of financial reporting. The second part of the questionnaire were measured using a five points Likert scales with anchors ranging from 1 for strongly disagree to 5 for strongly agree. Questions grouped under the four items are provided in Table 1. 150 questionnaires were circulated, out of which 81 were returned, representing 54% of the sample size. The data was subsequently analyzed using descriptive statistics and paired sample T test.

Table 1: Questionnaire constructs

	Questionnaire Constructs	Source
Understandability	Familiarity with the format	Brahmasrene et al. 2004.
	The content can be read easily	Lee et al. 2002.
	Information is characterized and presented clearly	Lee et al. 2002.
	Technical language/term used is easy to follow	Beest et al. 2009.
Reliability	Information presented is less prone to errors	Lee et al. 2013.
	Information available includes all necessary values that we need	Lee et al. 2002.
	Better information that increase confidence on quality of cash flow statement	
	More accurate information is presented	Zhao,L(2013).
Relevance	Better forecasting of future cash flows	Zhao,L(2013).
	Information available helps to evaluate performance	Zhao,L(2013).
	More accurate predictions can be made	Zhao,L(2013).
Decision Usefulness	Current and previous accounting periods' figures can be compared	Beest et al 2009.
	Consistent and comparable reports due to uniformity of reporting	
	Information is presented in a consistent manner over time	

	Information covers the need of our tasks	
	The amount of information disclosed is sufficient for our needs	Lee et al. 2002.
	Information is easily extracted to meet our needs	Lee et al. 2002.
	Information supports decision making	

4.Results and Discussion

Respondents' profile

Response rate and other demographic information are presented in Table 2 below. An analysis of the results shows that 11 accountants, 11 managers, 25 auditors, 6 investors and 28 junior staff participated in the survey. Only 4 participants did not have accounting qualifications. The results from table 2 indicate that the level of occupational experience was quite widespread, where approximately 42 % have between 4 to 10 years work experience, 20 % of respondents have 1 to 3 years experience and 11 to 15 years experience respectively. From the current result, it can be considered that the respondents have sufficient experience in their respective field and since most of them have accounting qualifications, they should satisfactorily provide knowledgeable judgments on the issues involved with respect to cash flow reporting methods. It is worthy to note that all respondents claim that they use the indirect cash flow reporting method. It can therefore reasonably be concluded that the indirect method of reporting cash flows is predominant in Mauritius.
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Table 2: Profile of Participants

		Managers	Accountants	Auditors	Investors	Junior Staff	Total
Accounting Qualifications	**Yes**	11	11	25	6	24	77
	No					4	4
Experience	**1-3**	2	2	3		9	16
	4-10	2	3	15	1	13	34
	11-15	2		6	2	6	16
	More than 15	5	6	1	3		15
Business Sector	**Financial**	2	5	18	5	17	47
	Services	1	4	3		2	10
	Utilities	5		4	1	8	18
	Other	3	2			1	6

All the 81 respondents responded that their companies used the indirect cash flow reporting method

Reliability and Descriptive Statistics

In order to assess the reliability of measurement scales, Cronbach alpha scores were computed. The results obtained show that Cronbach's alpha values range from 0.698 to 0.814. Given that a set of statements relating to each of the four items under study, that is, understandability, reliability, relevance and decision usefulness were asked in the questionnaire, composite means were computed with the statements to regroup them under the four items. 4 statements were grouped under understandability; 4 under reliability, 3 under relevance and 7 under decision usefulness.

We use descriptive statistics to verify whether there was a mean difference between users' perceptions on the quality of information provided by the two cash flow reporting methods. The results of the descriptive statistics and composite reliability index are shown in Table 3.

Table 3: Descriptive Statistics for Occupations

	Total Mean	Managers	Accountants	Investors	Auditors	Junior Staff	Cronbach's alpha
Understandability-Indirect Method	3.91	3.77	**4.07**	**4**	3.95	3.85	0.803
Understandability-Direct Method	3.48	3.61	3.82	3.67	3.75	3	0.698
Reliability - Indirect Method	3.57	3.5	3.48	3.63	3.36	3.803	0.777
Reliability - Direct Method	3.78	3.86	3.91	3.63	3.99	3.54	0.722
Relevance -Indirect Method	3.68	3.48	3.61	3.78	3.64	3.79	0.725
Relevance -Direct Method	**4.01**	**4**	**4.06**	**4.28**	**4.27**	3.71	0.814
Decision Usefulness - Indirect Method	3.61	3.53	3.62	3.86	3.43	3.74	0.814
Decision Usefulness - Direct Method	3.804	3.91	**4.04**	3.95	**4.01**	3.45	0.728

Mean for understandability of the indirect method (mean= 3.91) outweighs that of the direct method (mean= 3.48). However the gap between these two methods is not very wide, which implies that users do have an understanding of the set of information provided by the direct method, although all users aver using the indirect method. Users rate the direct method (mean=3.78) to be more reliable than the indirect method (mean=3.57). From the mean values, it can be inferred that all user groups rate the direct method above the indirect method with the exception of junior staffs as their mean value for reliability of the indirect method is higher than the direct method. Users view the direct method (mean= 4.01) to be more relevant than the indirect method (mean= 3.68). Again junior staffs mean value for the indirect method was higher than the direct method. The primary purpose of disclosing cash flow statement is for decision making purposes. From the descriptive statistics, it was found that users perceive the direct method (mean= 3.804) to be more useful in decision making.

However, junior staff still positioned the indirect method to be more decision useful than the direct method.

A paired sample t-test was used to determine whether there is a significant difference between perception of users under the indirect and direct cash flow methods. There was a significant difference in the scores of the direct method and the indirect method. Table 4 below, provides details of mean differences and significance levels. Although we report a weak difference between the direct and the indirect method, as far as relevance, reliability and decision usefulness are concerned, we observe that users have a preference for the direct method. For instance as far as reliability is concerned, there was a significant difference in the scores for the direct cash flow method (M= 3.78, SD= 0.40) and the indirect cash flow method (M= 3.56, SD= 0.75); t (80) = -2.089, p = 0.040. The result suggests that users rate the direct cash flow reporting method as being more reliable than the indirect cash flow reporting method. It can be inferred that users find the direct cash flow reporting method to serve their information needs. In addition, it can reasonably be assumed that as compared to the indirect cash flow reporting method, users perceive the direct method to provide more accurate information.

The paired samples T test indicates that scores were significantly higher for relevance of the direct method, (M= 4.0123, SD = .55) than for relevance of the indirect method, (M= 3.6790, SD= .75910); t (80) =-3.162, p = .002. According to Zare et al (2012), reliability and relevance are the most important qualitative characteristics of information. The result is somehow consistent with IASB's preference for the direct method. Previous research has also indicated that the direct method of preparing the cash flow statement is preferred by users (Khan, 2008; Broome, 2004 and Knutson, 1993). Users perceive that the direct method improve relevance of information through its predictive ability and its capacity to aid evaluation of performance. Studies have revealed strong evidence for the value relevance of the direct cash flow reporting method, (De Ricquebourge et al, 2013; Orpurt and Zang, 2009 and Clinch et al, 2002). According to De Ricquebourge et al (2013), analysts assert that direct method cash flow statement provides useful information for predicting cash flows. Further users believe that the direct method information enables more accurate predictions. Recent studies have also provided evidence that the direct method components increase explanatory power and accuracy of cash flow and earnings predictions (Farshadfar and Monen, 2012, 2013; Arthur et al, 2010). The results also demonstrate that users are of the opinion that the direct method will help them better evaluate performance of companies. Results are similar to other studies which report that the direct method is relevant in evaluating performance, monitor and predict assessments and to evaluate solvency and liquidity (White et al, 1998; Jones et al, 1995).

On the other hand, as far as perception of users with respect to understandability of the two reporting methods are concerned, results demonstrate that users rank the indirect method higher than the direct method ,understandability direct method, (M =3.4753, SD = 3.4753) and understandability indirect method, (M= 3.9105, SD =.78492), t= -4.285, p = 0.000. Results are contrary to findings of Khan, 2008 and

Goyal, 2004 who found the direct method to be more understandable. This may be explained by the fact that users are more familiar with the indirect method in Mauritius. Gibson et al (1986) also report that certified public accountants who prefer the indirect method justify their preference on the grounds of habit and habit and consistency with past practice. Bramasrene et al (2004) also find that the choice of the indirect method results from familiarity. It can reasonably be inferred that familiarity is an important factor when choosing cash flow reporting methods. Given that all users in the sample aver using the indirect method, it can be argued that users support readability of the indirect cash flow reporting method and perceive that technical language used in the indirect method presentation is easy to follow This is contrary to other results where the indirect method have been criticized to be less understandable and to contain too much technical language (Mello-e- Souza, 2006; Broome, 2004).

Users perceive that the direct method is more useful in decision making than the indirect method, direct method (M= 3.8042, SD= .43941), indirect method (M= 3.6102, SD= .69767), t (80)=2.015, p= .047 . The results suggest that users prefer the direct method for "decision usefulness" measurement. Decision usefulness of the direct method is supported by prior research, (Kojima, 2012; Khan, 2008; and Goyal, 2004). It can reasonably be argued that users find the direct method to be sufficient for their decision needs and that users recognize that the direct method provides information that are more comparable, uniform and consistent. Users agree that the direct method satisfy their needs for decision making. This is consistent with Jones et al (1997), where the results of their study demonstrated that the direct method is perceived by respondents to satisfy the information requirements of diverse potential users. Therefore, the direct method meets the information needs and purpose of many different users.

Table 4- Paired Samples test

		Mean	Std. Deviation	t	df	Sig. (2-tailed)
Pair 1	Reliability (Indirect Method - Direct Method	-.20988	.90438	-2.089	80	.040
Pair 2	Relevance (Indirect Method - Direct Method)	-.33333	.94868	-3.162	80	.002
Pair 3	Understandability (Indirect Method - Direct Method)	.43519	.91411	4.285	80	.000
Pair 4	Decision Usefulness (Indirect Method - Direct Method)	-.19400	.86671	-2.015	80	.047

5.Conclusion, limitation and future research

The study demonstrates that all respondents from the sample claim that they use the indirect cash flow reporting format. However, users have a preference for the direct cash flow reporting method as far as their relevance, reliability and decision usefulness power are concerned. But we report a weak mean difference among them.

In addition, as far as understandability is concerned, results suggest that users prefer the indirect method. We argue that users in Mauritius have a preference for the direct method, thus, adding significance towards IASB proposition to mandate the direct method.

The study provides an insight on perception of users on the usefulness of the direct and the indirect cash flow reporting method. Given the limitations of the study, findings should be interpreted with a note of caution. The main limitation of the study pertains to the sample size. Given that only 81 respondents participated in the study, results are not generalisable. Therefore perception of users will be better assessed by having a bigger sample size and investigate differences among and between user groups. For instance ANOVA with post Hoc could be used to identify perception of user groups on the two cash flow reporting methods. Furthermore, given the weak sample size, factor analysis could not be used to validate internal consistency of constructs used in the questionnaire. Therefore, further research using these constructs could prove valuable.

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